



Administrative Report

Office of the Director of Financial Services/Treasurer

To: Warden McNamara and Members of County Council

**From: Sandra Zwiers, CPA, CA
Director of Financial Services/Treasurer**

Date: Wednesday, August 14, 2019

Subject: Projected Results of Operations 2019

Report #: 2019-0814-FIN-R017-SZ

Purpose

To report the projected results of operations for the fiscal period ending December 31, 2019.

Background

In accordance with established practice, a projection of the results of operations for the current fiscal period is prepared on the basis of results of operations to various interim dates.

Discussion

Based on June year-to-date activity and discussions with the senior administration team, corporate operations are projected to be in a surplus position of approximately \$237,500.

It is important to highlight that projections are predicated on a number of significant assumptions, namely:

- Favourable resolution to various outstanding wage related matters within collective bargaining groups;
- Winter Control activities remaining with the five-year average;

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- Social Services caseloads and Social Housing costs remaining favourable;
- No significant tax write-offs; and
- Stable returns on investments within the County's investment portfolio

Factors contributing to the projected year-end position are highlighted below by department:

Community Services (\$60,000)

Service levels within the Housing with Supports program are being maintained despite an in-year announcement that the program's 2019 allocation of regional CHPI (Community Homelessness Prevention Initiative) funding has been reduced by \$75,000. Council had already approved a substantial increase in funding in the 2019 Budget when the anticipated 2019 CHPI allocation was insufficient to fund the previously approved Per Diem increase at April 1, 2019. Administration continues to seek opportunities to mitigate the financial impact without reducing the number of subsidized beds.

Sun Parlor Home (\$255,000)

Provincial funding announcements have impacted a number of long term care related programs at SPH. To proactively manage the anticipated funding, reductions in certain structural capital projects were deferred to mitigate overall budget performance. In total however, while some funding levels have decreased, the net impact to SPH to the end of 2019 will result in a provincial funding increase from budget of approximately \$104,000.

Other positive variances for SPH include: revenue collections from Preferred Accommodation (Private & Semi Private Rooms) which are projected to exceed the budget target by \$67,000; utility cost savings valued at \$48,000 and various other departmental cost savings valued at \$137,000.

Offsetting these departmental surpluses are unfavourable budget results relating to staffing costs. Wage and benefit costs for nursing are projected to be \$455,000 over budget by the end of the year. Similarly, staffing costs for non-registered employees is also projected to exceed budget targets by \$132,000. The recurring issues relating to absence management, availability of part time workers and limitations imposed by existing collective agreements are all contributing to higher than budgeted overtime costs. Bad debt expense, projected to be \$25,000 over budget is also contributing to the overall projected departmental deficit.

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Emergency Medical Services (\$490,500)

As noted in previous reports to council, provincial funding of our EMS services is projected to result in a funding shortfall of approximately \$2.25 million during 2019. A detailed review of operating and capital budgets was undertaken administratively to identify short term cost reduction strategies. Should the projected funding shortfall be confirmed, administration is recommending increasing the transfer from vehicle reserves by approximately \$742,000 to cover capital costs and deferring various equipment acquisitions and replacements to generate in year savings of an additional \$666,000. While these recommendations produce short term savings, there are long term financial implications to these solutions that administration will need to assess as more information on funding is received from the Province.

Operational deficits are also projected in the cost of legal fees (\$50,000), insurance (\$30,500) and most significantly in WSIB NEER costs (\$633,000).

Positive variances valued at \$412,000 are projected from a combination of temporary management and supervisory vacancies arising from approved leaves, the impact of the recently ratified collective agreement on paramedic wages and the recovery of staff wages through third party billings. Fuel expenses are also projected to be under budget by \$120,000. The 2019 Budget anticipated an increase in fuel to accommodate patient transfer to Erie Shores Healthcare as a means of addressing offload delays and as part of EWEMS's diversion strategy. Various other operational savings amount to \$18,000.

Should the provincial funding shortfall be confirmed, an adjustment of the cost sharing model will need to be made to recover the net operational deficit from each of the funding partners. The additional recoveries from the City of Windsor and the Township of Pelee are projected to total \$515,000.

Infrastructure Services \$210,000

As reported previously to Council, the Corporation received additional unbudgeted Federal Gas Tax funds in 2019. These funds have been utilized in part to mitigate negative tendering results from asphalt price escalations as well as to augment the 2019 construction program. Overall, the 2019 construction program is projected to be in a surplus of \$131,000 with unallocated Federal Gas Tax funds being transferred to reserve for future use in accordance with the Corporation's Reserve Strategy.

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Maintenance projects including bridges and culverts, winter control, safety devices and boundary roads are generating operational surpluses totaling \$122,000. Offsetting these positive results is a deficit of \$120,500 relating to roadside and pavement maintenance. Extreme weather conditions in both the winter and summer months are impacting the maintenance needs of our road infrastructure.

As a result of staff turnover and retirements, wages and benefits are projected to be in a surplus of \$37,000 due to gapping during the recruitment and probationary periods.

In connection with shortages in staffing causing workload capacity constraints, certain projects have been deferred to 2020. These savings, combined with other operational efficiencies result in surpluses of \$96,000.

Administration is currently completing the competitive procurement process for janitorial services. The estimated cost of the updated service contract and other costs related to the maintenance of the Civic Centre are projected to generate an operational deficit of \$55,500.

Library Services

\$0

Library operations are projected to be in a surplus of \$65,000 as at December 31, 2019. In accordance with the Corporation's Reserve Strategy, the surplus is recommended to be transferred to the Library's Rate Stabilization Reserve. As noted previously, this projection is contingent on the resolution of the job evaluation process / pay equity and associated impact on wages.

General Government

\$833,000

Investment income is projected to exceed the conservative budget target set in the 2019 Budget. Rebounding equity and bond markets in the first quarter, combined with strategic short term guaranteed investments of excess operating cash flows has resulted in a projected surplus in investment income of \$785,000.

Savings are also projected in wages and benefits as a result of the later timing of onboarding new staff and the reduction in hiring of summer students. These savings are valued at \$54,000.

Revenues associated with subdivision planning applications are projected to exceed budget targets by \$12,000. The surplus is offset by increased labour

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costs arising from the transitional use of contract services. Overall, Planning Services is projected to be in a deficit of \$6,000.

External Commitments \$0

Provincial funding announcements and plans for service delivery model changes present an uncertain outlook for the Corporation's financial obligations relating to the Health Unit, Social Services and Social Housing. Changes in regional weighted assessment will also have an impact on the Corporation's level of contribution to these shared services. Based on information currently available external commitments are projected to be on budget. As new information becomes known, administration will assess this projection.

No other significant variances to report at this time.

The Corporation's projected financial position is based on six months of activity with significant uncertainty regarding budget performance for Social Services, Social Housing, Emergency Medical Services, Infrastructure Services and outstanding contract/wage settlements and pay/internal equity adjustments. Variance from projections in any one of these operations could have a significant impact on the Corporation's financial position for 2019. Financial Services, with the assistance of all departments continue to look for opportunities for reductions/cost savings and will carefully monitor operations and report accordingly.

Financial Implications

In accordance with the Corporation's Reserve Strategy, operational surpluses not identified for specific application are to be transferred to the Rate Stabilization Reserve at year end.

Recommendation

That County Council receive the Results of Operations Report 2019 for information.

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Respectfully Submitted

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Originally Signed by

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