Staff Report to Council – for Direction

Title: 2024 Financial Statements – Unaudited Results

From: Sam Dinsmore, Director of Corporate Services

Date: April 3, 2025

Report Number: CS-2025-011

Staff Recommendation:

That $2,000,000 be transferred to the Affordable Housing Program – Creation of New Units reserve; and,

That $825,000 be transferred to the Museum Facilities Reserve; and,

That the remainder of the 2024 surplus funds be allocated to the Tax Stabilization Reserve as per existing policy.

Report Summary:

At the end of the third quarter the projected year-end position was a surplus of $2,128,990. The final 2024 unaudited result is a surplus of $4,102,708, or approximately 2.49% of total budgeted expenditures. A variety of factors contributed to the improved financial projection including: application of funding in long-term care to agency costs; fourth quarter winter weather conditions reducing winter controls demands; increased property tax supplementary revenues due to the new property assessment being added to the tax roll for previous years; realized gain on the sale of investments; and operational spending that did not proceed due to vacancies in positions across the County. Attached is an analysis of budget to actual for 2024 by program. The following narrative provides a summary of the results.

Background/Analysis:

During 2024, financial reports were provided quarterly to Directors and Members of Council. Many of the variances from budget have already been identified and reported, however there are other areas that are now reflecting variances due to information that is not available until the end of the year.

MNP is currently completing the external audit of the 2024 financial statements, including the new financial reporting standards. Audited Financial Statements will be presented to Council once available, tentatively set for May 15th, 2025.

In 2024, Safe Restart Grant funding continued to provide support to offset expenses and lost revenues across the organization. The chart below provides a summary of the Department spending.

Utilization of Safe Restart Funds

Department	Funded with Safe Restart
Office of the CAO	0
Brucelea Haven	35,993
Gateway Haven	29,501
Paramedic Services	0
Museum	91,884
Transportation & Environmental Services	5,674
Corporate Services	85,000
Information Technology	22,193
Human Resources	0
Library	20,000
Human Services	62,886
Land Use Planning & Economic Development	161,644
2024 Total Expenditures and Funding	**514,775**
Total Safe Restart Available for 2024	880,885
Less 2024 Expenditures	-514,775
Amount in reserves at January 1, 2025	**366,110**

The 2025 budget includes the utilization of an estimated $103,938 in Safe Restart funding. Staff are developing plans to utilize the remaining balances of the Safe Restart funds in line with the goals and objectives of the funding. This includes work around Emergency Shelter resources, Community and Economic Development supports and other initiatives aligned with the pandemic recovery as we continue to see the economic implications of the pandemic on individuals and businesses.

In 2024, there were 173 identified capital projects across the organization, including the 2023 carryover projects, and 7 additional projects added mid-year. At the end of the year, 76 projects were carried over to 2025. Only 2 capital projects had expenditures exceeding budget, at a total cost of $68,521, which were addressed using delegated authority and summarized below.

OFFICE OF THE CAO ($133,633 surplus)

- Salaries and benefits saw a surplus of $30,000 across all activities, which is partly offset by the deficit in Government Relations because of budget amendments related to the re-organization.

- Corporate legal fees saw a surplus of $30,000.

- The employee recognition program is based on a head cost estimate, the variance in staffing levels and participation contributed to a $17,000 surplus.

- Fluctuations in administration expenditures account for approximately $45,000 of the surplus, driven by reduced use of professional and consulting services, supplies, and training fees.

FACILITIES ($17,876 deficit)

- Facilities surplus of $53,000 mainly related to lower than budgeted spending at the Cayley Street facility and Jail is offset with lower cost recovery from the tenant of $33,000.

- Facilities Project Management saw a deficit of $35,000 for additional time spent on operational maintenance and management.

HUMAN RESOURCES ($63,393 surplus)

- The majority of the surplus was realized due to savings in salaries and benefits advertising, conventions, retirement/service awards and software maintenance costs.

- The Health and Safety Program had a surplus of $149,000 largely due to underspending on consultant services. This was offset by a reduced transfer from reserve.

LONG-TERM CARE AND SENIOR SERVICES ($1,738,393 surplus)

- Agency utilization continues to cause material impacts to the County's finances. Ongoing reviews have resulted in adjusted approaches to agency scheduling, new and revised contracts. Agency utilization in 2024 is up approximately $300,000 versus prior year as a result of an increase in scheduled direct care hours at both homes to work towards provincial hours of care targets, but not being able to fill all of these hours with internal staff. Staff continue to review opportunities to gradually increase the scheduled hours of care incrementally to meet the provincial targets while taking into consideration the continued utilization of agency staffing.

Brucelea Haven ($1,102,833 surplus)

- The Ministry completed the reconciliation of the 2020 and 2021 years and the anticipated repayment of funding decreased by $44,000. The adjustment was not recorded in the 2020 and 2021 statements and thus is reflected in the 2024 financial statements as an unbudgeted adjustment.

- Funding announcements related to per diems resulted in a surplus of $360,000.

- Administration expenditures ended the year with a $118,000 deficit, mainly driven by professional services, training, equipment and other operating costs.

- Program and Support saw a $110,000 surplus, attributed to challenges sourcing professional services and additional funding received.

- Nursing ended the year with a $809,000 surplus overall.

    - Salaries and Benefits had a surplus of $1.15 million due to unfilled shifts. Approximately $2.29 million in agency staffing was used to provide coverage but was fully offset by provincial funding.

    - High needs expenditures reflect a $200,000 deficit. The province reimburses up to 95% of cost, but the County must cover the remaining amounts.

    - Medical, nursing, and incontinent supplies saw a combined overspend of $137,000.

- Building & Property Operations saw a surplus in Salaries and Benefits of $117,000 that was partly offset with a deficit of $31,000 in supplies and maintenance costs.

- Nutritional Support ended the year with $128,000 overspend resulting from supply chain issues and inflationary pressures.

<u>Gateway Haven ($633,739 surplus)</u>

- The Ministry completed the reconciliation of the 2020 and 2021 years and the anticipated repayment of funding decreased by $31,000. The adjustment was not recorded in the 2020 and 2021 statements and thus is reflected in the 2024 financial statements as an unbudgeted adjustment.

- Funding announcements related to per diems resulted in a surplus of $122,000.

- Preferred rents are $64,000 less than budget.

- Administration expenditures ended the year with a $44,000 deficit, mainly driven by computer software, professional services, cable and other operating costs.

- Salaries and benefits (excluding Nursing) generated a surplus of $169,000 as a result of not being able to fill all shifts.

- The Nursing program saw a $495,000 surplus overall.

    - The surplus in salaries and benefits of $1.53 million is offset by the use of agency staffing to provide coverage at a cost of $2.58 million. Approximately $1.68 million in funding was also applied to offset these costs.

    - High needs expenditures reflect a deficit of $60,000 due to higher-than-expected spending.

    - Medical, nursing, and incontinent supplies saw a combined overspend of $65,000.

- Other Accommodation expenditures ended the year with a $74,000 deficit, mainly driven by utilities, water/sewer, equipment repairs and housekeeping supplies.

- Nutritional Support ended the year with a deficit of $24,000, resulting from supply chain issues and inflationary pressures.

Senior Services ($1,822 surplus)

- Only minor variances from budget occurred.

PARAMEDIC SERVICES ($158,382 surplus)

- Annual funding received from the ministry was $370,000 above budgeted expectation. These funds were utilized to partially pay for the purchase of the Kincardine Paramedic Station.

- Salaries and Benefits resulted in a net surplus of $188,000 across the department mainly due to various leaves and absences.

- Cross border billing was $18,000 over budget.

- Community Paramedicine Program expenditures were within funding allocations.

MUSEUM ($60,666 surplus)

- Administration saw a $56,000 surplus as a result of lower than budgeted spending in utilities, maintenance, insurance, postage and conventions.

- Ongoing Services saw a combined surplus in Children's Programs, Student Education and Gift Shop of $4,000.

TRANSPORTATION AND ENVIRONMENTAL SERVICES ($636,223 surplus)

- Fuel costs ended the year with a surplus of $148,000 as a result of lower usage. This impact is included in the divisional surpluses and deficits outlined below.

- Administration saw a surplus of $102,000 as a result of higher than budgeted revenue for royalties and licence & permit revenue and with lower than budgeted costs for shop supplies, equipment usage and utilities.

- Winter Control saw a surplus of $1,070,000 because of lower costs for snow plowing and sanding related to weather conditions across the 2024 seasons.

- Road & Bridge Maintenance and Traffic & Roadside programs had a deficit of $493,000 as a result of more time being allocated to these activities in the absence of need for Winter Controls.

- Waste Diversion ended the year with a deficit of $40,000 due to hazardous waste event costs coming in higher than budget.

- The Forestry and Trails division was $40,000 overbudget due to lower than budgeted revenue for forestry products of $60,000 offset by operating expenditure reductions.

CORPORATE SERVICES ($45,659 surplus)

- Risk Management had a $18,000 overall surplus.

- Finance Division had a $28,000 overall surplus.

  - Salaries and benefits created a $47,000 surplus because of temporary staffing vacancies and new staff placement lower on the salary grid.

  - Audit fees were over budget by $12,000, and miscellaneous grants were over budget by $10,000 because of prior period adjustments.

INFORMATION TECHNOLOGY ($ Nil)

- Salaries and benefits created a $34,000 deficit due to staffing changes.

- Wide area network costs were $21,000 under budget.

- Subscription services generated a surplus of $288,000 which is offset by a $141,000 deficit in consulting costs related mainly to cloud migration.

- Net subscription surplus of $132,000 was transferred to reserves according to Reserve Policy.

GOVERNMENT RELATIONS ($36,306 deficit)

- Salaries and benefits created a $42,000 deficit which is partly offset by the surplus in Office of the CAO because of partial year budget amendments for re-organization.

- The Employment Services division spending is currently being managed within the available funding.

LIBRARY ($51,323 deficit)

- Salaries and benefits created a $63,000 deficit due mainly to leaves and higher than budgeted hours.

- Overall Revenue surplus of $19,000 due to grants, printing charges, and fines.

HUMAN SERVICES ($97,403 deficit)

- Housing Services Division had a $90,000 surplus overall, mainly due to salaries and benefits.

- Housing Facilities Program generated a $488,000 deficit overall.

    - Salaries and benefits created a surplus of $22,000.

    - Net Rental Income exceeded the budget by $110,000, mainly driven by adjustments to invoicing for maintenance charges. However, it is acknowledged that some of these amounts may remain uncollected.

    - Long term debt repayments were over budget by $41,000.

    - The building maintenance and operational expenses have resulted in a deficit of $576,000, which was primarily driven by rising costs and increased resource demands associated with unit turnovers. These turnovers also presented an opportunity to undertake more extensive repairs, including the replacement of flooring, fixtures, and appliances.

- Income & Employment Support Programs provided a $121,000 surplus overall.

    - There was a $146,000 surplus in administrative costs, mostly due to surpluses in Salaries and benefits. Indigent funerals generated a $25,000 deficit.

- Children's Services Programs realized a $180,000 surplus.

    - Administrative expenditures were under budget by $63,000 mainly due to salaries and benefits

    - All applicable childcare funding was allocated as per Ministry guidelines with some budgeted levy dollars not being required for internal programs, resulting in a surplus of $108,000.

LAND USE PLANNING AND ECONOMIC DEVELOPMENT ($143,310 deficit)

- Land Use Planning Division (excluding salaries and benefits) generated a $272,000 deficit.

    - Revenues were $329,000 lower than budget due to decreased application volumes as a function of the market absorbing recent approvals, slower growth in a higher interest rate environment, and considerable efforts by the County and local municipalities to complete targeted updates to Plans and By-laws to permit more development to occur 'as-of-right'. Also, contributing to the deficit is approximately $70,000 in revenue for which recognition has been deferred until future performance obligations have been met, in accordance with the new revenue accounting standard.

- Administrative and staff-related costs generated a $40,000 surplus.

- Economic Development Division (excluding salaries and benefits) generated a $121,000 surplus due mainly to savings in program funding and administrative costs.

NON-DEPARTMENTAL ($1,612,576 surplus)

- In 2024 Payments in Lieu were $194,000 higher than budgeted; and supplementary revenues were $928,000 higher than budget offset by write-offs $127,000 over budget. The impact of Estimated supplementary revenues and write-offs created an additional net surplus of $144,000. These numbers are difficult to estimate and are generally not factored into the surplus until year end results are final. The surpluses on supplementary revenues are heavily impacted by the timing of property assessments and cannot be relied upon in the future to generate sustainable revenue sources for the County.

- Interest income created a $608,000 surplus and realized gains on the sale of investments created a $2,048,000 surplus. This surplus in investment income was partly offset by a $883,000 deficit for Interest transferred to reserves.

- County funded Development Charges phase-in exemption created a $1,344,000 deficit.

- Provincial Offences Revenue incurred a $105,000 deficit. Safe Restart funding was used to cover $85,000 of the reduced revenues per the budget.

- Public Health transfer generated a surplus of $65,000.

Use of Delegated Authority – Reserve Transfers

In the fourth quarter of 2024 there have been three applications of the Treasurer's delegated authority under the County's Reserve and Reserve Fund Policy. As per the policy's commitment to reporting quarterly on the uses of the delegated authority, the following table outlines the scenario and amount related to this reserve transfer.

Project	Description	Justification	Amount
AO-2024-002 Office Furniture	Office desk purchased to provide a functional workspace for the CAO. Amount met the capitalization threshold.	The transfer supports completing the project in year and is in line with the purpose of the Reserve.	$1,561 from Office of the CAO Departmental Reserve

Project	Description	Justification	Amount
Dorrell Young Program	The Dorrell Young program was expanded in 2024 to include grocery cards, resulting in purchases exceeding the budget.	The transfer is in line with the purpose of the Reserve Fund, and links to Strategic Plan – Build a Strong and Inclusive Community.	$14,607 from the Dorrell Young Reserve Fund
TS-2021-046 & TS-2022-008 Reserve Reallocation between Projects	Reallocation of expenses and reserve funding between two projects, as the projects are for the same purpose (accessibility updates at Paisley Shop)	No reduction in scope of any projects, sufficient contingencies remain in the original projects, and both projects sit within the Capital Housing and Equipment portfolio for T&ES. The reallocation is in line with the purpose of the Reserve.	$66,960 from T&ES Facilities Reserve

Summary

Projections throughout the year are calculated based on the historical trends and the information received from members of the Senior Management Team. In some cases, departments were able to reduce expenditures or modify spending patterns mid-year. The unaudited year-end surplus is in part a result of these efforts.

Unspent Capital and Project dollars were transferred to reserves for use in 2025 as per the reserve policy. In accordance with this policy, the $4,102,708 surplus at 2024 year-end has been transferred to the Tax Stabilization Reserve to offset future fluctuations in budgets or to be used as otherwise approved by Council. The following outlines recommendations for reallocating a portion of the surplus from the Tax Stabilization Reserve to other reserves.

<u>$2,000,000 to Affordable Housing Reserve – Creation of New Units</u>

Interest generated by the County is allocated to Reserve Funds and Capital Reserves based on the average annual bank rate, while any surplus interest is directed to the Tax Stabilization Reserve. However, due to the variability and multi-year nature of capital gains, they are considered an unreliable income source and present challenges in determining accurate rates of return. As a result, capital gains are not distributed to these reserves.

In 2024, the County realized approximately $2,000,000 in capital gains from investments. It is recommended that this amount be allocated to the Affordable Housing Program – Creation of New Units Reserve, which would raise its projected balance to $4,586,367 by the end of 2025 and would support the County’s commitment to addressing housing priorities.

$825,000 to Museum Facilities Reserve

The County has made consistent efforts to standardize the management and maintenance of its facilities to ensure proper asset management. As the facilities age, several repairs and replacements are expected in the coming years, highlighting the importance of maintaining sufficient reserves. At the end of 2025, reserves for County facilities, excluding the Bruce County Housing Corporation (BCHC) Capital reserve, are projected to total $3,358,598, which falls short of the target balance of $5,453,000, or 4% of current replacement value. In contrast, BCHC Capital reserve is on track to meet this target.

To address shortfalls within individual department reserves, the 2025 budget includes a strategic plan to borrow between facility reserves. By the end of 2026, approximately $825,000 is expected to be borrowed from other reserves to support the Museum facilities reserve. To eliminate the need for inter-reserve borrowing and strengthen facilities reserves, it is proposed to transfer $825,000 from the 2024 surplus directly to the Museum facilities reserve. This approach aligns with the County's commitment to strategic financial planning and sustainable asset management.

Tax Stabilization Impact

During the 2025 budget discussions, the year-end Tax Stabilization Reserve balance was initially projected at $2,845,933, assuming no surplus transfer from 2024. However, due to final unaudited results, proposed reserve transfers, and additional interest earned in 2024, the balance is now expected to reach $4,138,921 by the end of 2025, provided no further withdrawals occur. This brings the reserve closer to the target balance of $4,300,000, offering greater financial stability and flexibility to address unforeseen expense requirements, such as those caused by tariffs, currency fluctuation, and trade uncertainty.

Financial/Staffing/Legal/IT Considerations:

There are no staffing, legal or IT considerations associated with this report. The financial considerations have been addressed in the background and summary of the report.

Interdepartmental Consultation:

The Senior Management Team have received their respective Departmental Financial Statements and year-end financial analysis.

Link to Strategic Goals and Objectives:

None identified.

Link to Departmental Plan Goals and Objectives, if any:

None identified.

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