



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Administration, Finance and Human Resources Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, April 20, 2021
Subject: **2020 Year-End Variance and Budgetary Surplus Report**

Background:

The County of Wellington's 2020 year-end position is set out in the attached Schedule 'A.' The final year end position for the County results in a surplus of \$6,962,000; which works out to be 6.6% of the 2020 tax levy or 3.9% of budgeted operating expenditures. The surplus is much higher than the County has historically experienced. The COVID-19 pandemic had extraordinary impacts on the County's operations and the federal and provincial governments stepped up to provide significant municipal funding to offset negative impacts experienced from the pandemic. The County also made substantial adjustments to its operations to mitigate impacts on the budget from the pandemic. All of these factors contributed to a larger surplus in 2020.

A description of the more significant 2020 operating variances is set out below.

- **Roads:** net operating costs have come in below the budgeted amount by \$1.4 million in 2020. Of this amount, about (\$600,000) is as a result of not hiring summer student staff as well as vacant and new positions not filled or filled late in the year. Additional savings occurred in fleet maintenance on parts and fuel (\$210,000), minor capital work (\$90,000) and general operating supplies across roads divisions (\$250,000). Winter control, which is the largest portion of expenses for the roads operating department came in under budget significantly in 2020 with savings of \$1.3 million which was transferred to the Winter Control reserve for future funding needs.
- **Police:** Annual OPP contract reconciliation was received for 2019 (\$672,665). The 2020 budget included an allowance for a police services credit of \$350,000, resulting in a net positive variance of \$322,665.
- **Wellington Terrace:** Overspending in salaries and benefits, supplies and material, and purchased services are all related directly to the pressures of the COVID-19 pandemic. Provincial funding was made available to cover all increased costs at the Wellington Terrace. The overall net positive variance of \$260,000 can be attributed to reduced ability for community engagement, training and education, and other COVID-19 restrictions.
- **Library:** A positive variance was experienced due to staffing vacancies and gapping as a result of retirements, maternity leaves and a delay in filling these positions during the year as well as savings on programming and building related costs at various library locations. Lost revenue of \$90,000 was funded from the Safe Restart funding provided by the Federal government.

- **Land Ambulance:** Land Ambulance services experience higher than expected costs in 2020 primarily due to increased staffing and PPE costs required as a result of COVID-19. The County's share of these increased costs was \$336,000 over budgeted costs. This cost was offset through the use of Federal Safe Restart funding resulting in no additional County cost.
- **Social Housing:**
Overall County positive variance of \$176,200 for the year. Positive variances in Social Housing were achieved in these areas:
 - Administration (\$18,700) due to lower than expected costs for office supplies, consultants, mileage and conferences.
 - Operations (\$19,200) due to several staff vacancies during the pandemic. These savings were partially offset from higher than expected property damage claims due to fires that were below our deductible.
 - County-owned housing units (\$64,900) due to higher than budgeted rent collected and lower than expected costs in the areas maintenance, painting, and move out repairs. The majority of these savings are driven from lower call volume and move outs, as well as annual inspections were put on hold during the pandemic.
 - Non-Profit and Co-op housing (\$70,000) due to using the Safe Restart funding to offset a one-time COVID-19 support payment given out to the providers, as well as a few providers that had a lower than expected budget.
 - \$125,700 of Safe Restart funding was also used to offset additional expenditures that the County incurred related to COVID-19.
- **Children's Early Years:**
Overall, the County has a positive variance of \$302,500 in the Children's Early Years Division. The 2020 funding allocation was revised in early 2021 and reduced by \$2,159,383 based on a pro-rated approach for the closure, emergency and re-opening periods, calculated by the ministry. The County was able to mitigate the loss through negotiations with the ministry and several funding reallocations. Overall savings for the County is made up in several areas, including:
 - Administration (\$68,500) due to several vacancies that were not filled during the pandemic.
 - Fee Subsidy (\$65,200) due to the underwhelming demand throughout the pandemic.
 - Directly Operated Programmes in the County (\$364,300). Safe Restart funding was used to offset lost parent fees, but all three centres had savings in salaries and benefits, supplies and purchased services as the centres were not always at full capacity during the year.
 - These savings were partially offset by:
 - \$28,300 for fixed overhead and COVID19 related expenditures.
 - A cost of \$151,100 for the County related to one-time grants given out to our community partners
- **Ontario Works:**
Overall County positive variance of \$307,700. Positive variances have been realized in the following areas:
 - Administration (\$168,200) predominantly related to COVID-19 and lower caseloads. This was made up of staff vacancies/turnover, under spending in purchased services, employment services and internal recoveries from the IRCC programme.
 - Discretionary Benefits (\$139,100). These expenses are driven by client eligibility and are down due to lower caseload in light of COVID-19.

- **Solid Waste:** User pay bag sales were favourable as more residents used the curbside service and operational savings were experienced during the shut-down periods (\$153,000)
- **Planning:** Planning revenues for grant funding, municipal recoveries and user fees resulted in a positive variance of \$376,000. Additional savings resulted from legal and consulting costs (\$87,000) as well as reduced invoicing (\$90,000) from the Township of Centre Wellington for source water protection as this work was adversely affected by COVID-19 and the additional staff person intended to be hired was not.
- **Green Legacy:** Overall savings of \$77,200 due to operating supplies savings (\$48,000) as well as building related savings and the inability to have volunteers transported to the nurseries (\$43,000). These amounts were partially offset by higher than budgeted staffing costs as a number of County employees were redeployed during the year to facilitate operations and work usually aided through volunteer work.
- **Economic Development:** As a result of the ongoing pandemic there was less applications for CIP funding than budgeted for the year (\$100,000). Ride Well experienced higher grant revenue and lower expenditures than anticipated leading to a positive variance of \$100,000. There were staffing vacancies and gapping within the department (\$104,000), which led to savings on consultants, professional fees and events (\$140,000) as operations were impacted.
- **General Government:** an overall surplus of \$745,600 was realized in general administration as a result of staffing vacancies, delays in hiring of vacant positions and a decision to not fill student positions during the pandemic. Reduced staff training and education as well as Council activities produced additional savings.
- **General Revenues, Expenditures and Taxes:** A positive variance of approximately \$1.5 million was realized based on greater than anticipated supplementary and omitted assessment revenue as well as additional payments-in-lieu of taxation and lower than anticipated tax write-offs.

Safe Restart Funding Allocation:

The federal and provincial governments provided the County with extraordinary funding to assist with impacts from the COVID-19 pandemic. The County has received nearly \$3.8 million in unrestricted funding for this purpose (\$2,311,900 of which was dedicated to 2020) through the Safe Restart Agreement. The County fully utilized the Safe Restart Funds in 2020. They were allocated as follows:

- Lost revenues in Child Care, Solid Waste, POA Courts, Library and Museum programming due to the shut downs - \$877,000
- Additional costs for cleaning, PPE (masks, face shields, gloves, gowns, hand sanitizer), IT and remote work related costs (laptops, software, supplies, conference calls), air quality improvements at County facilities (HVAC upgrades, filtration, humidity) and other (advertising, signage, legal, postage, security) for all departments outside social services and long-term care - \$606,000
- County share of additional paramedic (Ambulance) costs incurred by the City - \$335,000
- Staffing costs during the emergency shut-down - \$343,000
- Incremental social housing costs (cleaning, PPE, security) over and above dedicated provincial funding - \$150,000

Summary:

Overall, the County experienced an annual surplus of just under \$7.0 million in 2020. The majority of the variance is highlighted as follows:

- Higher than expected supplementary and omitted assessment revenues, payments-in-lieu of taxes and lower than expected tax write-offs (\$1,539,000)
- Roads department (\$1.4 million) due to staffing vacancies, parts, fuel and repair savings as well as reduced expenditures during the provincial shutdown and throughout the year as department activities were adjusted.
- General government (\$745,600) due to mitigation efforts, including staff vacancies, consulting fees, training and education
- Planning (\$634,000) through higher than budgeted revenues, source water protection savings and general operating savings
- Economic Development (\$483,000) as a result of lower CIP take-up, staffing and operating expenditure savings as well as a positive Ride Well variance
- Police Services (\$322,000) predominantly made up of the OPP contract reconciliation of 2019
- Ontario Works (\$307,700) due to lower administration costs and discretionary benefits
- The remaining surplus is accounted for through savings in generated in a number of County departments and services including: Library, Children's Early Years, Long-Term Care, Social Housing and Solid Waste.

Surplus Disposition

In keeping with County Council's desire to keep property tax increases low during the pandemic, the recommended surplus disposition is to be allocated as follows:

- \$2.0 million to the Tax Levy Stabilization Reserve to be distributed to the 2021, 2022 and 2023 budgets in accordance with the approved 2021 Budget and 10-Year Plan;
- \$2.35 million to the SWS Capital Reserve to eliminate the debt required for the Riverstown Leachate Collection System (projected to save approx. \$260K off the 2022 tax levy);
- The balance of the surplus (\$2.61 million) to reduce the amount of tax supported debt required for the Arthur Garage project (projected to save approx. \$300K off the 2022 tax levy).

Recommendation:

That the 2020 operating statement as set out on Schedule 'A' to this report be approved, subject to completion of the year-end audit; and

That \$2.0 million be transferred to the Tax Levy Stabilization Reserve; and

That \$2.35 million be transferred to the SWS Capital Reserve to eliminate the debt for the proposed Riverstown Leachate Collection System; and

That the balance of surplus (approx. \$2.6 million) be transferred to the Roads Capital Reserve to reduce the debt for the Arthur Garage project

Respectfully submitted,



Ken DeHart, CPA, CGA
County Treasurer

SCHEDULE A

COUNTY OF WELLINGTON
2020 OPERATING BUDGET VARIANCE ANALYSIS AS OF DECEMBER 31, 2020

	2020	May 31/20	Sept 30/20	Dec 31/20	Dec 31/20	Actual variance	
	Budget	net actual	net actual	net actual	actual as a % of budget	\$	%
<u>Programmes and Services</u>							
Roads and Bridges	28,557.3	20,414.9	23,095.8	27,135.0	95%	1,422.3	5%
Police Services	17,517.1	4,803.0	12,785.9	17,182.7	98%	334.4	2%
Long-Term Care Home	10,292.9	4,784.6	8,080.6	10,032.7	97%	260.2	3%
County Library System	7,375.6	3,507.9	5,489.5	6,992.6	95%	383.0	5%
Solid Waste Services	7,335.1	3,429.2	5,280.7	7,182.1	98%	153.0	2%
Ambulance Services	4,845.8	2,150.5	3,816.1	4,845.8	100%	0.0	0%
Social Housing	4,779.5	3,314.1	4,047.7	4,603.3	96%	176.2	4%
Public Health	2,705.1	1,170.8	2,051.0	2,705.2	100%	(0.1)	0%
Planning and Development	2,285.3	914.9	1,284.2	1,651.3	72%	634.0	28%
County Museum and Archives	2,105.1	911.0	1,484.5	2,036.4	97%	68.7	3%
Economic Development	1,782.4	610.0	831.8	1,299.4	73%	483.0	27%
Children's Early Years	1,475.5	721.1	943.7	1,173.0	79%	302.5	21%
Ontario Works	1,374.5	499.5	996.6	1,066.8	78%	307.7	22%
Emergency Management	1,022.9	715.4	549.8	958.8	94%	64.1	6%
Green Legacy	825.9	321.9	1,186.3	748.7	91%	77.2	9%
Affordable Housing	500.0	150.2	180.2	500.0	100%	0.0	0%
Community Grants	458.4	113.0	113.5	448.1	98%	10.3	2%
Provincial Offences	(3.9)	(115.8)	209.6	(4.8)	123%	0.9	23%
Subtotal	95,234.5	48,416.2	72,427.6	90,557.1	95%	4,677.4	5%
<u>General Government</u>							
Office of the CAO and Clerk	4,000.3	1,908.9	2,841.0	3,718.1	93%	282.2	7%
Treasury	1,933.2	863.5	1,413.2	1,706.5	88%	226.7	12%
County Council	1,272.5	501.8	848.5	1,110.6	87%	161.9	13%
County Property	1,187.0	902.8	817.8	1,078.3	91%	108.7	9%
Human Resources	1,065.4	465.9	673.9	1,099.3	103%	(33.9)	-3%
Subtotal	9,458.4	4,642.9	6,594.3	8,712.8	92%	745.6	8%
<u>Non-Programme Expenditures and Revenues</u>							
General Expenses/Revenues	3,142.0	829.3	167.6	2,760.1	88%	381.9	12%
Tax Levy Requirement	(105,612.8)	(52,806.4)	(79,209.6)	(105,612.8)	100%	0.0	0%
PILs and Supplementary Taxes	(2,222.1)	(430.0)	(652.0)	(3,379.3)	152%	1,157.2	52%
Subtotal	(104,692.9)	(52,407.1)	(79,694.0)	(106,231.9)	101%	1,539.0	1%
Net Total	0.0	652.1	(672.1)	(6,962.0)		6,962	
Variance % of Tax Levy						6.6%	
Variance % of Budgeted Operating Expenditures						3.9%	