



Administrative Report

Office of the Director, Financial Services/Treasurer

To: Warden McNamara and Members of Essex County Council

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

Date: Wednesday, September 07, 2022

Subject: Financial Projected Results of Operations 2022

Report #: 2022-0907-FIN-R13-SZ

Purpose

To report the projected results of operations for the fiscal period ending December 31, 2022.

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 July year-to-date activity and discussions with the senior administrative team, the Corporation is projected to be in a net deficit position of approximately \$2,000. Operationally, the Corporation is projected to be in a surplus position of approximately \$229,000, offset by a projected deficit in the Corporation's capital programs of approximately \$231,000.

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 Corporation's investment portfolio;
- A stabilization of existing inflationary conditions; 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:

Community Services	\$9,900
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The surplus is primarily driven by a staff retirement in the Housing with Supports program that created marginal wage savings during the spring.

The 2022 Budget anticipated the opening of a new Housing with Supports Home in January however due to construction related delays, the home opened mid-year. The subsidy savings are expected to be offset by a reduction in regional per diem funding.

The pandemic continues to put pressure on vulnerable populations in our community and the Manager of Community Services took mitigating action to address the increased demand for discretionary medical and client transportation costs. In year savings in other operational expense lines are being redirected to cover these requests.

Sun Parlor Home	\$115,250
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The healthcare sector is experiencing significant staffing shortages and burnout. Overtime to cover staff absences and the payment of incentives, while significant, is projected to be fully funded by provincial subsidy programs.

The 2022 Budget incorporated funding to support an increase in direct care staffing hours however a shortage of skilled healthcare professionals in the region made achieving hiring goals challenging.

Capital projects related to direct resident care are projected to be complete by year end. Other interior building related capital projects were impeded by access to the Home due to outbreak conditions and the lack of capacity in the vendor market to take on these smaller projects. The 2023 Capital program will reflect carryover projects unable to be completed in 2022.

Overall, the departmental surplus is driven primarily by receipt of unanticipated subsidy funding received in 2022 for the prior operating year.

Emergency Medical Services **(\$341,650)**

As the pandemic drags on, EWEMS is experiencing a similar staffing crisis to Sun Parlor Home. The increase demand for service and offload delays combined with a limited market of qualified paramedics is resulting in the need to cover shift absences with part time staff and overtime to maintain levels of service. To date, pandemic related funding from the Province is supporting the additional costs.

As previously reported to council, inflationary impacts, particularly in fuel, are contributing to the department's projected deficit.

Pandemic related supply chain issues have also delayed the receipt of new ambulances to relieve the fleet of aging vehicles. The need to keep units in service longer than planned in the fleet program has nearly doubled projected repair and maintenance costs. A portion of the Corporation's Safe Restart funding is projected to be applied to buffer these negative variances.

Infrastructure and Planning Services **(\$46,200)**

Inflation and construction market capacity impacted the capital program in 2022. Asphalt escalation and fuel increases drove up the cost of projects and fleet operations. Offsetting these negative variances are favourable line painting and surface treatment procurements.

The expansion capital program, funded entirely from reserve, is projected to be significantly underspent. Market capacity combined with the complexities of coordinating projects with utility companies, other levels of government and land acquisition processes have delayed a number of projects.

Administration will bring an updated expansion plan forward as part of the 2023 Budget package.

Library Services **\$NIL**

Library operations continued their progression towards pre-pandemic service levels in 2022 with the gradual increase in programming. Vacancies in a manager, IT and clerk position combined with savings in departmental pension/benefit costs and other office expenses contributed to a projected surplus that will be transferred to ECL's Rate Stabilization Reserve to nullify any 2022 variance.

General Government **\$264,200**

The 2022 Budget included the hiring of a records management specialist in March. Recruitment was delayed and the position was filled later in the year generating savings. Additional savings from a long-term medical leave and

wage recoveries from ECL for interim leadership support are contributing to the departmental surplus in wages.

External Commitments **(\$3,500)**

The 2022 External Commitment program was augmented to include the responsibility for the Isolation and Recovery Centre as well as the Leamington Housing Hub pilot project. Both programs are fully funded and do not impact the Corporation's bottom line.

The deficit projection represents a nominal difference in the budget for MPAC services to actual billing for regional property assessment services.

Closing Comments

There are no other significant variances to report at this time.

The Corporation's projected financial position is based on seven 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 2022. 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, surpluses not identified for specific application are to be transferred to the Rate Stabilization Reserve at year-end. Conversely, deficits are to be mitigated through recommended withdraws from appropriate reserves including the Rate Stabilization Reserve at year-end. Should projections result in an actual deficit at year-end, Administration recommends drawing from the Corporation's Safe Restart/COVID funds (accounted for as deferred revenue in the Corporation's accounting records). The driving factor of deficits relate to supply chain and inflationary pressures stemming from prolonged pandemic pressures.

Consultations

- Senior Leadership Team
- Manager of Budget & Administration

Recommendation

That Essex County Council receives the Projected Results of Operations 2022 for information.

Approvals

Respectfully Submitted,

Sandra Zwiers

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

Concurred With,

Mike Galloway

Mike Galloway, MBA, CMO, Chief Administrative Officer

Appendix Number	Title
N/A	N/A