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STAFF REPORT: Finance & IT Services



REPORT TO: Committee of the Whole
MEETING DATE: April 7, 2014
REPORT NO.: FIT.14.23
SUBJECT: 2013 Year End Cost Savings
PREPARED BY: Robert Cummings, CMA
 Director of Finance and IT Services

A. Recommendations

THAT Council receive Staff Report FIT.14.23 “2013 Year End Cost Savings” for information purposes; and,

THAT Council approve the allocation of the 2013 year end cost savings to the following:

1. \$74,363 to the Insurance Reserve to ensure adequate risk management coverage into the future;
2. \$300,000 to Winter Control for cost overruns in 2014;
3. \$15,000 for the 3 month extension of the Transit trial period; and

THAT Council approve that any differences in cost savings be transferred to the Insurance Reserve or subtracted from the recommended Insurance Reserve allocation based on the final 2013 Year End cost savings.

B. Background

The results from the 2013 Financial Statements have identified \$519,363 in cost savings for the year. These cost savings are the result of one time salary and benefit savings from unfilled positions in the 2013 fiscal year.

Council has previously approved three projects for 2014 that are to be funded from these cost savings. The projects are:

1. Town Hall Works at a cost of \$25,000;
2. Development Process Review at a cost of \$20,000; and
3. 2014 Carry forward into revenue of \$85,000 to reduce the tax levy.

These three approved projects total \$130,000, leaving a cost savings of \$389,363 to be allocated elsewhere. Staff recommends the use of this remaining cost savings to fund the following:

4. \$74,363 to the Insurance Reserve to ensure adequate risk management coverage into the future;
5. \$300,000 to Winter Control; and
6. \$15,000 for the extension of the Transit trail period.

These recommendations from Staff are based on a number of factors, including the expected funding needs based on currently known information and the overall risk management of the Town's financial position.

The Town has experienced a long and intense winter and maintaining the roads has used up more of the Winter Control Budget than expected. Current forecast points to a \$250,000 - \$500,000 overrun as a result of the winter control activity needed this winter. The Town currently has about \$135,000 in winter control reserves and will be well over this amount by the end of 2014. Therefore, Staff recommend allocating \$300,000 to the Winter Control Reserve.

Town staff have looked at building up the Insurance Reserve as a means of dealing with future risk. The Town no longer budgets for insurance deductibles each year, so if there is an insurable event, payments must come from the reserve or other budgets. The current reserve balance of \$227,000 will not last long given \$50,000 deductibles. Staff recommend allocating \$74,363 to the Town's Insurance Reserve.

Finally, there is a need to fund the extension of the Transit trial period for an additional 3 months. Staff recommend allocating \$15,000 to the Transit Trial project.

Although there are other projects that make a strong case for additional financial support, priority was given to the above projects based on the understanding of the Town's 2014 financial position to date and future risk management. Other considerations for these cost savings included:

- Wensley Drive Storm Water debt, as this item has not been included in the budget at \$173,000;
- North East Grey Health Clinic's grant from Working Capital payback, which currently has two years left, at a cost of \$85,000;
- Reducing future landfill debt;
- Current unfinanced projects; and
- Asset Management Plan and Infrastructure Reserves.

Staff is recommending that any differences or remaining cost savings be transferred to the Insurance Reserve or subtracted from the recommended Insurance Reserve allocation if less than reported in Staff Report FIT.14.23 "2013 Year End Cost Savings".

C. The Blue Mountains' Strategic Plan

Providing a strong, well managed municipal government.

D. Environmental Impacts

None.

E. Financial Impact

A breakdown of the 2013 cost savings and recommended projects are included in the chart below.

2013 Year End Cost Savings	\$519,363
Approved Projects for 2014:	
Town Hall Works	\$ 25,000
Development Process Review	\$ 20,000
2014 Carry forward into revenue	\$ 85,000
Total Committed Projects	\$130,000
Remaining Cost Savings	\$ 389,363
Recommendations for remaining cost savings:	
Insurance Reserve	\$74,363
Winter Control	\$300,000
Extension of Transit Trail Period	\$15,000
	<u>\$ (0)</u>

F. In Consultation With

Renee Ouellette, Financial Accountant

G. Attached

None.

Respectfully submitted,

Robert Cummings

Robert Cummings, CMA
Director of Finance & IT Services

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