

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

**From:** Director of Corporate Services

## Business Plan and Budget Review – 3rd Quarter

### RECOMMENDATION

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1. That Report CS 2021-50 entitled “Business Plan and Budget Review – 3<sup>rd</sup> Quarter” be received for information.

### REPORT HIGHLIGHTS

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- Delivery of the 2021 goals and objectives is progressing as planned with some delays due to COVID response
- 2021 forecasted year end County operating surplus of \$0.8 million, comprised of:
  - County general levy surplus of \$1.5 million
  - Library surplus of \$308,346, and
  - Water and wastewater systems reserve contribution reduction of \$968,641

### Implementation Points

Staff will continue to monitor the ongoing pandemic’s impact on County services and take appropriate action where required. This will be the final 2021 financial update for Council until the new year.

### 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 surplus year-end financial results.

The financial estimates contained in this report are based on information available at a point in time which can change quickly due to the dynamic nature of the pandemic.

### Risks/Implications







There are no risks or implications that may result by adopting the recommendation contained within this report.

## Communications

This report is intended to update Council on the County's Q3 business plan progress and budget position, including COVID related financial impacts and funding received to date.

A summary of this report will be provided to the public through *Council this Week*.

## Strategic Plan (2020-2022)

|   |   |   |   |   |   |
|---|---|---|---|---|---|
|  |  |  |  |  |  |
| <b>WORKS WELL TOGETHER</b>  | <b>WELL CONNECTED</b>   | <b>SHAPES THE FUTURE</b>  | <b>INFORMS &amp; ENGAGES</b>  | <b>PERFORMS &amp; DELIVERS</b>  | <b>POSITIVE IMPACT</b>  |
|   |   | <u>3.ii.</u> <u>3.iii.</u>  |   | <u>5.ii.</u>  |   |

## DISCUSSION

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### Background

In accordance with the reporting provisions contained within the Long Term Financial Sustainability Plan, staff has prepared progress updates for each of the approved goals and objectives within their business plans, accompanied by budget variance reports annotated to explain significant variances as of September 30, 2021.

On March 17, 2020, Ontario's Premier declared a provincial emergency through the authority granted under the *Emergency Management and Civil Protection Act* (EMCPA). Operations across all County departments have been affected by the pandemic and have modified services by introducing measures to assist in reducing the spread. The content of this report includes the financial implications and steps taken to respond to and recover from the effects of COVID-19.

### Comments

#### Provincial and Federal COVID-19 Related Funding Announcements

The Federal and Provincial Governments have been supportive of the impacts of the pandemic on municipal services. An itemized list of 2020-2022 COVID-19 funding allocated to the County as of the date of this report is provided in Attachment 1 - totalling \$20,663,502. These Federal and Provincial funds have been reflected in the forecasts contained in this report, annotated to identify conditions such as reimbursing unspent funds where applicable.

In total, there are 30 different funding programs, represented by 52 funding allocations, supporting programs, supplies and services related to COVID-19 response and recovery.

### Social Service Relief Fund (SSRF) Update

Included in Attachment 1 are the four allocations of SSRF received by the County from the Province totalling \$6,027,603, all of which are substantially committed.

- Phase 1 - \$1.7 million – March 31, 2021 - Funds have been fully allocated
- Phase 2 - \$1.2 million – December 31, 2021 – Funds have been fully allocated to the Parkinson Social Housing capital project (HS 2021-07). The ministry has approved an extension to Q1 of 2022.
- Phase 3 - \$1.5 million – December 31, 2021 – Funds have been committed to community support agencies, institutions and non-profit housing partners, expected to be spent by December 31, 2021.
- Phase 4 - \$1.6 million – March 31, 2023 – Funds have been committed to Tillsonburg Not-For-Profit housing project (Report No. CAO 2021-08).

### Financial Operating Forecast

Attachment 2 to this report provides a financial summary of the forecasted surplus (or deficit) by division. Consolidation of all the departments indicates that there is a forecasted variance of 2.2% (Q3 2020 – 2.8%) which represents an anticipated general surplus of \$1,474,620 (Q3 2020 - \$1,897,734). The County surplus is represented by:

- County general levy surplus of \$1,474,620;
- Library surplus of \$308,346 – allocated to Library reserve
- Water and wastewater systems reserve contribution variance of (\$944,678)

The forecasted surplus is detailed below:

**Table 1 – General Operating Surplus**

| Department                           | Description  | 2021 Forecast |
|--------------------------------------|--|---------------|
| General Taxation                     | Interest income - reduced investment activity  | (\$100,000)   |
|                                      | Interest reserve allocation - higher rate of return and balances                           | (144,000)     |
|                                      | Higher royalties income  | 82,000        |
| Strategic Communication & Engagement | Staff vacancy  | 24,000        |
| Clerks                               | Staff reassigned to Communications to assist with COVID-19 recovered from Provincial grant | 37,230        |
| Finance                              | Staff vacancy  | 30,000        |
| Information Technology               | Savings in VOiP telecommunications   | 33,000        |
|                                      | Savings in supplies, training, insurance and increase in municipal recoveries              | 79,900        |
| Information Services                 | Staff vacancy  | 128,000       |
| POA                                  | Savings due to court closure for most of the year  | 163,400       |

| Department                     | Description   | 2021 Forecast      |
|--------------------------------|---|--------------------|
| Conservation Authorities       | CA approved budget vs. County approved budget   | 44,300             |
| Engineering                    | Higher development fee revenues   | 95,000             |
| Transportation Services        | Development charge exemptions   | (275,000)          |
|                                | Lower salt expenditures   | 122,000            |
| Paramedic Services             | Savings in training due to virtual format; salaries & benefits savings due to COVID funding for sick absences | 71,650             |
| Woodingford Lodge              | Service recovery fee increased revenue  | 46,000             |
|                                | Lower benefit costs due savings in WSIB costs   | 273,500            |
|                                | Increase in Global level of care funding higher than anticipated  | 173,000            |
|                                | Additional funding for operating expenses such as medical supplies and minor capital                          | 537,000            |
| Other expenses/revenues        |   | 53,640             |
| <b>Total Operating Surplus</b> |   | <b>\$1,474,620</b> |

At year-end, the general operating budget surplus will be allocated based on Reserve Policy 6.20 which is forecasted as follows:

- 25% to Corporate General **\$368,655**
- 50% to Roads Capital **\$737,310**
- 20% to Bridge Capital **\$294,924**
- 5% to Housing Capital **\$73,731**

Additionally, the Reserve Policy includes service specific surplus allocations for a number of services. These contributions have been included in the forecast and do not have an impact on the general operating surplus. These allocations are detailed in Table 2.

**Table 2 – Program Reserve Contribution**

| Department       | Description   | 2021 Budget | 2021 Forecast | Reserve Contribution Variance |
|------------------|---|-------------|---------------|-------------------------------|
| Facilities       | Facility savings in hydro, gas and insurance. Rural properties savings in property taxes and fencing repairs. | 78,429      | 222,646       | 144,217                       |
| Fleet            | Reduced volume of fleet sales   | (4,524)     | (109,068)     | (104,544)                     |
| Waste Collection | Higher bag tag revenues   | (685,964)   | (379,039)     | 306,925                       |

| Department              | Description  | 2021 Budget | 2021 Forecast | Reserve Contribution Variance |
|-------------------------|--|-------------|---------------|-------------------------------|
| Housing                 | Savings in subsidies paid to not for profit providers; savings in utilities cost | -           | 480,129       | 480,129                       |
| Training                | Savings in training  | -           | 7,457         | 7,457                         |
| Legal                   | Savings in legal   | -           | 3,870         | 3,870                         |
| Source Water Protection | Lower expenses due to staff vacancy  | (347,275)   | (240,651)     | 106,624                       |

### Library

The library levy surplus for 2021 is projected to be \$308,346 as detailed in Table 3. The Reserve Policy 6.20 indicates that Library surplus is to be allocated to “Libraries” Reserve for tax stabilization.

**Table 3 – Library Levy Surplus**

| Revenue/Expense                  | Explanation  | Amount           |
|----------------------------------|--|------------------|
| Revenues – Service Recovery Fees | Copying, faxing, lost items, replacement cards – reduction in fees due to branch closures    | \$(13,369)       |
| Development Charges              | Development charges not realized and development charge exemptions                           | (25,610)         |
| Salaries & benefits              | Reduction due to branch closures and changes to service delivery in response to the pandemic | 239,601          |
| Operating expenses               | Advertising/promotion, training, travel expenses, programs and supplies                      | 105,177          |
| Interdepartmental charges        | Fleet and facilities savings   | 2,547            |
| COVID expenses                   | COVID expenses of \$11,513 have been funded from the Safe Restart Grant                      | -                |
| <b>Forecast Year-End Surplus</b> |  | <b>\$308,346</b> |

### Water and Wastewater Rates

There are four water systems and eleven wastewater systems that are self-funded from user fees. Additionally, the source water protection program has its own dedicated revenue stream collected through water and wastewater user fees. Surpluses (or deficits) are allocated to each system's respective reserves. The projected year end variances from budget contributions to reserves for each respective system are presented in Table 4, anticipating an overall reduction of \$968,641 in contributions to reserves.

Table 4 – Water and Wastewater Reserve Contribution Variance

| Description  |   | Reserve          | 2021        |
|--|---|------------------|-------------|
| Water Systems  | Reduced rate revenues in 2021; development charge exemptions not budgeted for   | Woodstock        | \$(272,844) |
|  |   | Tillsonburg      | (15,214)    |
|  |   | Ingersoll        | (17,209)    |
|  |   | Township         | 30,115      |
|  |   | Total Water      | (275,152)   |
| Wastewater system  | Reduced rate revenues in 2021; development charge exemptions not budgeted for; Debt payments in Tavistock not budgeted for; higher purchased service costs in Thamesford for Biosolids and operations | Woodstock        | (160,232)   |
|  |   | Tillsonburg      | 27,696      |
|  |   | Ingersoll        | (270,529)   |
|  |   | Norwich          | 24,976      |
|  |   | Tavistock        | (34,366)    |
|  |   | Plattsville      | (77,066)    |
|  |   | Thamesford       | (127,306)   |
|  |   | Drumbo           | 1,642       |
|  |   | Mt Elgin         | (30,435)    |
|  |   | Embro            | (18,728)    |
|  |   | Innerkip         | (29,141)    |
|  |   | Total Wastewater | (693,489)   |
| Forecast Water and Wastewater Rate Reserve Contribution Variance |   |                  | (\$968,641) |

Summarized in Attachment 2 are the COVID-19 related flow through/transfer payments and expenditures which are forecasted to be \$11.8 million in 2021, \$11.2 million is funded from either service recovery fees, or dedicated grant funding with the remaining forecasted balance to be funded by the Safe Restart Agreement (SRA) grant.

In accordance with SRA Transfer Payment Agreement, SRA funding that exceeded 2020 COVID-19 related costs has been allocated to a dedicated reserve for use in 2021 as required. Table 5 illustrates a forecasted balance of \$4.0 million available to fund future COVID-19 operating pressures and local needs.

Table 5 – Safe Restart Agreement Fund Continuity

|                 | Opening Balance | Revenue            | Expenses         | Closing Balance |
|-----------------|-----------------|--------------------|------------------|-----------------|
| 2020            | \$-             | \$3,502,100        | \$169,504        | \$3,332,596     |
| 2021 - Forecast | 3,332,596       | 1,244,656          | 584,727          | 3,992,525       |
|                 |                 | <b>\$4,746,756</b> | <b>\$754,231</b> |                 |

### Potential Surplus Impacts

Due to the fluidity of the ongoing pandemic, it is challenging to accurately quantify the potential financial impacts that may result over an undefined period of time, therefore forecast estimates have been prepared on the basis of information available at the time of this report and are subject to change as COVID-19 ensues and provincial and local directives change in response.

There are two potential impacts on the year-end surplus which cannot be accurately quantified at the time of preparing this report as explained below.

- Long Term Care funding announcements**  
 On October 6, 2021 the provincial government announced new funding to increase the direct hours of care provided by RNs, RPNs and PSW starting November 1, 2021. The announcement includes a multi-year commitment, including additional funding for allied health professional and supporting education and training of staff in long-term care homes. Details have recently been released and management staff are in the process of developing a plan to utilize the funding to best meet the needs of our homes, which may have an impact on the estimated 2021 surplus.
- Development Charge Exemptions**  
 Notwithstanding statutory exemptions set out in the Development Charges Act, (1997), the Act allows municipalities to exempt from development charges certain types of development. The Act does not permit capital funding shortfalls created by development charge exemptions to be funded through other development charge eligible sources. Over the past year, the County has seen a number of large industrial projects, resulting in an increase in cost of exemptions requiring funding. In light of the foregoing, the final quarter of the year may result in further exemptions that will reduce the estimated year end surplus.

### Financial Capital Forecast

The “2021 Capital Plan Review” is attached as Attachment 3 illustrating the 2021 approved budgets (including in-year approved budget transfers); forecasts (including forecast carry-forward variances of the prior year); and, projected year end variance for each project. The projected variance for year end is estimated to be 21.9%, representing the amount of the budget expected to be spent, which was projected at 24.0% for 2020 projects in Q3. The unspent budget funds for capital projects do not represent a portion of the projected surplus as these funds are carried over in the case of multi-year projects and remain in reserve for deferred and delayed projects.

### Q3 Business Plan and Budget Division Updates

Attachment 4 of this report provides Q3 2021 business plan and budget updates by division including comments prepared by the respective departments.

As supplementary tables to the respective budget update reports are in-year budget transfers approved by the CAO between like projects in accordance with Purchasing Policy No. 6.07 in response to projects that exceed the approved budget provision. In addition, these supplementary tables report emergency purchases incurred in excess of \$25,000.

Table 6 provides a summary of these approved transfers and emergency purchases incurred to date with more details to be found in Attachment 4.

**Table 6 – Summary of In-Year Transfers and Emergency Purchases**

| <b>Division</b> | <b>Project Description</b>  | <b>Amount</b> |
|-----------------|---|---------------|
| PW - Facilities | Highland Roads Yard – to resolve avian issues, funded from the Roads reserve through other project savings                        | \$4,538       |
| PW - Facilities | Springford Roads Yard – to resolve avian issues, funded from the Roads reserve through other project savings                      | 5,462         |
| WFL             | Mechanical lifts, funded from the Woodingford Lodge equipment reserve through other project savings                               | 7,000         |
| WFL             | Domestic water pump failure, funded from the Facilities reserve through other project savings                                     | 100,000       |
| Transportation  | Guiderails, funded from the Roads reserve through other project savings   | 30,000        |
| Water           | Assessment of Thornton Feedermain, funded from the Woodstock water reserve through other project savings                          | 170,000       |
| Transportation  | Intersection illumination, funded from the Roads reserve through other project savings  | 25,000        |
| WFL             | Landscaping, funded from the Facilities reserve through other project savings   | 30,595        |
| Housing         | 272 Harris retaining wall, walkway, and drainage, funded from the Social Housing Facilities reserve through other project savings | 181,456       |
| Wastewater      | Emergency Repairs - Tillsonburg Sanitary Sewer Stoney Creek Erosion Protection, funded from Tillsonburg wastewater reserve        | 180,000       |
| Library         | Emergency Repairs – Ingersoll Town Hall and Library Masonry, funded from the Library Facilities reserve                           | 80,000        |



| <b>Division</b>  | <b>Project Description</b>  | <b>Amount</b>      |
|------------------|---|--------------------|
| CS – Finance     | Feasibility of digital accounts payable process, funded by modernization funds through other project savings                          | 10,565             |
| Waste Management | Waste management facility geotechnical investigation, funded from the Landfill reserve  | 30,000             |
| Transportation   | Transportation network operating and maintenance service delivery review, funded by modernization funds through other project savings | 16,121             |
| Transportation   | County Road 54 Huron Street – Bell Clay Conduit Relocation, funded from the Roads reserve through other project savings               | 375,000            |
| Waste Management | Closed landfill fencing, funded through other project savings   | 9,000              |
| Housing          | 329 Tunis St privacy fencing, funded from the Social Housing Facilities reserve and SSRF through other project savings                | 59,348             |
|                  |   | <b>\$1,314,085</b> |

#### Southwestern Public Health

Oxford County, City of St. Thomas and Elgin County are municipal funding partners for the Southwestern Public Health (SWPH), on a cost shared basis with the Ministry of Health and Long Term Care. The Ministry provides the majority of the funding for public health services across the province. The demand on public health services to address the pandemic are imposing a significant financial impact on public health services. As of the end of 2020, the Ministry responded to these additional costs without impacting our municipal contributions.

In mid-October 2021, SWPH issued an additional levy of \$4 million to the municipal funding partners in order to continue to fund response efforts related to COVID-19, as the Ministry of Health had not yet transferred funds to meet their cashflow needs. The County's proportionate share of the additional levy is \$2,219,015 and was approved by Council to be funded from the General reserve. As such, there is no impact on the County's forecasted year-end budget variance. Furthermore, Council requested reimbursement from SWPH upon receipt of the funds committed from the Ministry which would effectively restore the previous balance of the reserve.

A financial update from SWPH regarding their 2021 year-end financial position and 2022 budget will not be available until after the SWPH Board meeting scheduled for December 10, 2021.

#### Economic Stimulus Fund

In accordance with the County's partnership agreement with Community Futures Oxford (CFO) to administer an Economic Stimulus Fund to support local businesses and non-profit community agencies experiencing financial challenges resulting from the pandemic, a report has been received from CFO dated October 27, 2021. The report indicates that a total of 12 grants have been approved since inception in May 2020, totalling \$175,873 leveraged by 21 partners' investments totalling \$104,729.

As for business loans invested in local business recovery from the pandemic, CFO has disbursed 12 loans totalling \$665,000, maintaining 172 local jobs. Promotion of the loan portion of the program is ongoing through social media feeds, local radio stations, community partners and Economic Development Offices.

### Modernization Funding Update

In March 2019, the Ministry of Municipal Affairs and Housing (MMAH) funded a one-time unconditional grant for small and rural municipalities intended to help modernize service delivery and reduce future costs by investing in projects such as: service delivery reviews, development of shared services agreements, and capital. The County's allocation was \$725,000. County Council received Report No. CS 2020-46 titled "Modernization Funding Project Proposals" at their meeting held October 28, 2020 and approved investment of the \$725,000 unconditional Modernization funds to specific projects that will modernize service delivery to gain efficiencies and achieve future savings. An update on the approved projects status is included in Table 7 below.

**Table 7– Wave 1 Modernization Funding Status Update – September 30, 2021**

| Modernization Project   | Amount Approved | Reallocated | Project Cost | Divisional Project Update   |
|---|-----------------|-------------|--------------|---|
| <b>Tourism – In Market Visitor Information Signage</b><br>[CS 2020-46]                          | \$70,000        | -           | \$70,000     | Design of signs for Courthouse square completed, will be installed in spring. Digital component is live. Additional styles of signage are being tested and Cheese Trail signage is being monitored. |
| <b>Roads – GPS/AVL and Road Patrol Compliance Software Evaluation</b><br>[CS 2020-46]           | 10,000          | (8,616)     | 1,384        | GPS/AVL and Road Patrol Compliance software evaluation is complete  |
| <b>Waste Management - Weigh Scale Software Optimization</b><br>[CS 2020-46]                     | 200,000         | (26,686)    | 173,314      | Procurement has been awarded to successful vendor and implementation is proceeding  |
| <b>Information Services – Mobile Solution for AMANDA (Building Inspections)</b><br>[CS 2020-46] | 164,000         | (25,000)    | 139,000      | Project underway, estimated completion mid 2022   |
| <b>Information Services – Requirements for AMANDA – Community Planning</b><br>[CS 2020-46]      | 75,000          | 25,000      | 100,000      | Project transferred to the 2022 Budget (  |

| <b>Modernization Project</b>   | <b>Amount Approved</b> | <b>Reallocated</b> | <b>Project Cost</b> | <b>Divisional Project Update</b>  |
|--|------------------------|--------------------|---------------------|---|
| <b>Woodingford Lodge –</b><br>Visual Enhancement for Resident Dining & Meal Choices<br><i>[CS 2020-46]</i> | 58,660                 | (19,317)           | 39,343              | Electrical and network cables are being installed, anticipated completion by end of November. |
| <b>Paramedic Services –</b><br>Real-Time Data CAD Integration<br><i>[CS 2020-46]</i>                       | 33,000                 | 886                | 33,886              | Full implementation completed.  |
| <b>Human Resources – HRIS</b><br>Configuration and Implementation<br><i>[CS 2020-46]</i>                   | 60,300                 | (12,532)           | 47,768              | Project complete  |
| <b>Information Services –</b><br>Drone<br><i>[2021 Budget]</i>   | 6,000                  | -                  | 6,000               | Project underway, estimated completion mid 2022   |
| <b>General – Service Delivery</b><br>Review<br><i>[CS 2019-04]</i>   | 20,000                 | -                  | 20,000              | Project complete  |
| <b>Human Resources –</b><br>Scheduling Software Configuration and Implementation<br><i>[CS 2021-14]</i>    | 28,040                 | (42)               | 27,998              | Project complete  |
| Transferred to Wave 2 Projects   | -                      | 26,686             | 26,686              |   |
| <b>Uncommitted</b>   | -                      | 39,621             | 39,621              |   |
|  | <b>\$725,000</b>       | <b>\$725,000</b>   | <b>\$725,000</b>    |   |

In response to the Provincial Government's announcement of the second intake of the Municipal Modernization Program, Council approved seven proposed innovative initiatives that would improve efficiency of services delivery and reduce expenditure growth, effectively meeting the eligibility criteria for funding under this program. An update on the projects status is included in Table 8 below.

Table 8 – Wave 2 Modernization Funding Status Update – September 30, 2021

| Modernization Project Proposals  | Amount Approved  | Reallocated     | Project Cost     | Divisional Project Update                            |
|--|------------------|-----------------|------------------|--|
| <b>Finance</b> - Review Feasibility of Digital Accounts Payable Process<br>[CS 2021-14]          | \$25,000         | \$10,565        | \$35,565         | Project on-going – report anticipated November 2021. |
| <b>Information Services</b> – Public Websites Modernization<br>[CS 2021-14]                      | 180,240          | -               | 180,240          | zorra.ca, oxfordcounty.ca underway.                  |
| <b>Information Services</b> – Road and Address GIS Data Transformation<br>[CS 2021-14]           | 167,800          | -               | 167,800          | Project kickoff November, 2021                       |
| <b>Water and Wastewater</b> – Operations and Maintenance Service Delivery Review<br>[CS 2021-14] | 100,000          | -               | 100,000          | Project awarded September, 2021                      |
| <b>Roads</b> - Operations and Maintenance Service Delivery Review<br>[CS 2021-14]                | 125,000          | 16,121          | 141,121          | Project awarded September, 2021                      |
| <b>Paramedic Services</b> – Deployment Review<br>[CS 2021-14]                                    | 150,000          | -               | 150,000          | Project on-going – report anticipated January, 2022  |
|  | <b>\$748,040</b> | <b>\$26,686</b> | <b>\$774,726</b> |  |

The third party review stream project reports were originally required to be delivered to the Province by November 30, 2021, however the due date has been extended to January 31, 2022. The implementation related projects due date remains unchanged, being September 30, 2022.

At County Council's regular meeting held October 13, 2021, Council approved eight additional projects to be applied for funding under Wave 3 of the Municipal Modernization Fund, consisting of two Review Stream projects and six Implementation Stream projects. Project approvals are expected be announced for this wave in January 2022.

## Conclusions

Staff will continue to monitor and be prepared to respond to Provincial directives related to County services as they arise, and as we strive to deliver the best possible service to our community. First and foremost, staff will ensure the health and safety of our community and staff is protected by following public health guidelines.

Overall, this report indicates the general and library budgets are projected to be in surplus positions at year-end with the 2021 COVID related expenditures being fully funded by Federal and Provincial grants. The federal-provincial funds (SRA) remaining at year-end, projected to be \$4.0 million, will be reserved to assist in offsetting ongoing COVID related operating costs in to 2022.

## **SIGNATURES**

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### **Report Author:**

Original signed by

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### **Departmental Approval:**

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Director of Corporate Services

### **Approved for submission:**

Original signed by

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Michael Duben, B.A., LL.B.  
Chief Administrative Officer

## **ATTACHMENTS**

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Attachment 1 – Q3 2021 2020-2022 COVID Funding Summary  
Attachment 2 – Q3 2021 Overall Forecast Variance and COVID-19 Financial Update  
Attachment 3 – Q3 2021 Capital Plan Review  
Attachment 4 – Q3 2021 Business Plan and Budget Update by Division