



# Committee Report

<b>To:</b>	Warden Hicks and Members of Grey County Council
<b>Committee Date:</b>	June 27, 2019
<b>Subject / Report No:</b>	FR-CW-18-19
<b>Title:</b>	Corporate Financial Update and Year-End Projection as of April 30, 2019
<b>Prepared by:</b>	Kevin Wepler, Director of Corporate Services
<b>Reviewed by:</b>	Kim Wingrove, CAO
<b>Lower Tier(s) Affected:</b>	Not applicable
<b>Status:</b>	Recommendation adopted by Committee of the Whole as presented as per Resolution <i>CW145-19</i> ; Endorsed by County Council on July 11, 2019 as per Resolution <i>CC52-19</i> .

## Recommendation

1. That Report FR-CW-18-19 regarding a Corporate Financial Update and Year-End Projection as of April 30, 2019 be received.

## Executive Summary

This report provides staff's first projection to year-end based on revenues and expenditures to April 30, 2019. 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

The purpose of this report is to provide a corporate financial update for all County departments based upon financial statements as of April 30, 2019.

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: Staffing vacancies and staffing changes are impacting the various Corporate Administration budgets and providing approximately \$70,000 in projected surplus funds. Investment income is projected to be higher by \$185,000 due to some higher yields of return being realized. Capital projects procured are currently within budget. Overall the Administration budget portfolio is anticipated to end the year with an estimated positive variance of \$269,000.
- Council: Council budget is currently on budget and is anticipated to end the year on budget.
- Information Services: The Information Services budget is anticipated to end the year on budget
- 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 \$18,400 and assumes that the number and length of weekly indemnity claims will remain at the current level.

The Workers' Compensation budget is projecting a year-end deficit of \$145,300. This includes the budgeted transfer to reserve of \$92,500. Catastrophic loss insurance is lower than budgeted (\$60,219 lower) due to Council's earlier decision to not renew the Accidental Death and Dismemberment (AD&D) insurance and to self-insure the first \$500,000 of every claim. The biggest cost driver is the large number of PTSD/Traumatic Mental Stress claim costs in Paramedic Services. The County has 18 claims since 2016 (2016 – 1 claim, 2017 – 4 claims, 2018 – 11 claims, 2019 – 2 claims). As of April 30, 2019, six of the eighteen claims do not have claim costs associated with them at present. Total claim costs (health care, loss of earnings and administration fees) are \$289,338.81, of which \$126,229.87 has been expensed to 2019. The rising number of claims and associated costs reaffirm the need for the peer support and early intervention program that Council approved for Paramedic Services. If year-end projections are correct and this deficit is 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 on budget.
- Provincial Offences: This budget is projected to end the year with a shortfall of \$85,000 after cost sharing with Bruce County. Gross revenues are \$91,000 lower than budgeted as of the end of April with Grey County's share being \$53,350. Final ticket volume and revenue are difficult to predict based on the first four months of the year. Approximately 500 fewer tickets were issued in the first four months of 2019 compared to the same time period in 2018 and this decline is consistent across the west region. An analysis of the previous five years to compare ticket volume and revenue for the first four months against the annual numbers has been done and if 2019 mirrors the past, a revenue shortfall of \$224,000 could exist at the end of the year with Grey County's share being \$131,330. Staff is monitoring and waiting for information on the impact that is believed to be forthcoming on the reduction to the OPP budget for field and

traffic service. This information will be updated for the next projection based upon September financial statements. Revenue has been assisted by a change in collection agencies; the commission rate has increased although these costs are transferred to defaulted fines and therefore will not have a budget impact. The County received \$18,764 in defaulted fine revenue within the first two weeks (\$11,000 Grey County's share), with fines dating back to the 1970's. Salary and benefit lines are expected to provide savings of \$30,000 as the result of staffing changes and have been considered in this projection.

- Health Unit and Other Funding Initiatives: It is anticipated that the Health Unit budget will end the year with a surplus of \$15,100. This surplus is based on the Board of Health's budget that has been submitted to the Ministry of Health with a 0% increase over the 2018 approved budget. The County's 2019 budget was prepared with a 2% increase based on the Health Unit receiving a Ministry of Health approved 2% increase in Mandatory Program funding for 2018.

The 2019 budget provided a transfer to reserve for Health Care Initiatives and a payment for the Marine Emergency Duties Training Centre at Georgian College.

Council has received delegations from the Grey Bruce Health Services and the Collingwood General and Marine Hospital seeking capital grant funding. Council has endorsed the appointing of an ad-hoc Health Care Funding Roles and Responsibilities Committee to bring a recommendation regarding a policy for Health Care spending and a recommendation regarding current requests for funding including but not limited to Collingwood General and Marine Hospital, Grey Bruce Health Services request regarding the MRI, and support for physician recruiting and retention not to exceed the current in year budget of \$277,300.

- Property: The operating budgets for the Administration and Morrison Buildings are projected to have an overall \$15,000 surplus and the capital budget a balanced position at year-end. The estimated savings in the operating budgets are primarily from the budget lines for heat, hydro, salaries and associated benefits for the Administration Building. These savings are offset by higher snow removal costs than budgeted. With exception for the debenture payment, the capital projects are funded from reserve and are expected to remain on budget.
- Taxation, Grants and Other. No year-end position has been projected for supplementary taxation and write-offs at this time. These tax adjustments will not be known until later in the year when supplementary taxation and write-off estimates are provided to the County by local municipal staff.

The County received notice on March 20, 2019 that the County would receive a one-time payment in the 2018-19 fiscal year to support small and rural municipalities' efforts to become more efficient and reduce expenditure growth in the longer term. Grey County received a one-time modernization payment of \$725,000. This funding was not anticipated in the 2019 budget and therefore is providing unbudgeted revenue and surplus funds in the 2019 budget.

The County also received notice in November 2018 that the Ontario Government would provide \$40 million in funding over two years to municipalities to help with the implementation costs of

recreational cannabis legalization. The Province announced that funding would be received in two payments and the second payment would be based in relation to opt-out decisions made by the lower-tier municipalities. The 2019 budget included \$63,800 in grant funding based on the first payment allocation notice that had been provided. The County has now received a second payment allocation. This funding was not budgeted in the 2019 budget and therefore is providing \$65,157 in additional unbudgeted revenue. This additional revenue has not been projected in the overall year-end variance as these funds cannot be used to cover costs not related to cannabis legalization.

- Planning: The Planning operating and capital budget is anticipated to end the year on budget. Staff plan to release the RFP for the consulting portion of the Climate Change Action Plan project in the near future. Official Plan Amendment application revenue is currently lower than projected; however, subdivision application revenue is higher than projected which balances out.
- Agriculture: The Agriculture budget is anticipated to end the year on budget. The current variance between net YTD budget and actual amounts is due to all payments to other organizations already having been paid in full for the year; this variance is predicted to decrease to nil by year end. As of the end of April, coyote grant expenditures are on track; however beaver grant expenditures are lower than what was budgeted. If this continues there could be a slight surplus at year-end but it is currently too early to tell.
- Forestry: The Forestry budget and Forestry Trails budget are currently on track. Forestry activities generally occur later in the year, therefore the current appearance of underspending will even out by year end.
- Trails: The Trails operating and capital budgets are anticipated to end the year on budget. The geotechnical work required to complete the design for Culvert 80 has been awarded but not yet completed nor paid as at April 30<sup>th</sup>, causing the temporary appearance of an underspending variance. This geotechnical work will help to determine the final estimates for replacing Culvert 80 which is scheduled to be completed in 2020. Early estimates for replacement are coming in high (up to \$300,000) and staff are exploring cheaper options for replacing this structure. The geotechnical information will help to finalize the design and project estimates. Culvert 5A is scheduled to be replaced this year and will be completed by Transportation Services staff. The replacement of Culvert 7 will be tendered in the near future.
- Economic Development: Based on projects and plans for the year the Economic Development budgets may end the year with a \$179,100 operating budget shortfall and a balanced capital budget. A reduction in the cost for salaries and benefits totaling \$20,000 will be used to offset a \$199,100 projected shortfall in the community hub operating budget.

This is the startup year for the community hub (Sydenham campus), external scenarios have impacted the planned process of securing revenue. The projected shortfall of \$199,100 is a worst case scenario. Staff is working with partners and other levels of government to renovate the building and introduce programming, expected as soon as fall 2019. A revised business plan

is nearing completion and will include several revenue streams beginning in 2020.

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

The capital budget includes projects for providing community improvement plan funding to member municipalities and renovations to the community hub with \$9,500 spent to date.

- Tourism: Tourism budget is \$41,000 under budget as of April 30; however much of Tourism's marketing activities and budget is spent over the summer and fall months, reducing the year-end position. These activities include Grey County's new #tourismmattersingrey campaign, the summer and fall #ColourItMyWay digital marketing campaign, and summer students attending events across Grey County. A staff vacancy has contributed to lower than budgeted salaries and benefit costs. As of this date, Tourism is anticipating a year-end surplus of \$15,000 for 2019.
- Grey Roots: Grey Roots is anticipating the operating and capital budgets will end the year on budget. Much of Grey Roots' revenue is seasonal and it will be a few months before staff can report on revenue targets. At this time, 8 weeks of Kids Camp is sold out, Education programming, Membership and Donations revenue are on target. Grey Roots' capital projects are progressing well and are projected to end the year on budget.
- Ontario Works: The Ontario Works combined budgets are projected to have a \$19,300 surplus at year end. The average monthly caseload for Social Assistance is 1,288 for the first four months compared to the anticipated 1,340. Basic Needs, Shelter and Special Assistance are all currently underspent while Temp Care and Funerals are over budget. However, there is no net levy impact as these expenses are 100% provincially funded. Non-shareable funerals and senior denture costs are currently underspent but are expected to be fully utilized to meet needs throughout the remainder of the year. Homemaker costs have been down so far this year and a small surplus of \$3,000 is anticipated by year end.

Ontario Works Administration and Employment Support will have approximately \$71,300 in gross salary savings with staff vacancies this year. Much of these savings are expected to be eliminated by higher Employment Related Expenses, which are estimated to be overspent by \$61,700 by year end. The net result of these expenditures, along with other operational savings is expected to be a surplus of \$16,300 by year end. This projection is based on receipt of the County's full provincial funding allocation; however, notification has been received that provincial funding may be held at the 2018 level. Budget negotiations with the province will take place over the next month and if provincial funding does not exceed the level of funding received in 2018; the County could have a funding shortfall of approximately \$127,000 for Ontario Works.

- Child Care: The Children's Services budgets are expected to end the year with a surplus of approximately \$11,300 in the EarlyON budget due to part time staff salary savings. In the Fee Subsidy budgets, costs for the first four months have decreased by \$118,900 from the same period in 2018. Most of this decrease is occurring in the Licensed Home Child Care budget due to fewer Home Child Care providers this year.

The County is to receive \$2,037,336 in Expansion and Early Learning and Child Care (ELCC) funding which will be used to maintain costs for expanded services including special needs resourcing, special purpose funding, general operating grant funding and fee subsidy. In addition to the opportunities to utilize the funds as described above, there are also some external challenges which impact the ability to plan and spend the full Expansion and ELCC funding including:

1. Some operators report that they are unable to operate at full licensed capacity due to staffing restrictions.
2. The late release of the provincial funding allocations has created planning challenges for 2019.
3. The Ministry of Education has announced that there will be significant funding changes in 2020, including cost sharing formulas that will be implemented. The federal commitment for ELCC funding will end on March 31, 2020 and it's not known at this time whether this funding will continue beyond that date.

- Housing: Overall, the Housing budget is projected to have a \$50,000 operating budget shortfall and a balanced capital budget. As of April 30, tenant related revenue was on target as compared to the year-to-date budget. Over the past few years move outs continue to be on the rise. There have been 45 unit turnovers as of May 31 (or 4.5% of the total units). At this pace there will be more unit turnovers than 2018 which had 104 move outs and 2017 with 90. An aging tenant population resulting in an increase in unit turnovers is having an impact on this budget. Grey County assumed ownership of the former Golden Town Non Profit Housing properties September 28, 2018; this will be the first year of experience maintaining these buildings.

The operating budget line for building repairs totals \$282,400 and as of April 30, 41% of this budget had been utilized. 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. Utility costs are a challenge to predict and for most buildings this early in the year; based upon comparison with 2018 year-to-date actuals, the combined utilities budgets should finish the year on budget. The \$198,600 budget for snow removal has been fully spent and based on the average of the previous three years, this line could be overspent by \$87,000.

The operating budget had some unplanned expenditures from a series of five break ins to apartment building laundry rooms across Grey County. Money was taken from the machines and there were damages to doors, laundry machines and cameras; the total cost relating to these incidents is estimated at \$20,000.

Staff assumes that the budgets for property taxes and insurance will be sufficient; actual costs will be known when the next report based on September financial statements is presented. It is hoped that the shortfalls in the snow removal and building maintenance budget lines can be partially offset by savings in other operating budget lines for a net operating shortfall of \$50,000.

The budget for Non Profit Housing may generate small savings when year-end reconciliations of

the subsidy entitlements are completed. The various Housing Programs (Investment in Affordable Housing, Social Infrastructure Fund, etc.) are 100% Ministry funded and will not generate savings.

The Housing capital budget currently has a \$18,400 surplus from three awarded but not completed roof projects. While there are many projects still to be awarded, staff assumes that the capital budget will be adequate.

- Grey Gables: Grey Gables is expected to end the year with an operating budget deficit of \$62,000. Recent Ministry of Health and Long-Term Care funding announcements, along with the decrease of Case Mix Index Classification (CMI) funding, have resulted in this budget shortfall. While a contingency was built into the budget in the event of a decrease in CMI funding, this contingency does not fully cover the loss of funding for 2019. This overall projected deficit also includes higher than anticipated staffing costs. The capital budget is anticipated to end the year on target.
- Lee Manor: Lee Manor is expected to end the year with an operating budget deficit of \$185,000. Recent Ministry of Health and Long-Term Care funding announcements, along with the decrease of Case Mix Index Classification (CMI) funding, have resulted in this budget shortfall. While a contingency was built into the budget in the event of a decrease in CMI funding, this contingency does not fully cover the loss of funding for 2019. Lee Manor was hit especially hard, as Structural Compliance funding was wound down effective August 1, 2019, and Lee Manor receives \$5.00 per diem or \$273,750 per year (this impact alone will result in a \$114,000 budget shortfall). This overall projected deficit also includes higher than anticipated staffing costs. The capital budget is anticipated to end the year on budget overall.
- Rockwood Terrace: Rockwood Terrace is expected to end the year with an operating budget deficit of \$88,000. Recent Ministry of Health and Long-Term Care funding announcements, along with the decrease of Case Mix Index Classification (CMI) funding, have resulted in this budget shortfall. While a contingency was built into the budget in the event of a decrease in CMI funding, this contingency does not fully cover the loss of funding for 2019. The capital budget is anticipated to end the year on target.
- Long Term Care Redevelopment: Any expenditures incurred in 2019 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. At this time, there have been no expenditures incurred.
- Transportation Services: The Transportation Services department is projected to end the year with a \$50,000 operating budget shortfall and a \$700,000 capital surplus. Facilities, Depots and Domes is overspent by \$30,000 due to unexpected repairs from wind damage at the Feversham Sand/Salt Dome. Supervision and Overhead is projecting a \$20,000 shortfall due to higher than anticipated staffing costs, radio service and union costs. Staff is projecting a balanced budget in the Winter Maintenance budget based on actual costs to May and projecting winter maintenance costs for November and December 2019 (assuming a typical winter). Staff is also projecting a balanced Ordinary Maintenance budget.

Of the seven capital projects planned to be tendered in 2019, five of them have been tendered, and award reports brought forward to Council. All tendered capital projects are currently projecting a surplus of \$700,000.

- Paramedic Services: This service is projected to end the year with a balanced operating and capital budget assuming the budgeted provincial funding is received. The 2019 budget includes a 1.5% provision for an increase to the provincial conditional grant which represents \$174,500; the funding announcement received May 7 advised that no inflationary increase would be received. In a subsequent media announcement on May 27, Premier Ford cancelled retroactive cuts to Paramedic Services' funding for this year while the province and municipalities hold discussions on ways to reduce costs for next year. Staff is awaiting communication as to what this means for 2019 funding and at this point assume that the budgeted funding increase will be received.

Based upon data to May15, salaries are currently within budget however it is still early in the year. Lost time hours for modified, sick etc. are within budget; staff will continue to monitor throughout the year as this is a point in time comparison. The collective agreement that expired December 31, 2017 was settled early 2019 with minimal impact beyond the amounts budgeted. Changes to uniform allowances will cost approximately \$14,500 above this budget line.

Meal allowance continues to trend higher than budget; this budget line was increased \$3,800 in 2019 based on historical trends and a shortfall of \$4,900 is estimated. Staff is hopeful that savings and shortfalls in operating budget lines will result in the service remaining within budget at year-end.

The capital budget includes the purchase of three ambulances, two emergency response units, 20 mobile WIFI units used in vehicles, the conversion cost of the community paramedicine vehicle purchased in 2018, two stretchers, the internally financed debenture cost for the Chatsworth station and a transfer to reserve for future building maintenance. Except for the debenture payment and transfer to reserve, vehicle and equipment purchases are funded from reserve and proceeds from the sale of used equipment; as a result, the capital budget will not have a surplus at year-end.

## Legal and Legislated Requirements

None

## Financial and Resource Implications

A review of the actual as compared to budget, as at the end of April for all County departments projects a corporate year-end surplus position of \$943,700. This positive variance would represent a 0.61% variance as compared to the 2019 budgeted gross expenditures of \$154,672,071.

This positive variance incorporates the one-time modernization payment of \$725,000 and an estimated \$700,000 in surplus capital funding under the Transportation Services capital budget based on five of the eight capital projects that have been tendered in 2019. Without the \$725,000 in one-time



modernization funding, and the estimated \$700,000 in surplus funding from Transportation Services capital budget, a projected deficit of \$481,300 would be anticipated.

## Relevant Consultation

  x   Internal – CAO, Directors, Managers and Finance staff

## Appendices and Attachments

[Attachment to FR-CW-18-19 2019 Operating and Capital Budget Variance Analysis as of April 30, 2019](#)

[Attachment to FR-CW-18-19 2019 Financial Summary Statements as of April 30, 2019](#)