

REPORT TO COUNTY COUNCIL

Business Plan and Budget Review – Q2 2024

To: Warden and Members of County Council

From: Director of Corporate Services

RECOMMENDATIONS

1. That Report CS 2024-24 entitled “Business Plan and Budget Review – Q2 2024”, be received;
2. And further, that staff be directed to fund all Development Charge Exemptions from the general levy, with the exception of Library services, beginning with the 2025 Budget year, and that changes to impacted policies be brought forward at a future council meeting.

REPORT HIGHLIGHTS

- Delivery of the 2024 goals and objectives is progressing as planned
- June 30, 2024 forecasted year-end overall deficit of \$6,581,792 comprised of:
 - County general levy surplus of \$1,786,703
 - Library levy surplus of \$153,019
 - Water and wastewater system deficit of \$8,773,766
 - Special Program reserve surplus of \$252,252 – allocated to/from program reserves for fleet, facilities, housing and waste collection

IMPLEMENTATION POINTS

Staff will continue to monitor rising inflation’s impact on the County’s budget and services and take appropriate action where required. The next financial update for Council will be in November for the period ending September 30, 2024.

Financial Impact

This report is based on information Finance staff have compiled from the financial systems and input received from each of the respective departments. The year to date financial activity as presented in this report anticipates a overall deficit at year-end.

Attached to this report as Attachment 1 is the Q2 2024 Overall Forecast Variance as at June 30, 2024. The forecast figures suggest an overall operating deficit of \$6,581,792 - surplus of \$1,786,703 in the general levy; \$153,019 surplus in the library levy; a deficit of \$8,773,766 for the water and wastewater systems; and a surplus of \$252,252 for program reserves.

The financial estimates contained in this report are to be considered qualified as they are based on information available at a point in time and are subject to change significantly within a short period of time due to the dynamic nature of the current economy.

Communications



This report is intended to update Council on the progress of business plan goals and financial projections, and additional funding received to date. Through *Council this Week*, a summary of this report is also being provided to the public.

2023-2026 STRATEGIC PLAN

Oxford County Council approved the [2023-2026 Strategic Plan](#) on September 13, 2023. The Plan outlines 39 goals across three strategic pillars that advance Council's vision of "Working together for a healthy, vibrant, and sustainable future." These pillars are: (1) *Promoting community vitality*, (2) *Enhancing environmental sustainability*, and (3) *Fostering progressive government*.

The recommendations in this report supports the following strategic goals.

Strategic Plan Pillars and Goals

PILLAR 1	PILLAR 2	PILLAR 3
		
Promoting community vitality	Enhancing environmental sustainability	Fostering progressive government
		<p>Goal 3.1 – Continuous improvement and results-driven solutions</p> <p>Goal 3.2 – Collaborate with our partners and communities</p> <p>Goal 3.4 – Financial sustainability</p>

See: [Oxford County 2023-2026 Strategic Plan](#)

DISCUSSION

Background

In accordance with the reporting provisions contained within the Long Term Financial Sustainability Plan, staff have prepared progress updates for each of the approved goals and objectives within their business plans, accompanied by budget variance report annotated to explain significant variances as of June 30, 2024.

Comments

Financial Operating Forecast

Attachment 1 to this report provides a financial summary of the forecasted surplus (or deficit) by division. At June 30, 2024, forecasted year-end overall surplus is \$6,581,792, which is comprised of:

- County general levy surplus of \$1,786,703;
- Library levy surplus of \$153,019;
- Water and wastewater system deficit of \$8,773,766 – allocated to/from four water and eleven wastewater reserves;
- Program reserve surplus of \$252,252 – allocated to/from four program reserves - fleet, facilities, housing and waste collection.

The overall surplus of \$6,581,792 reflects the impact of higher interest rates, and increased funding in long-term care previously funded by the levy. Some notable variances are outlined below:

- \$3.0 M net investment income

- \$(0.5 M) increased WSIB claims costs in Paramedic Services
- \$1.9 M increase in long-term care ministry funding
- \$(12.0 M) development charge exemptions –
 - \$3.3 M General Levy
 - \$0.04 M Library Levy
 - \$8.6 M Water and Wastewater

The 2024 budget included a salary gapping provision of \$550,000. The year to date salary and benefit forecasts continue to be monitored to assess the impacts of gapping. At this time, the gapping provision is expected to be a fair representation of the overall salaries and benefits underspent by year end.

Supplementary tables to the respective budget update reports include in-year budget transfers approved by the CAO in accordance with Purchasing Policy 6.07, in response to projects that exceed the approved budget provision. In addition, these supplementary tables report emergency purchases incurred. A summary of these approved transfers and emergency purchases incurred to date with more details are to be found in Attachment 2.

As the Municipal Act does not allow municipalities to carry a deficit, when a deficit occurs it must be funded in the following year’s budget – meaning it must be funded through the levy or existing reserves. The planned adjustments to reserves have sufficient balances to fund this year’s projected deficits.

Development Charge Exemptions

County staff are currently collecting and reviewing Development Charge exemption information for Q1 and Q2 from area municipalities. The cost of known and anticipated development charge exemptions to be funded by user rates/fees or taxation based on information received to date reflects an approximate \$11.6 million. Utilizing this information along with the cash flow projections from the 2024 Development Charges Background Study, the total estimated exemptions for 2024 are approximately \$12.9 million, as illustrated in Table 1, compared to the final 2023 exemptions of just under \$2.1 million.

Table 1 – 2024 Development Charge Exemptions

	County	Library	Water	Wastewater	Total
2024 Budget	\$578,000	\$12,500	\$120,000	\$212,000	\$922,500
Forecast	3,880,882	60,643	3,695,455	5,244,650	12,881,630
Deficit	\$3,302,882	\$48,143	\$3,575,455	\$5,032,650	\$11,959,130

Exemptions related to water and wastewater services are currently funded by the individual system as outlined in Policy 6.24 Development Charge Exemption Policy. These exemptions may result in significant impacts within an individual system, based on the location of the exempt development, however the entire community benefits from the development. Funding water and wastewater exemptions from rates and related reserves is likely to result in significant

rate increases in systems experiencing high levels of exempt development, along with added strain on the ability to complete asset lifecycle needs as identified in the Asset Management Plan.

As the exempt development benefits the entire community, and to support long-term sustainability of assets and the services they help deliver, staff are recommending that all exemptions be funded from the general levy, or library levy, effective for the 2025 budget. An average annual amount will be levied each year based on the estimated 2024 to 2033 exemption total and allocated to a development charge exemption reserve. As exempt development occurs, these funds would be moved to the appropriate development charge service area reserve for funding of capital projects in accordance with the 2024 Development Charge Background Study. Use of a reserve will help with predictability and sustainability as exemptions vary significantly year to year based on the size and type of development.

Financial Capital Forecast

The Q2 2024 Capital Plan Review, attached as Attachment 3, illustrates the 2024 approved capital budget (including in-year approved budget transfers, and forecast carry-forward variances from the prior year); forecasts; and, projected year end variances for each project. The projected overall variance for year end is estimated to be a surplus of approximately \$8.2 million or 6.9% of the revised budget. Supply shortages are contributing to the delay in completing projects.

Q2 Business Plan and Budget Division Updates

Attachment 4 of this report provides Q2 2024 business plan updates by division including comments prepared by the respective departments.

Economic Stimulus Fund

As part of the 2024 business plan and budget deliberation process, Council passed a resolution directing staff to facilitate repatriation of the County's principal investment related to loans in the joint Economic Stimulus Fund that was established with Community Futures Oxford (CFO) for the purpose providing loans and grants to support local businesses during the pandemic.

Of the \$1.5 M joint investment in the Economic Stimulus program, the County contributed \$1 M and CFO contributed \$0.5 M, proportionate share being 67% and 33% respectively. Of the total investment, \$1.2 M (County \$800,000 and CFO \$400,000) was disbursed in the form of loans, with the remainder being paid out as grants.

As of December 31, 2023, CFO held \$533,406 in cash of repaid loans. In response \$500,000 of that balance was paid out to the County and CFO based on proportional contribution share of 67% and 33%, resulting in the County receiving \$335,000 and CFO receiving \$165,000. The County's \$335,000 has been credited to the County's General Reserve, being the funding source of the original contribution, as directed by the aforementioned resolution passed by Council at their December 13, 2023 meeting.

County and CFO staff continue to monitor the loan principal repayments on a quarterly basis and will repatriate funds as appropriate. Staff will continue to update Council accordingly.

Safe Restart Agreement and Provincial COVID-19 Recovery Funding

The County’s COVID related costs were fully funded for years 2020 to 2023. The County received \$3.5 million as part of the Federal-Provincial Safe Restart grant, and \$1.2 million as part of the Provincial COVID-19 Recovery Funding for Municipalities in 2021. The County has utilized \$1,130,153 to offset COVID related operating costs from 2020 to 2023; and is forecasting to utilize \$1,267,031 in 2024. In accordance with direction from the Ministry, since funding exceeded COVID-19 related costs to date, the residual funding has been allocated to a dedicated reserve for use in 2024.

Table 2 – Safe Restart Agreement Fund and Provincial COVID-19 Recovery Funding Continuity

	Opening Balance	Revenue	Expenses	Closing Balance
2020	\$-	\$3,502,100	\$169,504	\$3,332,596
2021	3,332,596	1,244,656	281,788	4,295,464
2022	4,295,464	-	263,404	4,032,060
2023	4,032,060	-	415,457	3,616,603
2024 – Forecast	3,616,603	-	3,616,603	-
		\$4,746,756	\$4,746,756	

CONCLUSIONS

Overall, the 2024 second quarter reports indicate that the County’s current financial position reflects more than anticipated pressure from development charge exemptions and WSIB costs.

Staff will continue to assess alternative courses of action to mitigate the budget impacts which will include, but not be limited to, finding efficiencies and opportunities for the balance of 2024 and in preparation for the 2025 Business Plans and Budget.

SIGNATURES

Report author:

Original signed by

Carolyn King, CPA, CA
 Manager of Finance

Departmental approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
Chief Administrative Officer

ATTACHMENTS

- Attachment 1 – Q2 2024 Overall Forecast Variance
- Attachment 2 – Approved Transfers and Emergency Purchases Summary
- Attachment 3 – Q2 2024 Capital Plan Review
- Attachment 4 – Q2 2024 Business Plan Update by Division