County of Essex

Administrative Report

Office of the Director, Corporate Services/Treasurer

To: Warden Tom Bain and Members of County Council

From: Robert Maisonville
Director of Corporate Services/Treasurer

Date: February 5, 2014

Subject: County of Essex – 2014 Budget Overview

Report #: 2014-R02-FIN-0205-RM

Purpose

The purpose of the report is to provide Council with a corporate overview of issues affecting operations for 2014 and their corresponding impact on the County Levy and municipal tax rates.

Background

The operating estimates for the Corporation address the following two principal functions:

- Services provided / delivered directly by the County
- Funding provided to agencies external to the County

Costs of providing services delivered by the County can be further delineated as being either operational or capital in nature. External commitments funded by the County can be classified as mandatory (i.e. required by legislation or regulation) or discretionary (nature and extent determined by County Council).

Budget estimates have been prepared under the premise that existing service levels are acceptable, all one-time expenditures, to the extent

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possible, have been drawn from the Corporation's Rate Stabilization Reserve and proposed enhancements have only been advanced in circumstances where current service delivery levels expose the Corporation to undue risk or are judged to fall short of mandated or endorsed standards.

The estimates are prepared using a combination of incremental budgeting and modified zero-based budgeting. Estimates for routine, ongoing operational expenditures are prepared by analysing current expenditures and projecting costs for the upcoming year. Discretionary expenditures are reviewed and must be fully rationalized annually.

Inherent in the development of the budget is the recognition of risk. Estimates are prepared based upon an evaluation of the best information available, in light of current operating conditions and circumstances. As budget estimates are developed, care is exercised in assessing the risk of the likelihood of differing outcomes materializing and the effect such outcomes may have on service delivery levels and financial results.

The work plans and associated expenditures contained within the Budget are intended to position Essex County as a vibrant, sustainable and healthy community that fosters opportunity and promotes an enriched quality of life by:

- Delivering regional and/or broad-based services that meet the evolving needs of the Community.
- Operating efficiently and effectively in a fiscally responsible manner.
- Being a leader in community building initiatives.
- Managing the impacts of growth to provide a liveable, energetic and thriving community, making Essex County a preeminent location to live, learn, work, play, invest and visit.

The Budget reflects the vision of Council, focusing upon its core values as they relate to services delivery while simultaneously looking forward, preparing to meet the challenges of the future.

Discussion

The development of the 2014 County of Essex budget builds upon Council's commitment to accountability, transparency and excellence in financial management. Provided below are high level discussions on various matters having corporate significance in terms of risks, financial impact, challenges, opportunities and external influences on County of Essex operations for 2014 and beyond:

Fiscally Responsible Government

As Council is aware, Essex County continues to be faced with financial pressures from inflation, service demand growth, major operational cost increases, own capital requirements (growth and asset replacement related), facility and roadway infrastructure (replacement and expansion), modest change in assessment growth, reduction in provincial subsidies, competing demands for new County-wide initiatives, in addition to regional capital requests. These pressures will continue to impact Council decisions related to program delivery, priorities and service levels in 2014 and beyond.

The County has established standards of service delivery that effectively manage the demands and the needs of residents while minimizing the effect of increased costs upon the property tax base of its community.

During the 2014 Budget development, Administration has been guided by fundamental principles previously endorsed by Council, namely:

- *The current levels of service being delivered to the community are appropriate.*

- *The Corporation is prepared to maintain its commitment to the community as represented by current discretionary funding levels (i.e. external commitments).*

- *In making decisions with respect to the 2014 budget, consideration has been given to the consequences of such decisions upon the Corporation's future financial stability.*

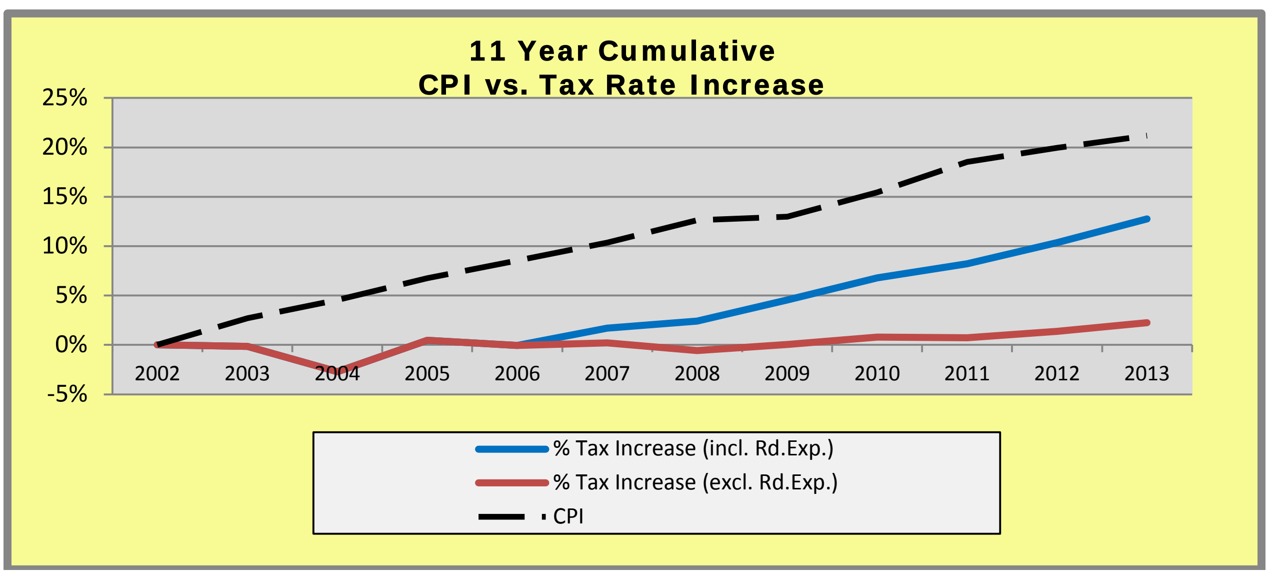
Standard and Poor's, a leading provider of financial market intelligence and the Corporation's bond rating agency, recognized the County of Essex's sound financial practices in the Corporation's most recent credit rating. Standard and Poor's highlighted the following performance strengths in upgrading the County's credit rating at **AA** with a **stable** outlook:

- ➢ Strong financial position, derived from very low debt and debt service burdens (County's Levy supported debt will be zero at June 2014);
- ➢ Very good liquidity, a result of the Corporation's ongoing commitment to a solid Reserve Strategy;

- Consistently strong record in terms of budgetary performance. Solid operating surpluses have provided the Corporation with the means to fund its capital expenditures largely from internal sources, reducing debt issuance needs;
- Long standing life-cycle capital program, which plans for the replacement of assets over their useful lives through contributions to and from capital/infrastructure reserves;
- Ability to fund capital expenditures largely from internal sources, validating the County's "pay-as-you-go" philosophy of funding capital/infrastructure requirements by creating capacity in the budget in a measured way and through the effective use of reserve balances.

It is these principles of sound financial stewardship that have positioned the County ahead of its peers and provided Council with the ability to effectively manage changes to tax rates year over year. Provided in the Chart 1 below is a cumulative comparison of the change in Consumer Price Index (CPI) and change in County Tax Rates (with and without Infrastructure Expansion) since 2002 (eleven years). As is evident from the chart, the County's tax rate increase, exclusive of the 1.5% annual increase associated with Infrastructure Expansion has been basically flat (less than 0.2% per year). The total increase in tax rate has increased by approximately 13% over 11 years, or approximately 1.2% per year. In contrast, over this same time period, annual inflation has increase by approximately 20.9% or approximately 1.9% per year.

Chart 1: CPI & Tax Rate Comparison, 2002-2013



2014 Budget

Provided Chart 2 is a condensed summary of the proposed operations for 2014, compared to 2013 Budget and Projected Actual (see Appendix A for full Budget Summary Comparison). Gross Operations for 2014 are budgeted at $140.7 million with $51.2 million in recoveries (provincial and third party contributions, user fees, investment income etc…) and a net contribution from reserve of $11.5 million, resulting in a Levy requirement of $78 million, a $3.1 million increase from prior year with a corresponding **tax rate increase of 1.6%**. (equivalent to a $13.70 increase, or $892.26 on a house assessed at $200,000 – see tax rate comparison on page 19).

Chart 2: Budget Summary (excerpt from Appendix A)

	2013 BUDGET	2013 ACTUAL	2014 BUDGET
		(unaudited)	
Total Gross Expenditures	136,739,730	122,678,370	141,294,580
Departmental Recoveries	(49,641,710)	(51,535,890)	(51,201,440)
Net Expenditures	87,098,020	71,142,480	90,093,140
Net Contribution to(from) Reserves	(12,123,520)	3,832,020	(12,005,940)
Total County Requirement	74,974,500	74,974,500	78,087,200

Increase over 2013 Budget:	**3,112,700**

Estimated 2014 Tax Rate:	**0.00446128**
2013 Tax Rate: :	**0.00439281**
Increase:	**1.56%**

For 2014, the County of Essex is challenged by a number of key operating conditions and capital expenditures imposing a significant year-over-year increase in net levy requirements, on a stand-alone basis. Offsetting these expenditures, in part, are savings achieved through: the upload of Ontario Works social assistance costs and employment benefit costs; reduction in social assistance caseloads; anticipated marginal increases in subsidy for Emergency Medical Services and at the home for the aged, a net positive change in Current Value Assessment / marginal assessment growth and various departmental cost reduction/containment initiatives proposed throughout the departmental budgets. Highlighted in Chart 3 and discussed in the proceeding pages are various external influences or County of Essex specific conditions giving rise to a projected **net tax increase of approximately 1.6%.**

Chart 3: Summary of Levy Impacts

Budget 2014 - Summary of Levy Impacts	Levy Impact	Tax Impact
County Levy 2013	**$ 74,974,500**	-2.49%
Regional Services cost sharing (EMS, Social Services, Social Housing)	201,000	0.26%
Roadway expansion (1.5% of Levy)	1,125,000	1.46%
Insurance – Liability & Property	142,000	0.19%
Social Services - provincial uploading (prov. share 88.6%)	(766,000)	-1.00%
Social Services - caseload reduction / OW benefit increase / Inflationary	(64,400)	-0.08%
Wages, Health Benefits & statutory deductions (EI, CPP, EHT, WSIB)	871,000	1.13%
SPH – prior period arbitrated wages & assoc. benefits/statutory deductions	323,000	0.42%
Transportation Construction Rehabilitation Program	450,000	0.59%
Transportation – Drainage Assessments	250,000	0.33%
Transportation - Winter Control (4 year average)	150,000	0.19%
Rate Stabilization (winter control, pay equity)	500,000	0.65%
County-Wide Active Transportation Infrastructure	100,000	0.13%
SPH - increases in subsidy (per diems & CMI change)	(315,700)	-0.41%
Windsor-Essex County Health Unit – (Option 2, 27% municipal funding)	262,000	0.34%
Net expenditures/recoveries (utilities, contracts, supplies, int. income, net debt)	(259,200)	-0.34%
External Commitment (net – Int. Children's Games TWEPI, Social Housing)	(56,000)	-0.07%
Economic Initiatives (Hospice, Sports Tourism, regional economic req.)	200,000	0.26%
County Levy 2014	**$ 78,087,200**	**1.56%**

Regional Service Delivery – Cost Sharing

The County of Essex and City of Windsor share service delivery costs for Social Services, including social assistance and childcare, Social Housing and Emergency Medical Services. Social Services and Social Housing are cost shared on a proportional basis of 60% weighted assessment and 40% actual costs, as determined through an arbitration ruling. Emergency Medical Services are cost shared based on weighted assessment, as prescribed by legislation. Under existing tax policy rules/decisions, the projected change to the weighted assessment figures for the City and County based on MPAC's preliminary Phased-In Assessment Reports would indicate a shift or a relative increase in property assessment in the County of Essex, in comparison to the City of Windsor, by approximately 0.26%. Based on 2014 estimates, this relative change in weighted assessment translates into a shift in cost sharing onto the County of Essex for 2014 of approximately $201,000.

Infrastructure Expansion

Council has adopted a financial forecasting tool to address the roadway expansionary requirements as identified in the Essex Windsor Regional Transportation Study, updated for inflationary considerations, along with estimates, based on recent reports, for the expansion cost of County Roads 17, 19, 22, 42 and 46. The model is premised on 1.5% Levy increases through 2018 to accommodate the approximate $400 million of infrastructure. **In 2012, the financial model was amended to identify and prioritize expansion requirements exclusive of senior government funding and grade separations.** In order to accommodate 100% municipal funding, the schedule has been elongated to manage the financial burden within reasonable limits of the County Levy. As noted, the current plan amounts to approximately $400 million (excludes grade separations on County Roads 19 & 22) with a time-line extending through 2036. Assuming no change to the current plan of incorporating a 1.5% increase in the annual levy, the annual base funding level will continue to grow from $10.2 million in 2014 to $15 million in 2018, providing sufficient financial resources for the management of both the volume of expansion and the timing for financing, without the requirement of debt issuance, and then ultimately position the County to maintain the infrastructure on a go forward basis. Adherence to a structured plan of self funding minimizes costs on the local tax base; affirming the Corporation’s pay-as-you-go philosophy of funding infrastructure expansion.

It is important to note that the current analysis assumes: limited receipt of funding from provincial/federal sources (Administration will continue to pressure upper levels of government on the merits of funding expansion projects, County Road 19 & 22 specifically, in light of the anticipated extensive use and degradation associated with the construction of the Rt. Hon. Herb Gray Parkway project); the continued cost share of Federal Gas Tax revenue at 80% local municipal / 20% county, and a modest allowance for inflationary considerations on project cost. **If it is Council’s desire to narrow the time-frame of expansion, without the receipt of senior government funding, the County would need to either substantially increase the annual tax levy allocation to support transportation infrastructure expansion, continue the 1.5% levy allocation beyond 2018 or issue debt;** in all cases resulting in a greater tax burden on the residents and businesses of Essex County.

Insurance – Liability & Property

As recently outlined in Report #2013-R21-FIN-1204-RM, the County's property & liability insurance program experienced a significant increase in premiums for 2014, specifically liability coverage associated with EMS and roadway infrastructure. The total annualized renewal amounts to $894,000, a $142,000 increase, or approximately 19% over prior year.

Despite the County's continued efforts to mitigate liability through such initiatives as the Vehicle Locator Systems (AVL-GPS) in Emergency Medical Services and Transportation Services, the municipal insurance industry, as a whole, have experienced a significant escalation in the cost of claim settlements.

The premiums provided by Cowan are a reflection of the escalation in claim costs across their municipal book of business and is not a reflection of the County's own claim history. In fact, over the past six year period (2008-2013) the County's premiums and deductibles paid to Cowan for liability, auto and property coverage have exceeded claim costs in excess of $960,000. Factors impacting claims settlements are as follows:

- Court awards for severe bodily injury claims have increased dramatically
- Cost of defending claims has increased – more detailed investigation, requirement for experts and legal services
- Increase in class action lawsuits and the cost to defend, regardless of the municipality being innocent of the allegations
- Joint and several liability (1% rule)

Given the significant increase in premiums, the policy renewal period was reduced to 6 months; the County will be issuing an RFP in the spring for insurance coverage, effective July 1st, 2014.

Social Services - Provincial Upload of Ontario Works Program costs

The Government of Ontario announced in 2008, that the Province will assume the cost of the municipal share of Ontario Works (OW) income and employment assistance benefits. The upload of OW began in 2010 and will be gradually phased-in over a nine-year period, with 100% upload of benefit costs achieved in 2018. The estimated annual impact of this upload, on a percentage basis, is on Chart 4. The estimated benefit for 2014 is $766,000 (County share).

Chart 4: Ontario Works – Provincial Upload

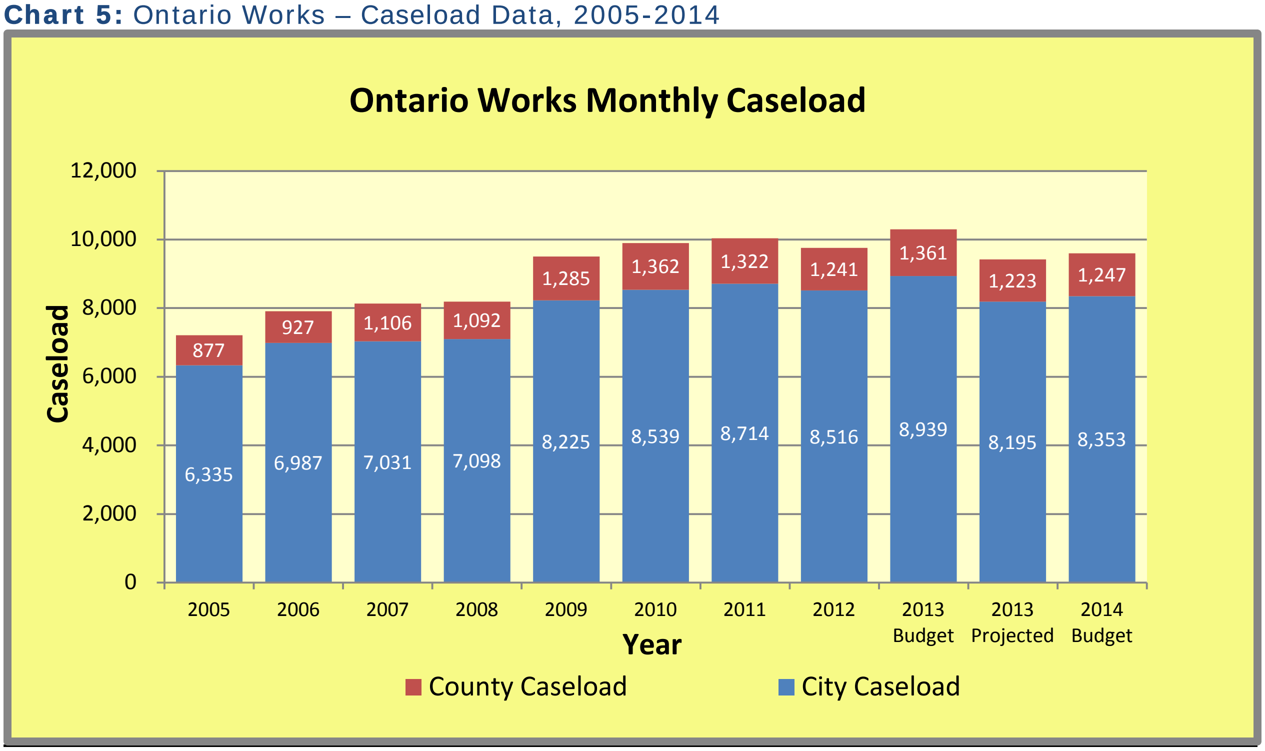
	Provincial Cost Share *(pre-Upload)*	New Provincial Cost Share								
		2010	2011	2012	2013	2014	2015	2016	2017	2018
Ontario Works	80%	80.6%	81.2%	82.8%	85.8%	88.6%	91.4%	94.2%	97.2%	100%

These uploads will create capacity to assist Council in addressing the many financial challenges outlined in this report.

Social Services – Ontario Works Benefits

Ontario Works caseloads are expected to remain consistent with 2013 Actual, a reduction from 2013 Budget of approximately 114 cases, for a budgeted average monthly caseload of 9,600, as outlined in Chart 5. Qualifying changes including an increased earnings exemption and increased asset level are expected to moderate further caseload reductions in 2014. Partially offsetting the savings associated with the reduction in caseload from prior period budget are increases in OW benefit payments and inflationary increases associated with wages, benefits and cost of service delivery.

Chart 5: Ontario Works – Caseload Data, 2005-2014



Wages and Benefits

Approximately 40% of the Corporation's gross expenditures are accounted for in salaries, wages and benefits. Collective agreements for CUPE 2974 (Library), CUPE 2974.1 (inside/outside), CUPE 2974.2 (EMS) and Teamsters 880, along with adjustments to Non-Union staff compensation have been resolved. CUPE 860 and ONA collective agreements remain outstanding from March 31, 2013 and March 31, 2012, respectively. A multi-year arbitrated settlement for CUPE 860 was resolved in 2013 for the period from April 2009 to March 2013; the year-over-year increases far exceeded budget and accruals, resulting in a significant variance for the 2014 Budget. Modest allocations consistent with negotiated settlements have been accrued and budgeted for these employee groups for 2014. Potentially compounding negotiated settlements, the Corporation is legislated to maintain compliance with pay equity and is currently undertaking a comprehensive job evaluation review (last completed in early 2000's); included with the 2014 estimates are funds provided to address recent evaluations completed for the Sun Parlor Home. In addition to anticipated adjustments in salaries/wages, the Corporation will also experience an increase in all statutory deductions (CPP, EI, EHT, WSIB), health/dental benefit premium increases and pension costs, either directly through rate increases or indirectly as a result of the increase to the yearly maximum pensionable earning limits. In total, including retroactive adjustments to base wages and pay equity adjustments, estimated wage settlements for 2014, County share of EMS WSIB NEER settlements and all associated benefits costs account for a net increase in 2014 of $871,000 and prior period adjustments of $323,000 for the Sun Parlor Home.

Transportation – Construction Rehabilitation Program

An increase in the annual expenditure level of the Rehabilitation Program in the amount of $450,000 has been included for 2014 providing total funding of $8,017,400 (inclusive of Gas Tax Funding). Up until 2012, the base funding level had not been increased since 2003. As was recently reported to Council in Report#2013-R19-FIN-1120-RM, as part of the development of the Corporation's Asset Management Plan, historic funding levels are not adequate to address the ongoing maintenance requirements of the network. Based on condition assessments, lifecycle costing and existing maintenance rehabilitation levels annual capital requirements over the next 25 years have been developed in support of the Asset Management Plan. The expenditure forecast over the 25 year time period is estimated at $290,351,000, or an average of $11,167,346 per year. An excerpt from Report#2013-R19-FIN-1120-RM is provided in Chart 6.

Chart 6: Construction Rehabilitation Costs, 2013-2017

Class	2013	2014	2015	2016	2017
Bridges	1,725	1,580	1,190	1,985	1,575
Culverts	1,100	1,280	1,610	1,635	2,185
Roads	3,915	4,069	5,027	5,162	5,282
Connecting Links	-	548	96	-	133
Municipal Drains	-	350	350	350	350
Other	827	847	847	847	847
Requested	7,567	8,674	9,120	9,979	10,372

Budget	7,567	8,017	8,267	8,517	8,767
Requested	7,567	8,674	9,120	9,979	10,372
Over(Under)Funded	-	(657)	(853)	(1,462)	(1,605)

As is evident, the existing budget allocation, inclusive of Federal Gas Tax funding, will not meet the funding requirements necessary to preserve and improve the existing road system. Additional funding resources for infrastructure operation / maintenance and capital rehabilitation will be necessary. Funding from upper levels of government will continue to be explored, gradual municipal increments in capital rehabilitation and operational/maintenance allocations will continue to be pursued in the context of good corporate governance; weighing the balance of acceptable levels of service necessary for regional use, while mitigating risk and liability.

Transportation – Drainage Assessments

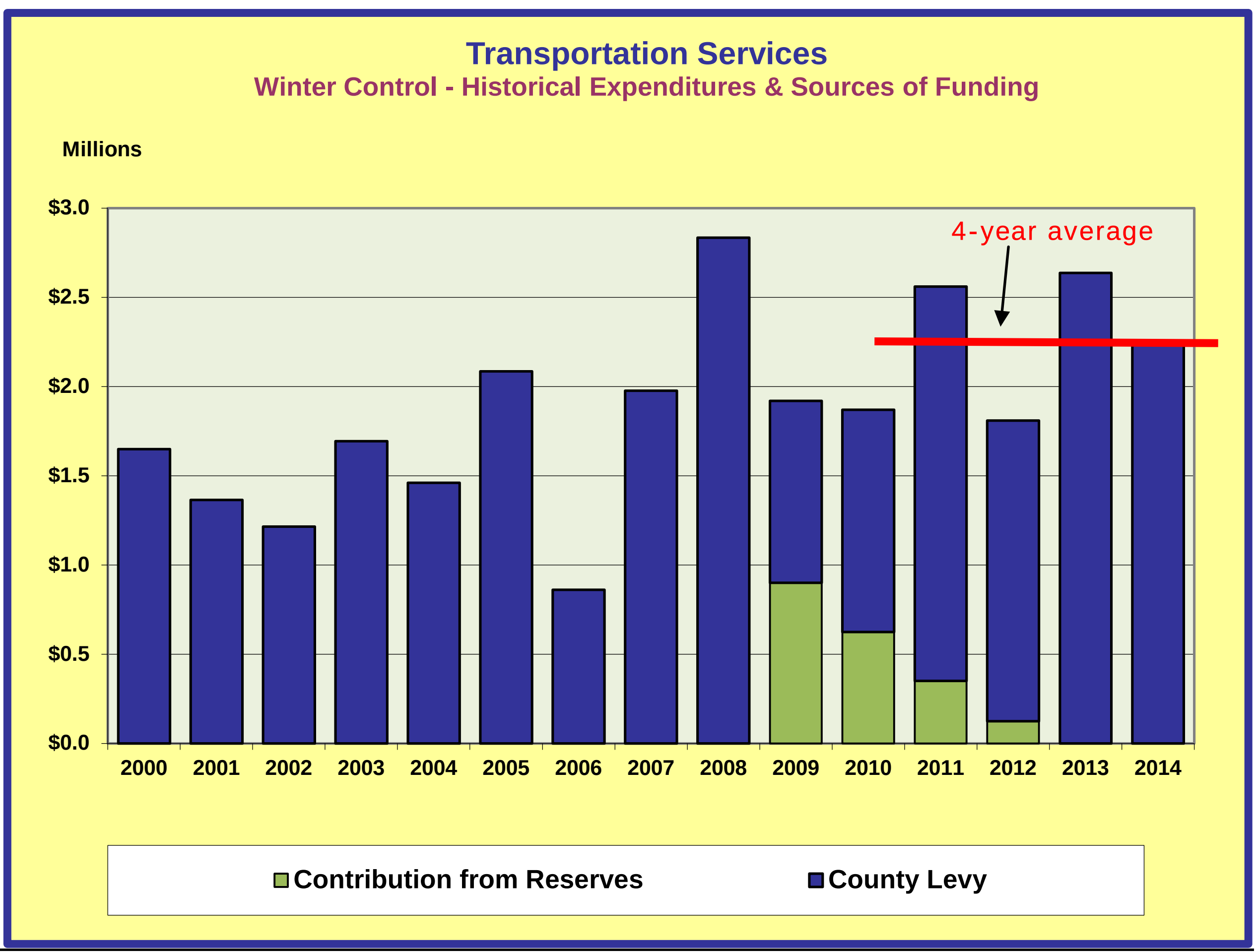
Included in the annual maintenance program is a funding allocation for assessments made under the Municipal Drain Act. These Municipal Drain projects are managed and undertaken by the Local Municipalities and the County is assessed as the Road Authority for lands being serviced by these drains. The last several years have experienced increasing assessments which have surpassed the annual budget allocation. The increase in number and complexity of drainage projects is likely a result of the impacts of climate change. The frequency of rainfall events as well as their severity and amounts of rainfall produced are increasing. In prior years, to address these over expenditures large drainage projects which have been identified during the budget preparation cycle have been established as standalone projects and funded from reserves. This approach is not fully sustainable and several large projects have been brought forward post budget resulting in significant budget shortfalls.

As these increased assessments are expected to continue, the 2014 budget includes an increase in Municipal Drainage Assessment of $250,000 for a total budget of $350,000.

Winter Control

Winter Control estimates have been updated to reflect the four year historic expenditure level by increasing the budget by $150,000 for 2014. However, included in Rate Stabilization is a $500,000 allocation to help mitigate the significant cost overruns experienced in January (the January monthly expenditures are estimated to equal close to 50% of the entire annual budget). Should severe weather persist in 2014, alternative actions may be necessary to balance the Corporate Budget for 2014. The proposed budget for 2014 Winter Control is established at $2,250,000, as referenced in Chart 7.

Chart 7: Historic Winter Control Costs, 2000-2014



County-Wide Active Transportation Infrastructure

The focus and role of municipal highways has begun to experience a shift away from “motor vehicle only” to accommodating other modes of transportation. These other modes include pedestrian and bicycle access in a safe and sustainable manner. The County of Essex has recognized this paradigm shift, embraced the concepts and identified the significant impacts that must be addressed. In 2010, the County initiated the County Wide Active Transportation Study (CWATS) aimed at identifying opportunities to support and strengthen the Active Transportation plans and networks across the region. The Study is designed to improve and designate a regional active transportation network of on-road corridors and off road trails, to improve connections between the proposed regional and local municipal systems and to promote the use of active transportation with the Region. The CWATS will include an implementation strategy that provides recommendations on priorities, funding and timing to develop the proposed network as well as a maintenance strategy to ensure quality and safe use into the future. Building upon the efforts of the local municipalities, the CWATS is intended to provide a continuous network with improved connectivity across the Region.

Aside from the capital cost to develop this network, the implementation of the recommendations will have impacts on Maintenance Operations and affect the on-going Rehabilitation Program. Timing, co-ordination and funding will present numerous challenges.

In 2013, County Engineering provided Council with a report update (Report#2013-R041-ENG-1204-TRB), revising the total project cost at $59 million, with a County portion of approximately $30 million. Included within the 2014 estimates is a provision of $1.3 million, an increase of $100,000 from prior year, to address the County component funding of this program over an estimated 20-year period. As noted in the report update, a Steering Committee was developed in 2013, with the goal of developing annual implementation plans; work by the Committee is on-going and reports will be brought forward for County Council’s consideration. It is important to note that for the County to fulfill its commitment within the 20-year time horizon it will be necessary for future annual incremental levy allocations to achieve this end.

Windsor-Essex County Health Unit (WECHU)

Included within the 2014 Budget estimates is the County’s portion of the WECHU Board approved budget of approximately $2.25 million, an increase of $262,000 from prior year. Included within the WECHU estimates is the hiring of 4 additional staff, as well as normal inflationary increase in staffing, benefits and operating costs. The net impact will result in the municipal contribution increasing to 27% from 25% and a corresponding reduction in provincial contribution from 75% to 73%.

Directly Delivered Services

Increasingly complex resident care requirements in long term care; rehabilitation, reconstruction, maintenance and expansion of a county-wide arterial road network; increased care level requirements and demand for service from the regional emergency medical services unit; expansion of Library Services, and the commitment to developing a county-wide active transportation network are but a few of the interests that continue to compete for resources. Cognizant of the economic realities of our region, Corporate Services has worked with all departments, reviewing all resources in an effort to present Council with a budget that balances operating requirements against economic constraints, while not jeopardizing the Corporation's future financial stability. The Corporation, across all departments, is subject to inflationary adjustments for supplies, service contracts, equipment replacement, utilities etc. Every effort is being made to reduce line expenditures, where possible, to mitigate the various external financial impacts on the County's net levy. In many cases, capital requests have been deferred, operational considerations reduced, and reserves utilized to the extent possible. In total, included within the budget estimates for 2014 is a net decrease in other operational costs/recoveries of $144,200, inclusive of anticipated increase in interest income and reduction debt expenditures.

Economic Development

County and City Councils adopted a five-year per capita funding model for the Windsor Essex Economic Development Commission (WEEDC) that commenced in 2003 at $3.50 per capita. The model prescribes $0.50 per capita annual increases until 2010. At this time it is assumed that the 2014 funding will be maintained at 2013 level, with a per capita allocation of $5.50, which translates into an annual contribution of $977,460.

In 2010, County Council was approached by the Windsor-Essex Active Retirement Community Initiative (WEARCI), seeking a $300,000, five-year commitment in support of marketing and promotion of Windsor-Essex as a premium retirement destination/community with a tagged branding of the "100 Mile Peninsula". In response, a contribution of $60,000 flowed through

WEEDC was approved by Council in 2010. Included within the 2014 estimates is the final $60,000 related to this initiative.

Economic Initiatives

For the past several years, Council has been approached and discussed the need to establish a funding mechanism to deal with economic requests, both regional and county specific, that would allow Council to react in a timely fashion should an appropriate request be granted. To begin preparing for initiatives such as sports tourism, “bricks & mortar” requests from hospice and/or the new regional hospital, a $200,000 allocation towards an Economic Initiatives Reserve has been included within the 2014 Budget.

Facility Asset Renewal

As has been discussed in various reports and prior year budgets, the Corporation’s Reserve Strategy had focused on the replacement of: facility equipment; heavy equipment & vehicles; and major computer system components. New facilities and major facility replacement expenditures, such as roofs, exterior cladding, and window replacements were funded through various grant programs, including the Community Reinvestment Fund (CRF), Ontario Municipal Partnership Fund (OMPF) and most recently through Infrastructure Stimulus Funding (ISF). In the absence of these funding mechanisms, the Corporation, in 2011, began setting aside a funding base to construct and maintain the Corporation’s facility infrastructure.

Listed below are some of the outstanding / current demands for facility infrastructure, estimated at upwards of $12 million.

- EMS facilities (South-West Windsor) $2-4 million
- Transportation facilities (base rationalization) $2-4 million
- Civic Centre (structural components, elevator) $4-5 million
- Sun Parlor Home (structural components, elevators) $2-3 million
- Library expansions (furnishings & shelving) $300K/library

Included in the 2014 Budget is the property acquisition and facility development for the West-End Transportation Depot ($2.5 million) and continuation of reconstruction of the Civic Centre façade ($5.2 million).

Budget Risk Factors

It is important to highlight for Council that there are risk factors inherent with any budget, in most cases beyond the control or discretion of Administration or Council. Economic realities potentially impacting operations include, but are not limited to:

- EMS service delivery issues related to hospital emergency off-load delays
- EMS call volume – demographics & response time framework
- Service requirements on an increasing frail and higher level of acuity resident complement at Sun Parlor Home
- Increase in social service caseloads
- Public Health – lack of provincial funding / change in cost share %
- Municipal impact of potential Federal & Provincial deficit mitigation measures
- Winter control maintenance costs
- Province-wide municipal insurance issues
- Cost of fuel, medical and other supplies necessary across a diverse set of operating programs, specifically in EMS, Sun Parlor Home and Transportation Services
- Interest earned on investments
- Continued OMERS pension funding requirements
- Continued premium increases for WSIB and other statutory deductions
- Health & welfare premiums (usage & escalation in medical/service costs)
- Outstanding collective bargaining agreements

Taxation Comparison with Other Municipalities

Chart 8 on the following page provides a comparison of residential tax rates on a $200,000 home among South-Western Ontario Counties from prior year. As is evident from the graph, the County's tax rate remains well below average and is among the lowest of its peer group comparison.

Chart 8: 2013 Residential Tax Rate Comparison, South-Western Ontario Counties

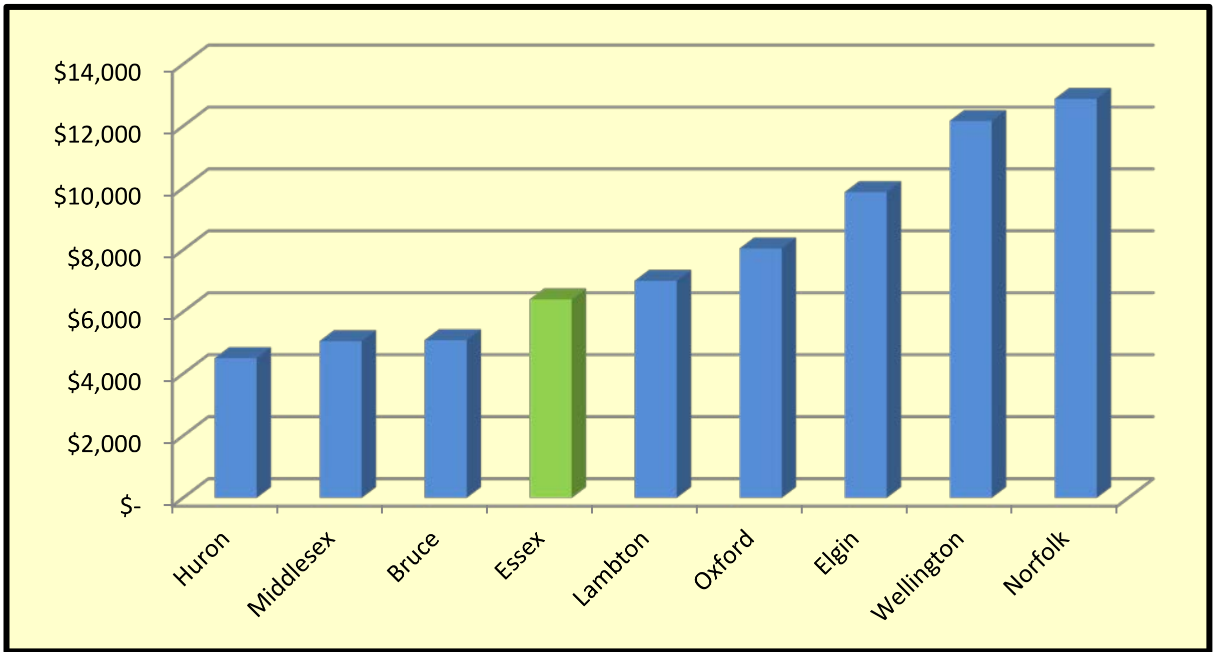
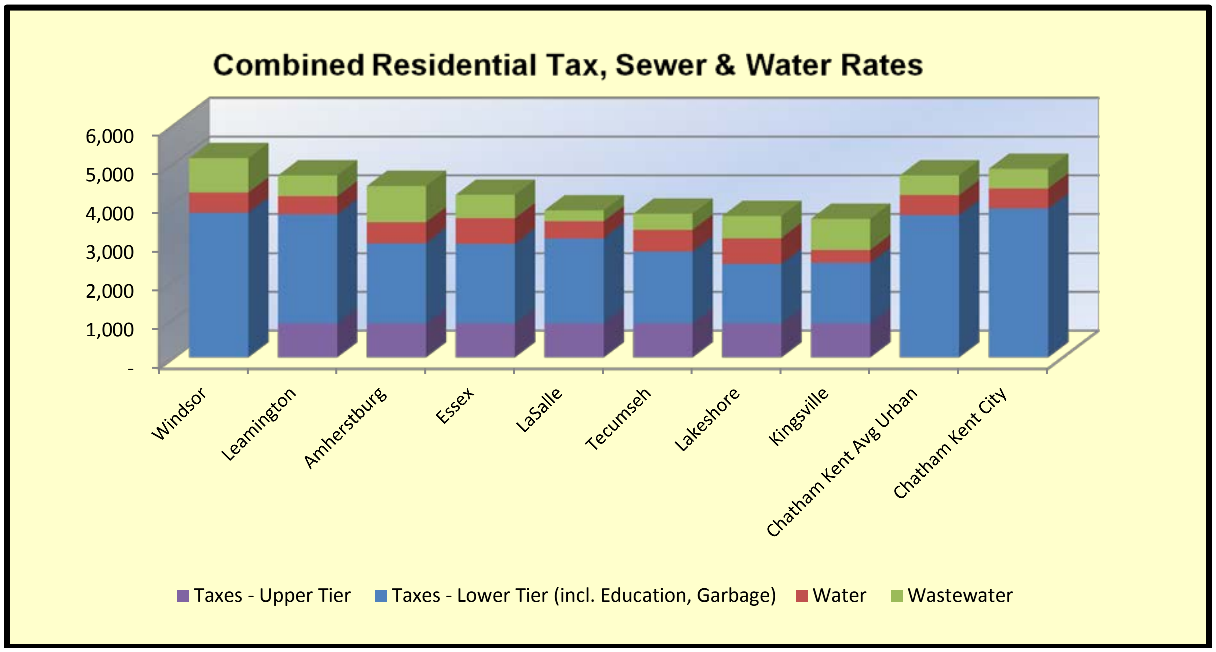


Chart 9 provides a comparison of combined residential tax, sewer and water rates on a $200,000 residence for 2013 for Essex County municipalities, Windsor and Chatham-Kent. When combined with local municipal tax rates, County of Essex residential taxes remain lower than our neighbouring comparator municipalities.

Chart 9: Combined Residential Tax, Sewer and Water Rates, Essex/Windosr/Chatham



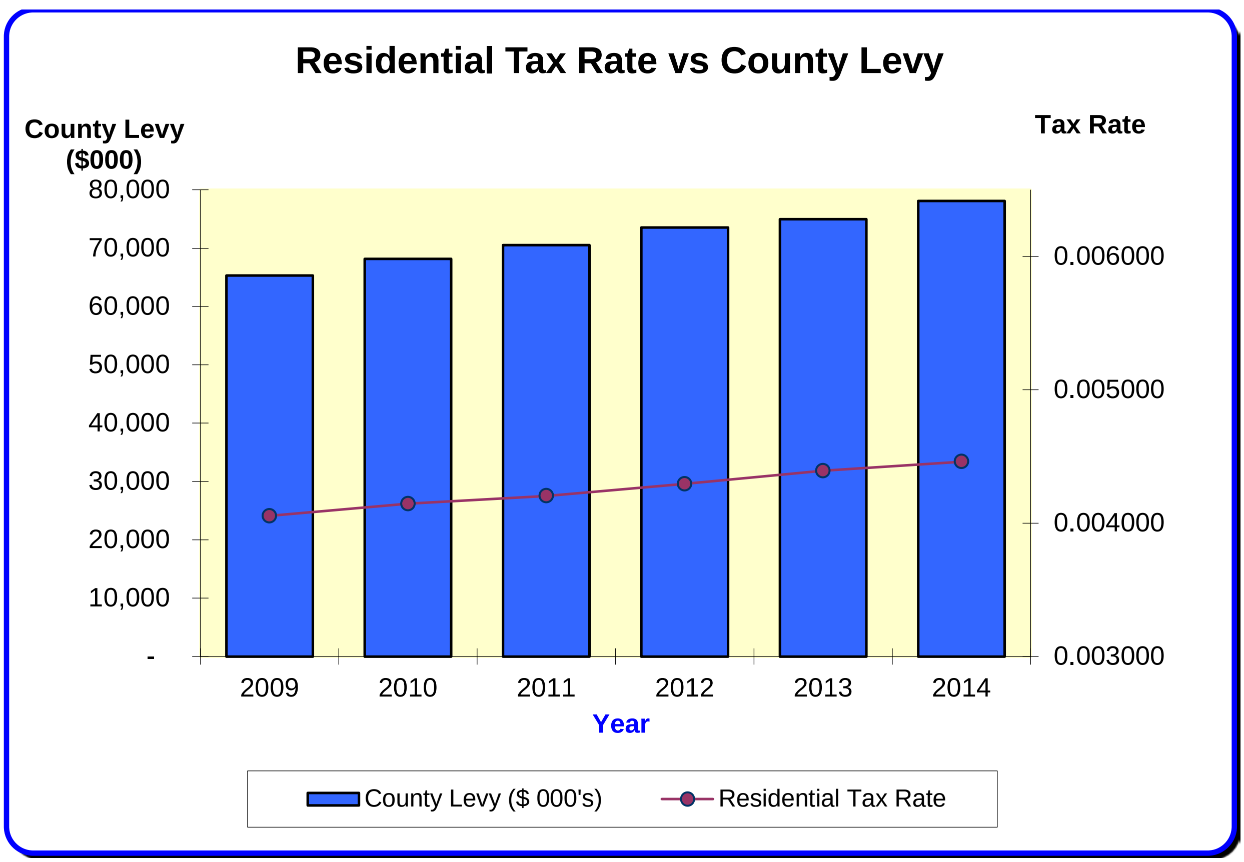
County Levy & Tax Rates

For comparison purposes, the graph below provides an analysis of the growth in the County Levy and the associated Residential Tax Rates over the past 5 years. Over this period the County Levy has increased, due in large part, to address expansion requirements of the County roadway and active transportation infrastructure. Further, as the County assessment increases relative to the City, a greater shift of costs is transferred from the City to the County for shared programs including: Social Services, Social Housing, Child Care and Emergency Medical Services.

Although the County Levy has steadily grown over the past five years, tax rates remained fairly constant, due in large part, to prudent financial management decisions and moderate but stable growth in assessment in the County of Essex over this same period.

Illustrated in Chart 10 is the net change in the County Levy and residential tax rate, resulting in a net 1.6% tax rate increase for 2014.

Chart 10: Residential Tax Rate vs County Levy, 2009-2014



The consolidation of the departmental budget estimates produce a residential tax rate for County purposes for 2014, assuming no change in tax policy, of **.00446128**, representing a **1.6%** increase from prior year. Chart 11 illustrates the change in County tax rates on a typical residence valued at $200,000.

Chart 11: Residential Tax Rate Comparison, 2013-2014

YEAR	Assessed Value	Res. Tax Rate	Taxes	Tax Change	%
2013	$200,000	.00439281	$878.56		
2014	$200,000	.00446128	$892.26	$13.70	1.56%

Conclusion

Cognizant of the many requests for County dollars, Administration, in consultation with all departments has strived to provide Council with a sound budget plan for 2014, a budget that:

- addresses the demands for service for the coming year;
- positions the County to manage future capital expansion / remediation;
- is cognizant of the economic realities of our region and the impact these service demands have on the tax rates and ratepayers of Essex County,
- does not compromise the Corporation’s strong financial foundation for future operations and continued maintenance of stable tax rates for the future.

As Council is aware, the significant proportion of the County level expenditures are either mandated services or legislated obligations. Experience has demonstrated that excessive utilization of reserves, reductions in service and/or substantial deferral of capital initiatives will only serve to expose the Corporation to greater risk and liability while creating significant financial burdens in the future when service reduction impacts and operating / infrastructure gaps will eventually need to be addressed.

Despite the uncontrollable external factors, inflationary pressures and operational considerations discussed above, Administration remains confident that a tax rate increase of 1.6% (inclusive of the 1.5% increase for infrastructure expansion) is manageable, focuses on current operating realities, provides the necessary capital allocation for the County’s current requirements, while positioning the organization favourably to address future capital needs, all without adversely impairing/compromising future operations and/or creating significant future tax rate adjustments.

Recommendation

For the information of Council.

Respectfully Submitted

Robert Maisonville

-Originally signed by Robert Maisonville-

Robert Maisonville
Director of Corporate Services/Treasurer

Concurred With,

Brian Gregg

-Originally signed by Brian Gregg-

Brian Gregg
Chief Administrative Officer

Appendix No.	Title of Appendix
Appendix A	2014 Budget Summary Comparison

Appendix A

CORPORATION OF THE COUNTY OF ESSEX
Budget Summary Comparison

	2013 BUDGET (restated)	2013 ACTUAL (unaudited)	2014 BUDGET
DEPARTMENTAL EXPENDITURES			
Community Services	1,794,360	1,972,850	1,910,630
Sun Parlor Home	20,997,070	21,386,380	22,104,530
Emergency Medical Services	34,665,860	35,082,880	36,373,980
Transportation Services	37,292,650	25,782,890	37,564,500
Library Services	5,189,790	4,924,700	5,490,090
General Government Services	11,223,070	8,675,160	12,115,240
External Commitments	25,576,930	24,853,510	25,735,610
	136,739,730	**122,678,370**	**141,294,580**
DEPARTMENTAL RECOVERIES			
Community Services	1,430,050	1,633,980	1,523,700
Sun Parlor Home	14,384,790	14,906,070	14,868,200
Emergency Medical Services	25,679,350	26,260,520	26,854,540
Transportation Services	3,829,850	3,484,880	3,300,060
Library Services	380,620	420,290	370,620
General Government Services	3,877,050	4,770,150	4,224,320
External Commitments	60,000	60,000	60,000
	49,641,710	**51,535,890**	**51,201,440**
DEPARTMENTAL CONTRIBUTIONS TO (FROM) RESERVES:			
Sun Parlor Home	(15,440)	235,910	(274,530)
Emergency Medical Services	(756,900)	(369,930)	(958,200)
Transportation Services	(8,330,790)	3,193,280	(6,895,840)
Library Services	(315,000)	(10,240)	(529,320)
General Government Services	(2,855,940)	372,930	(3,488,050)
External Commitments	150,550	165,000	140,000
Transfer to Rate Stabilization Reserve - County Surplus	0	245,070	0
	(12,123,520)	**3,832,020**	**(12,005,940)**
NET DEPARTMENTAL OPERATIONS			
Community Services	364,310	338,870	386,930
Sun Parlor Home	6,596,840	6,716,220	6,961,800
Emergency Medical Services	8,229,610	8,452,430	8,561,240
Transportation Services	25,132,010	25,491,290	27,368,600
Library Services	4,494,170	4,494,170	4,590,150
General Government Services	4,490,080	4,277,940	4,402,870
External Commitments	25,667,480	24,958,510	25,815,610
Overall County Surplus	0	245,070	0
TOTAL COUNTY REQUIREMENT	**74,974,500**	**74,974,500**	**78,087,200**