

To: Warden and Members of County Council

From: Director of Corporate Services

Business Plan and Budget Review – Q2 2022

RECOMMENDATION

1. That Report CS 2022-26 entitled “Business Plan and Budget Review – Q2 2022”, be received for information.

REPORT HIGHLIGHTS

- Delivery of the 2022 goals and objectives is progressing as planned with some delays due to COVID response
- Update regarding service level impacts of the ongoing COVID-19 pandemic on County services
- June 30, 2022 forecasted year-end overall deficit of \$57,847 comprised of:
 - County general levy deficit of \$129,626
 - Library surplus of \$283,973
 - Water and wastewater system deficit of \$187,169
 - Special Program reserve deficit of \$25,025 – allocated to program reserves for fleet, facilities, and waste

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, 2022.

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 minor deficit at year-end.

Attached to this report as Attachment 2 is the Q2 2022 Overall Forecast Variance and COVID-19 Financial Update for the period ending June 30, 2022. The forecast figures suggest an overall operating deficit of \$57,847 - deficit of \$129,626 in the general levy; \$283,973 surplus in the library levy; a deficit of \$187,169 for the water and wastewater systems; and an overall







deficit of \$25,025 for program reserves. Attachment 4 to this report provides more detailed information regarding the variances.

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 COVID financial impacts and funding received to date. Through *Council this Week*, a summary of this council report is also being provided to the public.

Strategic Plan (2020-2022)

					
WORKS WELL TOGETHER	WELL CONNECTED	SHAPES THE FUTURE	INFORMS & ENGAGES	PERFORMS & DELIVERS	POSITIVE IMPACT
		3.ii. 3.iii.		5.ii.	

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 reports annotated to explain significant variances as of June 30, 2022.

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. As of April 27, 2022, all orders have been revoked, however the County continues to respond to COVID-19 through its delivery of services. This report also serves to provide a regular report of the financial implications and steps taken to respond to and recover from the effects of COVID-19.

Comments

Provincial COVID-19 Related Funding

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, either received or recognized as of the date of this report, is provided in Attachment 1 totalling \$24,171,989. 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 39 different funding programs, represented by 67 funding allocations, supporting programs, supplies and services related to COVID-19 response and recovery.

Financial Operating Forecast

Attachment 2 to this report provides a financial summary of the forecasted surplus (or deficit) by division. At June 30, 2022, 2022 forecasted year-end overall deficit is \$57,847, which is comprised of:

- County general levy deficit of \$129,626;
- Library surplus of \$283,973;
- Water and wastewater system deficit of \$187,169 – allocated to/from four water and eleven wastewater reserves
- Program reserve deficit of \$25,025 – allocated to three program reserves - fleet, facilities, and waste collection.

The general levy deficit of \$129,626 reflects the impact of inflationary costs predominantly in the following expense categories along with forecasted costs exceeding the approved budget:

- \$111,700 or 12.9% for chemical costs (Water and Wastewater)
- \$448,703 or 50.9% for fuel
- \$126,200 or 24.8% for heating
- \$198,514 or 24.3% for raw food costs (Woodingford Lodge)

The 2022 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.

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.

Also summarized in Attachment 2 are the total COVID-19 expenses which are forecasted to be \$7.67 million in 2022; \$6.83 million is funded from either service recovery fees, or dedicated grant funding (Attachment 1); with the remaining funding forecasted to be funded with the Safe Restart Agreement (SRA) grant. This funding is expected to be utilized to address operating pressures and local needs related to COVID-19.

In accordance with direction from the Ministry, since the SRA funding exceeded the 2020 and 2021 COVID-19 related costs, the residual funding has been allocated to a dedicated reserve for use in 2022 as required. Table 1 below, illustrates a forecasted \$3.46 million available to fund future COVID-19 operating pressures and local needs.

Table 1 – Safe Restart Agreement Fund 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 – Forecast	4,295,464	-	838,204	3,457,260
		\$4,746,756	\$1,289,496	

Due to the fluidity of the situation 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 to respond.

Financial Capital Forecast

The Q2 2022 Capital Plan Review, attached as Attachment 3, illustrates the 2022 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 \$5.9 million or 6.3% of the revised budget. Supply shortages are contributing to the delay in completing projects.

Q1 Business Plan and Budget Division Updates

Attachment 4 of this report provides Q2 2022 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.

Table 2 provides a summary of these approved transfers and emergency purchases incurred to date with more details to be found in Attachment 4.

Table 2 – Summary of In-Year Transfers and Emergency Purchases

Division	Project Description	Amount
Transportation	County Road 59 Wilson Street – to address the shortfall for design costs	\$80,000
Housing	135 Carroll St – to complete the replacement of the retaining wall	30,000
Water	To address the shortfall for the watermain replacement on Thames St S in Ingersoll	150,000
Housing	To complete the installation of keyscan security systems at 14 multi-unit housing locations	20,000
Water	To address the shortfall for watermain design at 4 railway crossings in Ingersoll	75,000
Transportation	To address the shortfall for installation of two pedestrian crossings (Hickson and Tavistock)	75,000
Waste Management	To fund the emergency rental of a day cab truck (744) for Waste Management due to prolonged repairs (backordered parts). Funded from the Landfill and Waste Diversion Reserve.	23,750
		\$453,750

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 and 2021, the Ministry responded to these additional costs without impacting our municipal contributions.

As of the date of this report, SWPH anticipate confirmation from the Ministry in August that they will fund all COVID-19 related expenditures. This confirmation will be of assistance in determining any additional funding requirements from the municipal partners in 2022. In the meantime, the County has committed to provide SWPH an additional interim levy in the amount of \$2.2 million to assist with cash flow challenges, if required.

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 June 30, 2022. The report indicates that all grant related funding was fully subscribed by the end of 2021 totalling \$180,000 supporting local non-profit organizations.

As for business loans invested in local business recovery from the pandemic, CFO has disbursed 22 loans totalling \$1,051,000 to date of the total \$1,200,000 committed to the Economic Stimulus Fund. Promotion of the loan portion of the program is ongoing through social media feeds, local radio stations, community partners and Economic Development Offices.

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 2022 County's current COVID costs are fully funded. The remaining federal-provincial funds (SRA) of \$3.5 million assisted in effectively eliminating what would have otherwise been a deficit, with excess funds available for utilization for the remainder of 2022 to offset continuing COVID related operating costs.

SIGNATURES

Report Author:

Original signed by

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Departmental Approval:

Original signed by

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

Approved for submission:

Original signed by

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

ATTACHMENTS

Attachment 1 – Q2 2022 2020-2022 COVID Funding Summary
Attachment 2 – Q2 2022 Overall Forecast Variance and COVID-19 Financial Update
Attachment 3 – Q2 2022 Capital Plan Review
Attachment 4 – Q2 2022 Business Plan and Budget Update by Division