



Administrative Report

Office of the Manager, Accounting - Administration/Deputy Treasurer

To: Warden MacDonald and Members of Essex County Council

From: Heidi McLeod, CPA, CA
Manager, Accounting - Administration/Deputy Treasurer

Date: Wednesday, August 16, 2023

Subject: Financial Projected Results of Operations 2023

Report #: 2023-0816-FIN-R18-HM

Purpose

To report the projected results of operations for the fiscal period ending December 31, 2023.

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 leadership team, the Corporation is projected to be in a net surplus position of approximately \$387,290. Operationally, the Corporation is projected to be in a surplus position of approximately \$748,740, while the capital programs project a deficit of \$361,450 due to the rising costs of capital equipment and infrastructure.

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 remaining an insignificant factor as the pandemic continues to subside.

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

Community Services **\$NIL**

The Residential Home Services program is projected to operate on budget this year. Favourable benefit rates helped to offset the additional cost of benefits for a transition in staffing to cover a maternity leave.

The 2023 Budget assumed the same level of service as 2022 operations, but with the announcement of additional HPP funding allocated from the Province to the City as the Service Manager, the per-diem paid to the various Residential Homes was increased by \$5 per resident per month.

Sun Parlor Home **\$61,030**

Provincial funding for overtime and Covid-related enhanced staffing measures ended in March, however new or enhanced funding announcements during the year resulted in significant unbudgeted recoveries, offsetting our plan to spend Safe Restart to support operations. Expenses related to Covid will continue to be funded through the use of the County's Safe Restart fund.

The 2023 Budget incorporated funding to support an increase in direct care staffing hours, and while Sun Parlor Home has been able to recruit and retain skilled healthcare professionals to meet this goal, staffing shortages in some service departments are currently presenting an operational challenge. Rising utility costs also put increased pressure on the operating budget.

Capital projects related to direct resident care are projected to be completed by year end. The challenges in securing contractors are significantly less than prior years, which is supporting the completion of the smaller projects.

Overall, the departmental surplus is driven primarily by the unanticipated subsidy funding increases received during the year, as well as favourable benefit rates.

Emergency Medical Services

\$35,180

EWEMS continues to actively respond to staffing pressures. A spring recruitment was conducted resulting in the hiring of 24 paramedics and a fall recruitment campaign is planned for the coming months. The increased demand for service, offload delays and a limited market of qualified paramedics is resulting in the need to cover shift absences with part time staff and overtime to maintain service levels. Staff absences to date have created budget capacity to advance recruitment efforts this fall.

Similar to Sun Parlor Home, pandemic related funding from the Province ended during the first quarter of the year. Ongoing pandemic related expenses will be offset with the County's Safe Restart fund.

Inflationary impacts have mostly subsided, however fuel costs and repairs and maintenance attributed to an aging fleet remain at elevated prices. The 2023 Budget incorporated additional funds to support this pressure, and are projected to be sufficient.

Supply chain delays are beginning to subside however delivery of new ambulances continues to be delayed. Ambulances ordered in 2022 are now received. We expect to take delivery of the 2023 ambulances by end of year and fund these purchases from reserve as budgeted.

Overall, a surplus generated by favourable benefit rates is offset by a capital deficit due to the increased cost of ambulances.

Infrastructure and Planning Services

\$169,770

A transition in management combined with multiple staff on unpaid leave and favourable benefit rates are contributing factors to an operational surplus.

Inflationary pressures and market capacity continue to impact the capital program in 2023. Conservative estimates for the rehabilitation program in the 2023 Budget allowed for favourable variances with several projects. A successful competitive procurement to replace an aging road grader also resulted in significant budget savings.

The expansion capital program, funded entirely from reserve, is projected to be moderately underspent. One project, CR 19 from Jamsyl to CR 22, is part of a Disaster Mitigation and Adaptation Fund application, and therefore expenditures are paused pending grant approval. Land acquisition processes are also contributing to delays on the intersection of CR 46 and Rochester Townline. Both projects are expected to be completed in 2024.

Library Services

\$NIL

Library operations have fully resumed with all branches reopened. Staffing schedules continue to be monitored to ensure adequate service delivery levels. A pay equity settlement reached late in 2022 and settled in early 2023 was fully funded through ECL and County accruals, and ECL and County Rate Stabilization Reserves. A flood significantly damaged custom shelving at one branch and remediation efforts are underway. The extent of loss has not been calculated, but is anticipated to be within our deductible limit and therefore will be self-insured. A small surplus is projected as a result of a vacant management position and will be contributed to ECL's Rate Stabilization Reserve.

General Government

\$31,940

The surplus in 2023 is anticipated due to temporary vacancies related to staffing transitions, as well as delayed recruitment efforts in both Corporate Management, and Financial Services/IT. Favourable benefit rates across the Corporation also contribute to the surplus.

External Commitments

\$89,370

The Isolation and Recovery Centre operated by the Red Cross closed at the end of March and all related expenses were recovered from the Public Health Agency of Canada.

The 2023 External Commitment program is projecting a surplus due to unspent funding for regional tax appeals and no known expenses related to the SWIFT project.

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. Variance from projection in any one of these operations could have a significant impact on the Corporation's financial position for 2023. Any remaining impacts of Covid-19 on the County's operations are expected to be nominal and will be mitigated with Safe Restart funding.

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. Administration recommends first applying the Corporation's Safe Restart funds to any operational expenditures relating to prolonged pandemic pressure, followed by a contribution of any actual surplus to the Rate Stabilization Reserve.

Consultations

- Senior Leadership Team
- Financial Analysts

Recommendation

That Essex County Council receives the Projected Results of Operations 2023 for information.

Approvals

Respectfully Submitted,

Heidi McLeod

Heidi McLeod, CPA, CA, Manager, Accounting - Administration/Deputy Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer and Director, Financial Services/Treasurer

Appendix Number	Title
N/A	N/A
