



## **Administrative Report**

### **Office of the Director of Financial Services/Treasurer**

**To:** Warden McNamara and Members of Essex County Council

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

**Date:** Wednesday, August 11, 2021

**Subject:** Projected Results of Operations 2021

**Report #:** 2021-0811-FIN-R12-SZ

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#### **Purpose**

To report the projected results of operations for the fiscal period ending December 31, 2021.

#### **Background**

In accordance with established practice, a projection of 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 \$1,015,020.

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 within the five-year average;

- Social services caseloads and Social Housing costs remaining favourable;
- No significant tax write-offs;
- Stable returns on investments within the County's investment portfolio; and
- The impacts of COVID-19 remain at projected levels for the remainder of the year.

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

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<b>Community Services</b>	<b>\$8,030</b>
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The 2021 Budget included funding to support the hiring of a summer student. Fewer weeks of summer student support are projected. Additional savings related to reduced travel and limited training opportunities due to COVID restrictions contribute to the projected surplus.

Cancellation of contracts in 2020 and delays in opening new facilities create budget uncertainties for the remainder of 2021. Dialogue continues with our shared service partner, the City of Windsor, on the allocation of CHPI funds as they relate to funding the Housing with Supports program in the County.

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<b>Sun Parlor Home</b>	<b>(\$91,420)</b>
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The operational cost pressures from COVID-19 remain significant. Staffing costs for co-horting, additional PPE, screening/swabbing and enhanced cleaning protocols are projected to continue through to the end of the year. The Ministry of Long-Term Care (MLTC) flowed support funds through a number of specific programs to offset pandemic related costs however funding announcements have only been confirmed to June. The projection assumes these costs will be funded to the end of the year by either additional MLTC grants or the use of the Corporation's allocation of Safe Restart dollars.

Subsidy changes represent the largest negative impact to SPH's projected results. The High Wage Transitional Funding ended in March. The Home's Case Mix Index decreased which in turn reduces the Nursing & Personal Care Subsidy. These two circumstances combine to generate an unfavourable budget variance of approximately \$206,570.

Offsetting the subsidy reductions are savings in operational costs related to decreased travel and lower levels of purchased services (eg. Therapy and Chaplain services).

A number of planned capital projects will not move forward as budgeted in 2021 due to COVID related resource and vendor constraints. Projects involving replacing doors, flooring, resident washrooms and drapery are being deferred to 2022. These projects were funded by reserve so their deferral has no impact on the projected departmental deficit.

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### **Emergency Medical Services      \$344,710**

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Similar to the Corporation's long-term care services, EMS operations continue to be impacted by the response to COVID-19. The Ministry of Health has confirmed pandemic related funding only to March 2021. The projection assumes all pandemic related operating costs to year end will be offset by provincial and/or federal funding either directly from the Ministry of Health or through the application of the Corporation's Safe Restart funds.

Operationally, the reassignment of staff to support pandemic related tasks, assumed to be funded by support programs, is projected to create a net operational surplus of approximately \$103,300. As highlighted in previous reports to County Council by Chief Krauter, there is an operational and budgetary risk associated with unused vacation balances within the department. Due to workload pressures, vacation banks are significant at present time and as staff begin to take time off, there may be a need to backfill hours with overtime creating the risk of a budget deficit. Administration will continue to monitor this situation.

At the time of approval of the Corporation's 2021 Budget, the weighted assessment for the City was unknown and an estimate was used. Total EWEMS costs, net of provincial funding, are shared by the City and the County on the basis of weighted assessment. Offsetting the projected surplus is a shift in the share of total costs for EWEMS services from the City to the County (\$80,000). The County has benefitted from continued assessment growth and it is anticipated that in future years the Corporation will see its share of the net costs increase compared to the City's.

Certain capital projects planned in the 2021 Budget will need to be deferred to 2022 due to ongoing pandemic related resource and vendor constraints. The deferral of these projects is anticipated to generate a net surplus of \$241,410.

<b>Infrastructure Services</b>	<b>\$496,800</b>
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Favourable tendering combined with additional OCIF funds are projected to provide for a surplus in Infrastructure Services. Market risks associated with asphalt and steel prices continue to be monitored and these factors may contribute to a reduction in the projected surplus by year end.

<b>Library Services</b>	<b>NIL</b>
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Branch operations up to the end of June remained limited due to COVID-19 restrictions. Loss of revenues due to closures are projected to be more than offset by operational savings provided by temporary layoffs and reduced programming hours. The projection assumes branches will re-open in the fall.

The Corporation's application for the second intake of the Municipal Modernization Program was successful and the planned implementation of the Open+ system at the Harrow and Woodslee branches will be supported by grant funding valued at \$183,000.

The overall projection is being reported as NIL to reflect the requirement to transfer any surplus/deficit relating to library operations to the Library's Rate Stabilization Reserve.

<b>General Government</b>	<b>\$256,120</b>
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Operational savings are projected in Council, Administration, Human Resources and Planning from the pandemic restrictions affecting travel, conferences and training opportunities. Offsetting the surplus are increased wages costs in Human Resources to cover overtime. The Human Resources department is currently completing its service delivery review and the CAO will be reviewing the recommended outcomes once complete.

The largest driver of the projected surplus for General Government relates to the return on investment within the Corporation's investment portfolio. The 2021 Budget was conservatively set to reflect a challenging rate environment. Despite lower rates, the portfolio is performing above budget levels and is projected to contribute approximately \$165,000 to the divisional surplus by year end.

## **External Commitments**

**\$780**

The Corporation's share of the Windsor Essex County Health Unit is projected to generate a surplus of approximately \$206,500. At the time the 2021 Budget was set, provincial pandemic support was uncertain and since budget approval, the allocation of costs to the County was amended (lowered) to reflect confirmed provincial funding of COVID related expenses.

Salary gapping and lower employment related costs are projected to generate a surplus in the Corporation's share of Social Services. Adding to the surplus is the result of the final reconciliation of 2020 Social Services costs which required the County to contribute less than the amount accrued at the end of 2020.

Social Housing operating costs are projected to generate a deficit of approximately \$133,750.

Social Services and Social Housing represent critical service needs in our region. Administration recommends in year net surpluses generated by these two budget areas be transferred to reserve at year end to build the fund in support of future social housing stock renewal costs.

There are 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, Sun Parlor Home, Infrastructure Services and outstanding contract/wage settlements and pay/internal equity adjustments. Variance from projection in any one of these operations could have a significant impact on the Corporation's financial position for 2021. Additionally, COVID-19 levels in our region will continue to influence our operations and it is unknown how long these impacts will last.

Financial Services, with the assistance of 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. Conversely, operational deficits will

be mitigated through recommended withdraws from appropriate reserves including the Rate Stabilization Reserve at year end.

## **Recommendation**

That Essex County Council receives the Projected Results of Operations 2021 for information.

Respectfully Submitted

*Sandra Zwiers*

Sandra Zwiers, MAcc, CPA, CA, Director of Financial Services/Treasurer

Concurred With,

*Mike Galloway*

Mike Galloway, Chief Administrative Officer