Staff Report to Council - for Direction

Title: 2023 Financial Statements – Unaudited Results

From: Lynn Hatten, Acting Director of Corporate Services

Date: April 4, 2024

Staff Recommendation:

That $100,000 be transferred to the Winter Control Reserve: and,

That $750,000 be transferred to the Affordable Housing Program – Creation of New Units reserve; and,

That $375,000 be transferred to the General Facilities Reserve; and,

That the remainder of the 2023 surplus funds be allocated to the Tax Stabilization Reserve as per existing policy.

Report Summary:

At the end of the third quarter the projected yearend position was a surplus of $1,100,827. The final 2023 unaudited result is a surplus of $2,719,143, or approximately 1.56% of total budgeted expenditures. A variety of factors contributed to the improved financial projection including: reduced agency utilization and the resulting application of funding in long-term care; fourth quarter winter weather conditions reducing winter controls demands; increased property tax supplementaries due to the property assessment delays resulting from the pandemic; and operational spending that did not proceed due to vacancies in positions across the County. Attached is an analysis of budget to actual for 2023 by program. The following narrative provides a summary of the results.

Background:

During 2023, 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 year-end.

BDO is currently completing the external audit of the 2023 financial statements, including the new financial reporting standards. Audited Financial Statements will be presented to the Corporate Services Committee once available.

In 2023, Safe Restart Grant funding continued to provide support to offset expenses and lost revenues across the organization. Long Term Care and Paramedic Services have also received additional Covid-19 department specific funding that was reported on previously. As reported, all further funding programs related to the Pandemic are now complete.

The chart below provides a summary of the Department spending of Safe Restart Funding in 2023, after applying available Department specific pandemic funding.

2023 Utilization of Safe Restart Funds

Department	Funded with Safe Restart
Office of the CAO	0
Brucelea	33,314
Gateway	22,210
Paramedic Services	0
Museum	66,704
Transportation & Environmental Services	0
Corporate Services	85,000
Information Technology	5,725
Human Resources	0
Library	0
Human Services	0
Land Use Planning & Economic Development	0
2023 Total Expenditures and Funding	**212,953**
Total Safe Restart Available for 2023	1,051,249
Less 2023 Expenditures	-212,953
Amount in reserves at January 1, 2024	**838,296**

The 2024 budget included the utilization of an estimated $422,088 in Safe Restart funding. Staff are developing plans to utilize 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.

OFFICE OF THE CAO ($207,938 surplus)

- Corporate legal fees saw a surplus of $39,000.
- The employee recognition program was under budget by $29,000 due to lower than anticipated participation rates.
- Consultant and Staff Training spending was a total of $45,000 under budget.

- Salaries and benefits and professional services for Strategic Initiatives was under by $69,000 due to a partial year vacancy.

HUMAN RESOURCES ($110,107 surplus)

- The majority of the surplus was realized due to savings in consultant services, retirement/service awards, advertising, legal and software maintenance costs.
- The Health and Safety Program required $109,000 less from reserves than budgeted, largely due to underspending on consultant services.

LONG TERM CARE & SENIOR SERVICES ($179,170 surplus)

- Pandemic related funding ended as of March 31. The Ministry fully funded first quarter pandemic expenses.
- 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, and reductions in total expenditures by almost $1 million compared to prior years. Staff are reviewing 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 ($302,924 surplus)

- The Ministry completed the reconciliation of the 2019 year and, with input from staff, the recovery of funding initially estimated at $322,000 was decreased to $142,000. This recovery was due to missed occupancy targets in 2019 as a result of the suspension of admissions. The impact was not recorded in the 2019 statements and thus is reflected in the 2023 financial statements as an unbudgeted adjustment.
- Pandemic funding of $176,000 has been received for expenditures incurred to March 31 to offset labour and outbreak supplies costs of $158,000 and $18,000 respectively.
- Funding announcements related to per diems resulted in a surplus of $108,000, while resident acuity adjustment resulted in a $59,000 revenue reduction from budget.
- Administration expenditures ended the year with a $105,000 deficit, mainly driven by professional services, training, equipment and other operating costs.
- Program and Support saw a $86,000 surplus, attributed to challenges sourcing professional services and additional funding received.
- Nursing ended the year with a $512,000 surplus overall.
    - The surplus in Salaries and Benefits of $974,000 is offset with use of approximately $1.8 million in agency staffing to provide coverage. Approximately $1.5 million of funding was applied against these costs.
    - High needs expenditures reflect a $69,000 deficit. The province reimburses up to 95% of cost, but the county must cover the remaining amounts.
    - Staff training and medical, nursing, and incontinent supplies saw a combined overspend of $75,000.
- Facility Costs saw a deficit of $49,000 for natural gas and utilities that were partly offset with a surplus of $22,000 in water/sewer.

- Nutritional Support ended the year with a $96,000 overspend resulting from supply chain issues and inflationary pressures.

Gateway Haven ($138,273 deficit)

- Pandemic funding of $97,000 has been received for expenditures incurred to March 31 to offset labour and outbreak supplies costs of $84,000 and $13,000 respectively.
- Funding announcements related to per diems resulted in a surplus of $74,000, and the resident acuity adjustment results in a $4,000 revenue increase from budget.
- Preferred rents are $131,000 less than budget partially due to provincial policy on transfers to long term care homes not requested by the resident. The potential recovery has not been calculated as staff continue to seek clarity on impact.
- Salaries and benefits (excluding Nursing) generated a surplus of $214,000 as a result of not being able to fill all shifts.
- Legal expenditures created a $139,000 deficit due to ongoing litigation.
- Program & Support program saw a $47,000 surplus, attributed to challenges sourcing professional services and additional funding received.
- The Nursing program saw a $107,000 deficit overall.
    - The surplus in salaries and benefits of $1.4 million is offset by the use of agency staffing to provide coverage at a cost of $2.5 million. Approximately $988,000 in funding was also applied to offset these costs.
    - High needs expenditures reflect a surplus of $28,000 due to lower than expected spending.
- Other Accommodation expenditures ended the year with a $55,000 deficit, mainly driven by utilities, water/sewer, equipment repairs and housekeeping supplies.
- Nutritional Support ended the year with a deficit of $54,000, resulting from supply chain issues and inflationary pressures.

Senior Services ($14,519 surplus)

- The full rollout of this program has yet to materialize due to the need to focus efforts on Long Term Care Home operations due to staffing shortages.

PARAMEDIC SERVICES ($238,412 surplus)

- The province announced in September that the 2023 subsidy would be increased above the budgeted amount by $302,000. As a result, $300,000 of levy has been redirected to the Paramedic Services Reserve for use in the 2024 budget.
- Salaries and Benefits resulted in a surplus of $171,000 across the department mainly due to various leaves and absences.
- Insurance generated a $40,000 surplus which is offset by a deficit in Transportation due to cost allocation adjustment.
- Community Paramedicine Program expenditures were within funding allocations.

MUSEUM ($8,607 deficit)

- Salaries and benefits saw a $19,000 deficit as a result of position overlap and higher placements on the salary grid.
- Ongoing Services saw a combined surplus in Children's Programs, Student Education and Gift Shop of $22,000, providing a favourable outcome as the museum continues to recover from the pandemic.
- Marketing and Public Relations ended the year with a surplus of $24,000.
- Unbudgeted legal bills related to the Krug Trust were $41,000 for the year.

TRANSPORTATION & ENVIRONMENTAL SERVICES ($726,268 surplus)

- Fuel costs ended the year with a surplus of $244,000 as a result of lower usage. This impact is included in the divisional surpluses and deficits outlined below.
- Winter Control saw a surplus of $684,000 because of lower costs for snow plowing and sanding related to weather conditions across the 2023 seasons.
- Traffic & Roadside Operations had a deficit of $80,000, as a result of more time being allocated to these activities in the absence of need for Winter Controls.
- Road Maintenance is in a $47,000 surplus as a result of higher municipal recoveries.
- Bridge and Culvert maintenance ended the year with a surplus of $31,000 due to contract engineering coming in lower than budget.
- Capital projects ended the year with an overall surplus of $74,000 due to higher-than-expected proceeds on sale of equipment and culvert work costing less than budget.
- The Forestry and Trails division was $28,000 overbudget due to lower than budgeted revenue for forestry products of $60,000 offset by operating expenditure reductions.

CORPORATE SERVICES ($127,373 surplus)

- Risk Management had a $56,000 overall surplus due to a vacancy at year start.
- Finance Division had a $71,000 overall surplus.
  - Salaries and benefits created a $29,000 surplus because of temporary staffing vacancies and new staff placement lower on the salary grid.
  - Staff-related and office-related costs generated a $33,000 surplus.

INFORMATION TECHNOLOGY ($353,878 surplus)

- Equipment purchases were over budget by $35,000.
- Subscription services generated a surplus of $378,000 due to implementation timing.

LIBRARY ($91,059 surplus)

- Salaries and benefits created a $80,000 surplus due to vacancies and new staff placement lower on the salary grid.
- Overall Revenue surplus of $26,000 due to grants, printing charges, and fines.

HUMAN SERVICES ($135,562 surplus)

- Housing Services Division had a $31,000 deficit overall.
- Housing Facilities Program generated a $117,000 deficit overall.
  - Salaries and benefits created a surplus of $163,000 mainly due to the new painter position being vacant. This has led to an offsetting $157,000 deficit in contract painting costs.
  - Net Rental Income was $40,000 lower than budget due in part to reduced revenues at 308 John St. in Walkerton as a result of fire. $90,000 lost revenue is expected to be recovered through insurance.
  - Fire at 308 John Street, Walkerton on December 1st, 2022 resulted in an anticipated deficit of $42,000 due to uninsured additional living expenses for tenants. The claim is still in the process of being examined and finalized.
  - Insurance costs had a $96,000 deficit due to the annual renewal being higher than anticipated and unbudgeted deductible costs.
  - 401 Cayley St. insurance claim was settled at more than the expected receivable set up in 2022, resulting in a $294,000 surplus.
  - Utilities generated a $105,000 deficit across the housing portfolio.
  - Building maintenance and electrical costs created a $233,000 deficit.
- Income & Employment Support Programs provided a $162,000 surplus overall.
  - There was a $158,000 surplus in administrative costs, mostly due to surpluses in Salaries and benefits.
- Children's Services Programs realized a $128,000 surplus.
  - Administrative expenditures were underbudget by $16,000, total Childcare program expenditures were underbudget by $62,000 and the Early Years programs expenditures were underbudget by $50,000, as spending was kept within available funding rather than utilizing levy dollars as budgeted.

LAND USE PLANNING and ECONOMIC DEVELOPMENT ($77,910 surplus)

- Land Use Planning Division generated a $100,000 deficit.
  - Revenues had a surplus of $65,000 driven by increased application volume.
  - Salaries and benefits created a net surplus of $63,000 due to multiple vacancies and leaves. However, Consultant services were used to fill this gap at and unbudgeted cost of $130,000 for work completed.
  - Legal and professional costs generated a deficit of $147,000.
- Economic Development Division had savings of $178,000.
  - Advertising costs created a surplus of $85,000.
  - Projects & Graphic Design produced a surplus of $46,000.

- Business Sustainability loan repayments generated a surplus of $62,000 as repayment experience continues to be strong.

EMPLOYMENT SERVICES

- Spending was managed within the available funding.

NON-DEPARTMENTAL ($480,073 surplus)

- In 2023 Payments in Lieu were $143,000 higher than budgeted; and Supplementaries were $676,000 higher than budget offset by Write-offs $319,000 over budget. The impact of Estimated Supplementaries and Write-offs created an additional net surplus of $108,000. These numbers are difficult to estimate and are generally not factored into the surplus until year end results are final. The surpluses on Supplementaries 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 $1,258,000 surplus based on market returns, which was offset by a $1,428,000 deficit for Interest transferred to reserves.
- Provincial Offences Revenue incurred a $89,000 deficit. Safe Restart funding was used to cover $85,000 of the reduced revenues per the budget.
- Facility operations created a surplus of $64,000 overall due mainly to Cayley Street Complex leases renewed at higher amounts.
- Public Health transfer generated a deficit of $37,000.

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 2024 as per the reserve policy. In accordance with this policy, the $2,719,143 surplus at 2023 year-end has been transferred to the Tax Stabilization Reserve to offset future fluctuations in budgets or to be used as otherwise approved by Committee. The following outlines recommendations for reallocating a portion of the surplus from the Tax Stabilization Reserve to other reserves.

$100,000 to Winter Controls Reserve
In 2020 a report was presented to create a Winter Controls Reserve utilizing the year end surplus, with future requests to be presented annually. At the end of 2023 the reserve balance was $643,572, with a target balance between $500,000 and $1,000,000. Based on the final surplus it is recommended that $100,000 be transferred to the Winter Controls Reserve. This number is well below the 2023 winter controls surplus but will position the reserve balance at the midrange of the target. This reserve will support efforts to manage fluctuations in winter forecasts and adjust how budgets are developed for this work.

$750,000 to Affordable Housing Reserve – Creation of New Units
To support the County's continued efforts around Housing Initiatives, $750,000 is recommended to be transferred to the Affordable Housing Program – Creation of New Units Reserve. The balance before this transfer is $1,624,959.

$375,000 to Non-Departmental Facilities Reserve
Over the last number of years, the County has made efforts to develop a standardize approach to the management and maintenance of County Facilities, to ensure proper asset management. As the County Facilities continue to age there are several repairs and replacements anticipated over the next number of years and it is important to set aside funds for these purposes. Facilities reserves across the County, excluding Bruce County Housing Corporation (BCHC), are anticipated to total $2,776,384 at the end of 2024, which is only 2.17% of current asset replacement value (CRV). Comparatively, BCHC holds 3.66% of CRV in Reserves. This additional transfer to reserves will provide more available funds for emergency repairs and for major upcoming projects such as roof replacements for the County's long-term care homes.

Tax Stabilization Impact
During 2024 budget discussions the 2024 year-end Tax Stabilization Reserve balance was projected to be $1,504,422, based on an assumption there would be no 2023 surplus to transfer to the fund. As a result of the final unaudited results, the proposed reserve transfers, and the additional interest earned in 2023, the 2024 year-end balance is now expected to be $3,166,018 assuming no additional draws from the reserve take place in 2024.

In the coming months the Corporate Services team will be bringing forward recommendations for appropriate target balances for the County's reserves as part of a larger Reserve restructuring and policy project. The proposed Tax Stabilization Reserve balance as outlined would position this reserve well to meet the recommended target over the next few years.

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, and were consulted regarding the recommended allocation of the annual surplus.

Link to Strategic Goals and Objectives:

The recommendations for allocation of the annual surplus align with the strategic plan value of Financial Sustainability, and helps to build capacity to sustain our resources.

Report Author:

Lynn Hatten, Acting Director of Corporate Services
Angela Pilgrim, Financial Analyst
Fallon Weber, Financial Analyst

Departmental Approval:

Lynn Hatten, Acting Director of Corporate Services

Approved for Submission:

Christine MacDonald, Chief Administrative Officer