

<b>To:</b>	Warden Halliday and Members of Grey County Council
<b>Committee Date:</b>	November 22, 2018
<b>Subject / Report No:</b>	FR-CW-24-18
<b>Title:</b>	Corporate Financial Update and Year-End Projection as of September 30, 2018.
<b>Prepared by:</b>	Kevin Wepler, Director of Corporate Services
<b>Reviewed by:</b>	Kim Wingrove, CAO
<b>Lower Tier(s) Affected:</b>	
<b>Status:</b>	Recommendation adopted by the Committee as presented as per Resolution CW276-18;

## Recommendation

1. That Report FR-CW-24-18 regarding a Corporate Financial Update and Year-End Projection as of September 30, 2018 be received.

## Executive Summary

This report is to provide a corporate financial update for all County departments based upon financial statements as of September 30, 2018. The report summarizes any variances that are being projected for the various departmental operations. A high-level variance analysis and a set of County financial statements are attached.

## Background and Discussion

Each Department reviews its actual to budget figures and projects a year-end position by estimating results still to happen. These adjustments have been incorporated into each Department's projections in this report. Highlights of the financial statements and variances are as follows:

- Administration: Savings estimated at approximately \$296,100 in the Administration Departmental budgets are projected to be realized by the end of the year. The savings are primarily the result in savings in wage and benefit budget lines due to a number of staffing vacancies and staffing changes that occurred in 2018.

Investment income in the Administration General budget is projected to provide \$150,000 in surplus funds due to higher yields of return being realized. The Bank of Canada raised its benchmark interest rate on October 24<sup>th</sup>, 2018 marking the third increase this year and

benefiting the County's cash holdings and investment portfolio returns.

The cost of capital projects procured for IT infrastructure updates, along with some unplanned IT infrastructure capital investments, are resulting in a projected budget deficit of \$230,800.

Overall the Administration budget portfolio is anticipated to end the year with an estimated positive variance of \$215,300.

- Council: Council budget is projected to end the year with a surplus of \$30,000. The most significant contributing factor to this surplus is savings in Professional and Consulting fees budget line for funding for the County's Integrity Commissioner's services.
- Information Services: The Information Services budget is anticipated to end the year on budget. While savings have been realized on software procurement, a portion of this project was budgeted from reserves and therefore will not result in any projected surplus.
- Weekly Indemnity and Workers' Compensation: The Weekly Indemnity (Short Term Disability) and Workers' Compensation budgets are self-insured plans. The premiums charged to County Departments are shown in these budgets as a source of revenue and are used to pay all of the costs to administer these self-insured plans. The Weekly Indemnity costs are anticipated to end the year with a surplus of \$29,500. The Workers' Compensation budget is projecting a year-end deficit of \$101,800. Lost time claims are of a nature that employees are not anticipated to return to work for some period of time. In addition, the County has had some prior year claims that were appealed to the Workplace Safety and Insurance Board (WSIB), and these claims have now been approved by WSIB. If year-end projections are correct and this deficit realized, the applicable reserve could be utilized to offset this shortfall.
- Assessment: The costs for the services of the Municipal Property Assessment Corporation (MPAC) will end the year with a small deficit of \$18,400. MPAC invoices the upper-tier municipality on a cost-recovery formula based on the County's percentage of the total assessment and the total properties that MPAC assesses in Ontario. These costs invoiced are a higher proportion to Grey County than what staff had estimated for 2018.
- Provincial Offences: This budget is projected to end the year with a small surplus of \$55,000. Ticket volume and revenue are difficult to estimate; 2018 gross revenues continue to be higher than anticipated and are projected to be \$77,000 higher than budget with Grey County's share being \$31,932. Salary and benefit lines are lower than budgeted as a result of staffing changes but are partially offset by the continuance of contract prosecution for the remainder of the year for a net projected savings to Grey County of \$55,000.
- Health Unit and Other Funding Initiatives: It is anticipated that the Health Unit budget will end the year with a surplus of \$123,600. The Grey Bruce Health Unit received notice in 2018 that the Ministry of Health and Long-Term Care would provide a two percent base funding increase in 2018. As this budget is cost shared with Grey and Bruce Counties, this will result in additional

funding of \$7,100 being required from the County's Health Unit budget. However, this additional funding that is required is being offset by the Health Unit's 2017 surplus. The County has now received a remittance from the Health Unit of \$130,371 relating to the 2017 fiscal year.

The 2018 budget provided funding for payments and and/or transfers to reserve for Health Care and Educational initiatives, such as the Grey Bruce Health Services Campaign and the Marine Emergency Duties Training Centre at Georgian College. Funding provided in the 2018 budget is sufficient for 2018 with payments and transfers being allocated as approved.

- Property:** The operating and capital budgets for the Administration, Provincial Offences and Morrison Buildings are projected to have a balanced position at year-end. The estimated savings in the operating budgets primarily from the budget lines for hydro and cleaning supplies in the Administration building are offset by higher salaries and associated benefits than anticipated. The capital budget for the Administration Building as well as the addition and alterations project is expected to remain on budget. The balance remaining to be paid to Devlan Construction for the build project is \$275,042; this amount is comprised of warranty holdback totaling \$271,200 and small amounts remaining to be completed for paving, mechanical and landscaping.
- Supplementary Taxation and Tax Write-Offs:** The anticipated year-end projection for supplementary taxation and tax write-offs is a surplus of \$218,000. This projection is based on estimates that have been provided by local municipal staff. These tax adjustments will not be finalized until later in the year when all supplementary taxation and write-off estimates are provided to the County by local municipal staff.
- Planning:** The Planning operating budget is projected to have a \$200,000 surplus at year-end as a result of staff vacancies and staff changes, along with higher than anticipated application revenue. The 2019 budget will propose to extend a contract position utilizing a portion of the surplus in 2018 to fund this contract extension.

Planning capital budget is anticipated to end the year on budget. The capital Climate Change Action Plan work is being deferred to 2019, as per the 2019-2028 Ten Year Capital Forecast, in anticipation of grant funding opportunities in 2019 that currently don't exist for 2018. The Saugeen Valley Conservation Authority's (SVCA) recent decision to withdraw from providing municipalities with comments on natural heritage related matters, along with natural hazard comments for areas outside of the SVCA's regulated area or outside of the SVCA's Screening Area, will require investigation into alternative arrangements and this could result in additional expenses in the future.

- Agriculture:** The Agriculture budget is currently projected to have a surplus of approximately \$10,000 based on beaver and coyote grant expenditures being lower than anticipated.
- Forestry:** The Forestry budget is projected to end the year with a budget deficit of \$30,000. This deficit is as a result of lower than anticipated revenue from the tender of harvests of County

forests. Staff has worked with Grey Sauble Conservation Authority staff and County Purchasing staff to explore different strategies for future tenders to improve tender results. This includes releasing forest tenders earlier to allow operators to plan their harvests for 2019. There are some items in the Forest Trails budget that are being proposed to be carried over into 2019 for funding to implement any recommendations that are received from the Recreational Trails Master Plan once it has been completed.

- Trails: The Trails operating budget is anticipated to end the year with a surplus of \$30,000. The tender for grading and packing over 36 kilometres of trail came in less than anticipated which will result in a surplus of approximately \$30,000.

With respect to the Trails capital projects, the County's Bridge Crew was able to perform maintenance work on two bridges on the CP Rail Trail resulting in expenditure savings. As well, Bridge 63 has been completed and came in under budget. These projects are funded from reserves and therefore will not result in any surplus.

- Economic Development: Based on projects and plans for the 2018 year the Economic Development budgets will end the year on budget.

The Business Enterprise Centre is anticipated to be on budget, with all provincial funding being spent to fulfill provincial agreements.

The Community Hub capital project is now behind schedule and it is anticipated this reserve funding will not be fully utilized in 2018. The County was successful in acquiring the Sydenham School and funding for this expenditure was not provided in the 2018 budget. Staff are recommending that any corporate surpluses that have no required specific departmental needs realized in 2018 be used to fund this acquisition.

The Connected Community budget included \$200,000 in reserve funding to support the development of any local broadband improvements that could complement any SWIFT network construction. Currently no project(s) have been identified.

- Tourism: Tourism's budget is \$22,000 under budget as of September 30, with most of this variance explained by staff changes which created some vacancies and lower actual salary and benefit costs. While most of the summer and fall marketing campaigns are complete, some of these expenditures and the final push for early winter marketing remain. Tourism is projecting a year-end surplus of \$20,000.
- Grey Roots: Grey Roots is anticipating that its operating budget will end the year with a slight surplus of \$25,000. While general admissions this past hot summer were less than expected, forecasted targets exceeded expectations for school groups, KidsCamp and special events. As the Grey Roots facility approaches its fifteenth year, systems such as the HVAC unit and the fire pump required replacement. However, these cost overages were offset by savings in other areas such as conservation costs, office expenses, conferences, staff training and development costs, internet advertising and signage.

The majority of expenses in the capital budgets are transfers to reserve. The Grey Roots' Gallery capital update work has been awarded and the remaining capital expenditures are anticipated to be completed slightly over budget, resulting in a small \$5,000 deficit in the capital budget.

- Ontario Works: The Ontario Works budget is projected to have a \$14,800 surplus at year end. Revenues from Social Assistance Overpayment Recoveries, CPP and Family Responsibility Office (FRO) are expected to be lower than budget and Mandatory Benefit expenses are projected to be overspent. The average monthly caseload as of September is 1316 compared to the budgeted caseload of 1340; this lower caseload is resulting in under-expenditures in Basic Needs and Shelter. However, there is no net levy impact as these expenses are 100% provincially funded. Non Shareable funeral costs are estimated to end the year slightly over budget but are expected to be offset by a surplus in Homemakers and in revenue from prior year's rate increase adjustments.

The projected surplus will occur in the Ontario Works Administration and Employment Support budgets. In addition to under-expenditures in legal fees and employment related expenses, there are savings in salaries and benefits due to lower costs of contract staff covering leaves of absence. The savings in salaries is expected to cover the \$53,300 estimated cost of continuing the Community Transportation Pilot from April to December without the Ministry of Transportation contribution, as a funding agreement from the province has not been received yet. The municipal cost share for a \$5,000 sponsorship of the Weaving Paths Conference will be offset by savings under Community Support in the County Social Initiatives budget.

- Child Care: The Child Care budget is projected to end the year with a \$38,800 surplus. The County had a \$49,055 decrease in Core Funding this year, which resulted in a \$7,440 decrease in required municipal contribution to child care and is contributing to the surplus. The remainder of the surplus is occurring in the EarlyON budget due to salary savings with the contract Program Supervisor not being hired until April as well as fewer part time staff hours than anticipated.

Fee Subsidy costs to September have increased by \$430,200 over the same period in 2017. A portion of this increase is due to an income testing policy update at the end of 2017 to align County procedures with Ministry guidelines. The remaining increase, which is due to new children, will be funded by Expansion and Early Learning and Child Care (ELCC) funding. This funding is intended to sustain 2017 growth in childcare spaces and to support new spaces in 2018. Play based materials, equipment, repairs and general operating expenses have also been funded this year to assist Child Care Operators with the cost of increased spaces and staff continues to explore opportunities to fully expend the \$2,419,250 allocation.

Provincial operating and capital funding is being provided to M'Wikwedong Native Cultural Resource Centre as they proceed with the EarlyON renovation at its site in Owen Sound. Capital funding has also been approved for the County to fund EarlyON renovations at the Dundalk Community Centre and at the former Sydenham School and will be expended as these projects commence. If this capital funding is not fully spent in 2018, it will be placed into deferred revenue for use in 2019 as the projects continue.

- Housing: Overall, the Housing budget is projected to have an operating budget surplus of \$200,000 and a \$98,800 shortfall from the capital budget. As of September 30, tenant related

revenue totaled \$49,200 more than the year-to-date budget. After projecting rent revenue to year-end and taking into consideration that the year-end write off of uncollectible accounts is expected to be \$27,000 less than budgeted; in total these two budget lines may result in \$92,700 more revenue than budgeted.

The greatest pressure on the operating budget is the number of move outs in 2018. There have been 92 unit turnovers (or 10.3% of total units) to date. In comparison, 2017 was also a high year with 90 turnovers (10.1% of total units). An aging tenant population resulting in unit turnovers is having an impact on the budget lines to make units ready for occupancy.

The operating budget line for building repairs totals \$196,700 and as of September 30, 104% of this budget had been utilized. The total for this line at the end of the year could reach \$272,900 if the trend continues. The cost to make units ready for occupancy after long term tenants leave results in higher repair costs and often includes the replacement of flooring, trim etc. The combined budgets for utilities are currently expected to have an overall \$240,000 surplus with reduced hydro costs and natural gas costs offsetting a projected \$11,000 shortfall in the water budget. These savings will be used to offset the building maintenance budget lines. The budget for snow removal has \$60,375 remaining. Based on the average of the previous three years, this should be sufficient for the remainder of the year. Savings of \$29,000 exist in the budget for property taxes with insurance exceeding the budget by \$18,000 as the result of the additional Golden Town units.

Grey County assumed ownership of the former Golden Town Non Profit on September 28; adding 109 units to the portfolio and the costs to maintain these units will be funded from the non profit budget for the remainder of the year.

The savings from the federally funded Rent Supplement Program are expected to total \$16,000. The various Housing Programs (Investment in Affordable Housing, Social Infrastructure Fund, etc.) are 100% Ministry funded and do not generate savings.

The Housing capital budget currently has a \$98,800 shortfall; this figure is based upon projects that have estimated final costs. There are savings and shortfalls in a number of individual projects and Report HDR-CW-15-18 for the award of Bath Rebuilds at 225 14<sup>th</sup> Street West, Owen Sound recommended that the budget deficit of \$100,292 be funded from surplus in the Capital budget or if surplus is not available, from the Housing Reserve. Staff will recommend in the year-end report that the shortfall in the Housing capital budget be funded from savings in the operating budget.

- Long Term Care: The 2018 budget contained funding in each of the County's Long Term Care budgets for Sienna Senior Living to complete an operational review of each of these facilities. Sienna presented the operational review findings to the Long Term Care Committee of Management and given the findings, Sienna was contracted in August to provide long term care support services until an agreement to approve a management contract is received from the Ministry of Health and Long Term Care. The unbudgeted cost for these support services are being funded from any surpluses being realized in 2018 and if insufficient the use of each of the Long Term Care Reserves will be utilized.

- Grey Gables: Grey Gables is expected to end the year with a balanced operating budget. The increase in the Case Mix Index, other small funding increases and additional revenue amounts in preferred room revenue lines have provided a total of \$46,300 in additional revenue. In the Nursing and Personal Care envelope, wages and associated benefits are overspent from higher than anticipated staffing costs. These staffing overages in the Nursing and Personal Care funding envelope are offset by lower than anticipated hydro and building maintenance costs in the Other Accommodation funding envelope.

The Grey Gables capital budget is projected to be a balanced budget.

- Lee Manor: Lee Manor is expected to end the year with a balanced operating budget. Additional revenue for the Case Mix Index of \$198,000 was received in 2018. This revenue is offset in the Nursing and Personal Care and Program Services envelopes, where wages and associated benefits will be overspent due to higher than anticipated staffing costs. The Other Accommodation envelope overall is mostly on budget, with higher than expected legal and professional fees offset by lower than anticipated hydro expenses.

Several capital projects at Lee Manor have been completed under budget. The surpluses from these capital budgets will be used to fund the deficit arising from the kitchen renovation for a total overall capital surplus of \$27,000.

- Rockwood Terrace: Rockwood Terrace is expected to end the year with an operating deficit of \$28,000. The Other Accommodation funding envelope has lower than anticipated hydro and building maintenance costs, and unfilled shifts in the Dietary and Maintenance departments. In the Nursing and Personal Care envelope, wages and associated benefits will be overspent due to higher than anticipated staffing costs. Overall revenues from Ministry funding will be \$32,000 less than budgeted.

The Rockwood Terrace capital budget is projected to have a small surplus of \$11,500 from several projects that came in slightly under budget.

- Long Term Care Redevelopment: Expenditures for consulting and legal totaling \$4,600 have been incurred. These expenditures will be recommended to be funded from any surplus within the Long Term Care budget portfolio and if insufficient, from the Long Term Care Redevelopment Reserve.
- Paramedic Services: This service is projected to end the year with a \$320,000 operating budget shortfall and a balanced capital budget. The 2018 Ministry funding announcement provides \$37,573 less in grant revenue than budgeted; the shortfall has been offset by an unanticipated Ministry claim based program that provided reimbursement for costs incurred related to post traumatic stress disorder. The claim guidelines excluded expenditures for early intervention; Grey County's claim was \$87,678 with \$24,241 received. This results in a combined grant shortfall of \$13,332.

At this point, it is anticipated that salaries will exceed budget by \$188,300 as the result of

staff absences and staffing changes. This projection takes into account the estimated unionized staff wage increase; this contract expired December 2017 and it is expected the contract will not be settled until 2019. This budget is being impacted by the rising cost of fuel and call volume that has increased almost 10% over 2017. Fuel costs could exceed budget by \$53,300 and meal reimbursement by \$4,500. Also affecting this budget are legal and professional costs that are expected to result in a shortfall of \$45,000 and maintenance of bases with an estimated shortfall of \$24,300. Eyewash stations for the bases in the 2017 budget were delayed and not carried over in the 2018 budget; this accounts for approximately \$7,500 of the overage in the maintenance of buildings budget line. Savings of approximately \$5,000 is expected in the budget for oxygen as a result of a change in standards with the budgets for rent and snow removal considered adequate for the year. After taking into consideration savings and shortfalls in other operating budget lines, a shortfall in the operating budget of \$320,000 is anticipated.

The capital budget will end the year as a balanced budget; this budget includes the purchase of two ambulances, one stretcher and one duty supervisor vehicle, a small section of fence at Craighleith and the build of a base at Chatsworth. Report PSR-CW-07-18 estimates a budget shortfall for the Chatsworth base of \$130,023; the self-financed debenture for this project will be recalculated when the project is complete. The project award includes \$70,000 in contingency allowances with \$26,136 of this amount utilized as of the October 25, 2018 invoice.

As discussed in PSR-CW-05-18, the County of Grey will receive \$63,800 in funding for computers and docking stations to be utilized in the testing of the SAVE (Situational Awareness of Vulnerable Populations During a Crisis or Evacuation) application. As new computers and docking stations were purchased in 2017 these funds will be transferred at year-end to the Paramedic Services reserve that is utilized for equipment/vehicle purchases.

Report PSR-CW-06-18 approved the purchase of a Community Paramedicine vehicle; since the program inception, staff has used a vehicle that was previously used by duty supervisors and was scheduled for disposal. Acquisition of a vehicle was not included in the 2018 budget as there was no commitment beyond March 2018 for the program to continue. The estimated purchase price was \$60,000; the actual cost including conversion is expected to total \$61,700 with funding from the vehicle and equipment reserve with an annual repayment from the paramedicine budget. The cost for two ambulances and a supervisor vehicle are expected to total \$11,700 more than budgeted; capital purchases are funded from reserve with no impact on surplus or shortfall at year-end.

- Transportation Services: The Transportation Services budget is projecting to end the year with an overall \$30,000 surplus.

Expenditure overages in pothole patching, sign shop reflectivity replacements and granular seal work in the Ordinary Maintenance department were offset by savings in pavement edge repair, shoulder grading, washout repairs, and brushing.

Winter Maintenance costs are on target, assuming an average winter in November and December 2018.



The Facilities, Depots and Domes departmental budget is expected to have a small surplus of \$30,000 from lower than expected hydro bills and maintenance costs at each of the patrols, and the Equipment departmental budget is also expecting a small surplus from lower than anticipated fleet repair costs.

All twelve of the 2018 capital projects are either substantially completed or close to completion. Capital project shortfalls in reports previously brought to Council recommended that any surplus realized from within the 2018 Transportation Services Budget was to be used to fund these deficits, or if a surplus was not available, that these deficits were to be funded from the Federal Gas Tax Reserve. The total projected deficit for these twelve capital projects was originally estimated at \$989,459. However, at this time, the total projected deficit for these twelve capital projects is estimated at \$811,791 (based on estimated final project costs) and will be funded from a small surplus from one capital project with the remaining amount funded from the Federal Gas Tax Reserve. After these deficits are funded, the Federal Gas Tax Reserve will have a projected 2018 year-end balance of \$2,470,902.

## Legal and Legislated Requirements

None

## Financial and Resource Implications

A review of the actual as compared to budget, as at the end of September for all County departments projects a corporate year-end surplus position of \$171,900. This positive variance would represent a 0.12% variance as compared to the 2018 budgeted gross expenditures of \$144,827,057.

This financial projection incorporates Transportation Services use of Federal Gas Tax reserve funds to fund the total projected departmental deficit of \$811,791 for the twelve tendered capital projects.

## Relevant Consultation

  x   Internal – CAO, Directors, Managers and Finance staff

## Appendices and Attachments

[Attachment to FR-CW-24-18 2018 Operating and Capital Budget Variance Analysis as of September 30, 2018](#)

[Attachment to FR-CW-24-18 2018 Financial Summary Statements as of September 30, 2018](#)