



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 25, 2023
Subject: **2022 Year-End Variance and Budgetary Surplus Report**

Background:

The County of Wellington's 2022 year-end position is set out in the attached Schedule 'A.' The final year-end position for the County results in a surplus of \$3,658,500; which works out to be 3.2% of the 2022 tax levy or 1.5% of budgeted operating expenditures.

Revenues have remained strong for the most part, with a rebound in commodity prices (SWS recycling revenues), residents and business continue to invest in property improvements (permit and planning revenues, supplementary and omitted assessment revenues). Additional Provincial funding for the Long-Term Care Home was received during the year. The County's Assessment Base Management efforts have led to more timely recovery of assessment growth and lower tax write-offs. These savings offset the significant inflationary impacts that the County began to face early on in 2022 and throughout the year.

A description of the more significant 2022 operating variances is set out below.

- **Roads:** net operating costs have come in over budgeted amount by \$235,000 in 2022. Of this amount, about \$513,000 is as a result of increased fuel costs to run the County fleet as fuel prices rose significantly early on in 2022. Additional overages occurred in parts costs (\$255,000) as a result of the inflationary impacts. These overages were partially offset by savings in minor capital (\$347,000) and purchased services due to lower engineering studies guide rails and construction-related maintenance. Winter control, which is the largest portion of expenses for the roads operating department came in over budget by just over \$300,000 in 2022 with this amount being funded by the Winter Control reserve.
- **Police:** Annual OPP contract reconciliation was received for 2021 (\$586,512). The 2022 budget included an allowance for a police services credit of \$450,000, resulting in a net positive variance of \$116,812. False alarm revenue increased as new user fee rates were implemented in early 2022 resulting in a positive variance of \$85,000.
- **Long-Term Care:** 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 pandemic related costs at the Wellington Terrace. Of the overall net positive variance of \$683,000, approximately \$507,000 can be attributed to retroactive provincial funding that was received in 2023. The remaining savings results from reduced ability for community engagement, training and education, and other COVID-19 restrictions, and increased provincial funding to support pandemic pressures.

- **Solid Waste:** Sales revenue exceeded the budget by just under \$600,000 as plastics prices remained high during the first half of the year before seeing a large decrease in the closing months. The increase to fuel prices resulted in an overage to the budget of \$100,000 which was offset by savings in administration costs for consultants \$110,000.
- **Library:** A negative variance was experienced due to lower revenue for room rental and user fees (\$20,000) as well as additional building and equipment costs in relation to continued enhancement and maintenance of the air filtration systems at the 14 County Library facilities (\$70,000). Overall, the Library department experienced a budget deficit of \$125,000.
- **Land Ambulance:** The Land Ambulance budget anticipated higher costs in 2022 due to increased staffing and PPE costs required as a result of COVID-19 resulting in only a small negative variance of \$47,000 at year-end.
- **Public Health:** The County incurred costs of \$79,000 for assisting with the community vaccination effort by providing vaccination clinics in County locations. Grants were not received to cover these costs and create a negative variance at year-end.
- **Planning:** Planning revenues for municipal recoveries and user fees resulted in a positive variance of \$450,000, included in this amount was \$122,000 in unbudgeted funding from the City of Guelph for Source Water Protection. Staffing savings (\$56,000) occurred as a result of vacancies and gapping within the department. Additional savings resulted from legal and consulting costs (\$130,000).
- **Economic Development:** There were less applications for CIP funding than budgeted for the year (\$135,000). Additional savings occurred as a result of reduced special event spending and consultants (\$50,000). Ride Well experienced lower ridership because of the pandemic resulting in an overall negative variance of \$31,000 in the programme.
- **Children's Early Years:** A positive year end variance of \$231,000 can be attributed to a higher amount of 2022 costs being eligible for funding under the Canada Wide Early Learning and Child Care programme funding than was originally anticipated. Applications were not due from community childcare providers until the end of the year making estimates of costs challenging.
- **Ontario Works:**
Overall County positive variance of \$135,000. Positive variances have been realized in the following areas:
 - Discretionary Benefits (\$78,000). Savings have been experienced in funeral, dental and transportation costs primarily.
 - Administration (\$57,000) predominantly related to COVID-19 and lower caseloads.
- **Emergency Management:** Corporate County COVID-19 costs (not covered by other programmes) amounted to \$163,000 and consisted primarily of legal, advertising, and operating supplies. These costs were no longer funded by the province as they had been in 2020 and 2021.

- **Provincial Offences Act Revenues:** Two large (one-time) fine payments were received in the second half of 2022 and staffing vacancies were higher than expected, resulting in a favourable variance of just under \$170,000.
- **General Government:** an overall surplus of \$500,000 was realized in general administration as a result of staffing vacancies and gapping in filling positions. Reduced consulting requirements software licence fees, staff training, conferences, and education as well as Council activities produced additional savings.
- **General Revenues, Expenditures and Taxes:** a positive variance of approximately \$1.2 million was realized based on greater than anticipated supplementary and omitted assessment revenue. These savings were partially offset by tax write-offs exceeding the budget by \$315,000.

The County also set up an allowance for write-offs due to the implications of Bill 23. As studies will no longer be an eligible capital cost that can be recovered through development charges in the future, the County set up a provision of \$376,000 to offset the negative position the DC Studies Reserve Fund was in (studies paid for, yet to be recovered).

Summary:

Overall, the County experienced an annual surplus of just over \$3.65 million in 2022. The majority of the variance is highlighted as follows:

- Higher than expected supplementary and omitted assessment revenues and payments-in-lieu of taxes, offset by higher write-offs for taxes and Bill 23 (\$785,000)
- Planning (\$672,000) through higher than budgeted revenues, staffing savings as well as under expenditure on legal and consulting fees
- Long-Term Care (\$683,000) mainly due to provincial funding of \$507,000 received retroactively to January 2022 after year end.
- Recyclable sales revenue was higher than expected (\$600,000) as plastics prices remained high during the first half of the year before seeing a large decrease in the closing months
- General government (\$500,000) due to lingering impacts from the pandemic on operations including staff vacancies, consulting fees, training, conferences and education
- Children's Early Years (\$231,000) as a result of a higher amount of costs qualifying for funding under the Canada Wide Early Learning and Child Care programme than was anticipated.
- Provincial Offences Act revenues (\$170,000) were higher than anticipated as a result of two large fine payments received in the second half of the year and higher than expected staffing vacancies
- Economic Development (\$166,000) as a result of lower Community Improvement Plan (CIP) take-up and reduced costs associated with special events and consulting needs
- Police Services (\$163,000) predominantly made up of the OPP contract reconciliation of 2021 and additional false alarm fees
- The remaining surplus is accounted for through minor savings generated in a number of County departments and services including: Ontario Works, Social Housing, and Green Legacy

Surplus Disposition

Staff are recommending that the surplus be distributed as follows:

- \$2.6 million to the Contingency and Stabilization Reserve to fund future costs associated with transitioning out of the blue box programme in advance of the contract end-date
- \$160,200 to the Post-Employment Benefit Reserve in order to fully fund the Post-Employment Liability
- The remaining portion (\$898,300) to the Roads Capital Reserve to be used as a funding source to reduce the existing infrastructure gap

Recommendation:

That the 2022 operating statement as set out on Schedule 'A' to this report be approved, subject to completion of the year-end audit; and

That \$2.6 million be transferred to the Contingency and Stabilization Reserve; and

That \$160,200 be transferred to the Post-Employment Liability reserve; and

That the balance of surplus (approx. \$898,300) be transferred to the Roads Capital Reserve.

Respectfully submitted,



Ken DeHart, CPA, CGA
County Treasurer

SCHEDULE A

COUNTY OF WELLINGTON 2022 OPERATING BUDGET VARIANCE ANALYSIS AS OF DECEMBER 31, 2022							
	2022 Budget	May 31/22 net actual	Sept 30/22 net actual	Dec 31/22 net actual	Dec 31/22 actual as a % of budget	Actual variance to Dec. 31/22	
						\$	%
<u>Programmes and Services</u>							
Roads and Bridges	32,545.5	26,396.4	29,833.8	32,780.9	101%	(235.4)	-1%
Police Services	18,071.1	7,682.0	13,889.4	17,907.8	99%	163.3	1%
Long-Term Care Home	8,827.5	3,878.6	7,218.5	8,144.2	92%	683.3	8%
Solid Waste Services	8,642.2	4,233.1	6,546.2	8,000.9	93%	641.3	7%
County Library System	7,848.6	3,868.7	6,336.0	7,973.9	102%	(125.3)	-2%
Ambulance Services	5,709.7	2,896.3	4,510.7	5,756.6	101%	(46.9)	-1%
Social Housing	4,807.8	2,930.7	3,873.7	4,738.6	99%	69.2	1%
Public Health	2,829.3	1,360.7	2,267.9	2,908.0	103%	(78.7)	-3%
County Museum and Archives	2,513.1	1,184.7	1,889.2	2,488.8	99%	24.3	1%
Planning and Development	2,433.0	756.1	944.8	1,760.7	72%	672.3	28%
Economic Development	2,034.5	1,005.4	1,407.4	1,867.6	92%	166.9	8%
Children's Early Years	1,777.4	759.8	1,408.2	1,545.9	87%	231.5	13%
Ontario Works	1,369.4	457.3	876.9	1,234.5	90%	134.9	10%
Affordable Housing	1,200.0	931.6	970.7	1,200.0	100%	0.0	0%
Green Legacy	889.4	362.7	600.9	827.9	93%	61.5	7%
Emergency Management	786.1	471.2	718.2	947.1	120%	(161.0)	-20%
Community Grants	459.7	120.1	125.6	458.2	100%	1.5	0%
Provincial Offences	(193.9)	30.1	(62.2)	(363.8)	188%	169.9	88%
Subtotal	102,550.4	59,325.6	83,355.8	100,177.8	98%	2,372.6	2%
<u>General Government</u>							
Office of the CAO and Clerk	5,449.8	2,572.6	3,825.2	5,130.0	94%	319.8	6%
Treasury	2,280.4	1,159.7	1,816.1	2,190.6	96%	89.8	4%
County Council	1,315.1	485.7	1,057.1	1,254.1	95%	61.0	5%
County Property	1,254.1	993.0	909.6	1,198.6	96%	55.5	4%
Human Resources	1,252.5	617.8	904.7	1,279.4	102%	(26.9)	-2%
Subtotal	11,551.9	5,828.8	8,512.7	11,052.7	96%	499.2	4%
<u>Non-Programme Expenditures and Revenues</u>							
General Expenses/Revenues	2,299.5	(205.7)	(897.8)	2,729.8	119%	(430.3)	-19%
Tax Levy Requirement	(113,490.5)	(56,745.3)	(85,117.9)	(113,490.5)	100%	0.0	0%
PILs and Supplementary Taxes	(2,911.3)	(451.5)	(688.0)	(4,128.4)	142%	1,217.1	42%
Subtotal	(114,102.3)	(57,402.4)	(86,703.7)	(114,889)	101%	786.8	1%
Net Total	0.0	7,752.0	5,164.8	(3,658)		3,658.5	
Variance % of Tax Levy						3.2%	
Variance % of Budgeted Operating Expenditures						1.5%	

