

2019

ANNUAL REPORT



PREPARED BY
Director of Financial Services
Jim Bundschuh

Accessible formats
available upon request.

For the year ended December 31, 2019



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WARDEN'S MESSAGE



"2019 was a year of significant change and growth at the County of Elgin."

Warden
McPhail

On behalf of Elgin County Council and staff, I am pleased to provide you with the Annual Report for the year ending in December 31, 2019.

2019 was a year of significant change and growth at the County of Elgin as a new group of passionate elected officials took the reigns at the County of Elgin. At the end of 2018 I was delighted to once again take a seat at the Elgin County Council table after many years away. I was honoured that my fellow Councillors trusted me with the challenging and rewarding position of Head of Council during the first year of a Council Term. There were many new faces around the table and we were able to quickly come together as a team to find creative solutions for the issues facing our communities.

Working collaboratively and building strong relationships with Elgin County's partners was a particular priority of mine during 2019. I embarked on a cross-County tour of Elgin visiting each local Council to discussing County initiatives and engage in two-way communications around how the County can better meet the needs of its seven (7) Local Municipal Partners.

Another extremely important relationship that we cultivated in 2019, is the one with our counterparts at the City of St. Thomas. I am proud to say that our two Councils met jointly twice during 2019 to brainstorm ideas for collaborative partnerships that will realize efficiencies and ensure a seamless service experience for residents of both the County and the City.

After 25 years the County re-evaluated its flag raising policy providing opportunities for community advocacy organizations to have their flags flown at the Elgin County Heritage Centre. It was a privilege to proclaim September as Childhood Cancer Awareness Month and to draw attention to the stories of these courageous children and their families.

Council also turned its attention to advocacy in 2019. We sought to elevate Elgin County's voice at the Provincial level and influence policy in the areas of long-term care, health, education and economic development.

At the end of the year Council began the process of developing a strategic plan for the remainder of the Council term. This plan will guide the actions of both Council and staff and act as a resource allocation map for the coming years, set financial and operating targets and align the senior leadership team with Council's strategic priorities.

I look forward to what we will be able to achieve in the coming years.

Warden Duncan McPhail

A handwritten signature in black ink, appearing to read 'Duncan McPhail', with a stylized flourish at the end.



2019 ACCOMPLISHMENTS

- ➔ Early in the year, our Council made the decision to proceed with a redevelopment of our Terrace Lodge Long Term Care Home, rather than proceed with a new build. Collectively, we decided to proceed with a “greener” and more cost-effective, no-compromise solution for our residents. We are on-track to break ground in the spring of 2020.
- ➔ Our Council advocated for and received funding from both the Federal and Provincial Governments for a replacement bridge in Port Bruce. Plans are now well underway for the replacement bridge as well as the relocation of the temporary bridge that was installed in 2018.
- ➔ In September, our community’s new Provincial Offences Administration Building Opened to the public. We are exceedingly proud of our \$5.1 M state of the art facility located next to the County Administration Building.
- ➔ We have worked on solving our internet connectivity problems in the County – meeting with local providers and trying to reduce “red tape”.
- ➔ We have been vocal and advocated for change in a number of key areas – including education, health and long-term care. As well, we have engaged our community in our decision making and have plans to enhance this in the future. We have developed new policies, such as a Community Flag Raising Policy which represents our Community’s interests and we have ensured that we have the internal capacity and “bench strength” to position us for success during our term and well into the future.

2019



FINANCIAL RESULTS

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The statements and related information are the responsibility of management and include the County's share of the financial activities of the Elgin-St. Thomas Board of Health. The Municipal Act, 2001 requires that the County appoint an independent auditor to express an opinion as to whether the financial statements present fairly the County's financial position and operating results. As part of the annual audit, the auditors will deliver a written report providing their opinion on the results of the financial statement audit.





2019 BUDGET

Elgin County Council approved a \$ 65,931,240 operating budget, with a 3.2% increase in County taxes on an average property, which is 0.7% lower than previously anticipated. This will represent a 3.0% increase on the average home or approximately \$44.

Council remains committed to achieving affordable taxes while maintaining and expanding high quality services for residents. The County has been able to do this, despite significant revenue losses of approximately \$6 million in OMPF and Ford property tax, through the use of reserves, grant funding, and measured tax increments over ten years.

In 2019, Council continued to implement several initiatives committed to in previous budget cycles including the reconstruction of Terrace Lodge, timely maintenance of existing road infrastructure, a \$3.5 million grant to the St. Thomas Elgin General Hospital, and investment in small business through a Community Improvement Plan (CIP).

Council has been able to maintain an affordable increase in taxes while improving service through the addition of a Fire Trainer and a full-time planner. Not only does the addition and renovation of Terrace Lodge providing savings as compared to the previous plan of new construction, it improves quality of space for its residents over the new build design.

Highlights of Council's commitment to improving the prosperity and quality of life in the community over the next ten years include:

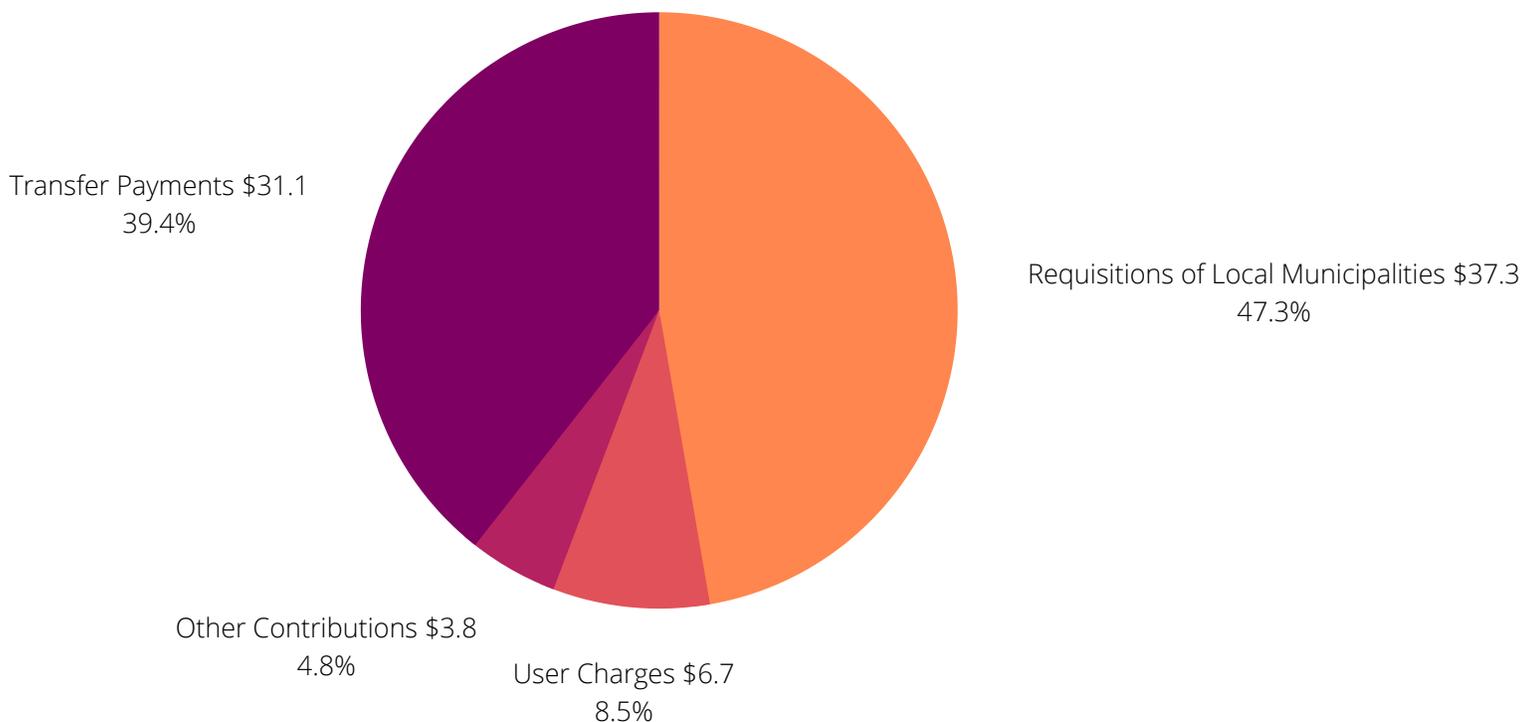
- A new POA Courthouse facility
- \$2.5 million granted to the St. Thomas Elgin General Hospital through 2018 with a further \$1.0 million in contributions planned for a total of \$3.5 million by 2022.
- \$1 million in CIP funding to improve streetscapes and improve the economic outlook for the County's businesses will be enhanced with an additional \$80,000 annually by reallocating the additional revenue from the elimination of the vacancy rebate/reduction
- \$0.5 million in funding to attract government and private sector support for high speed internet (SWIFT)
- The county roads will average over \$12.5 million annually for capital budget funding, focused on timely investments in existing infrastructure to ensure the lowest possible lifecycle costs. This includes the rehabilitation of the King George Lift Bridge and the reconstruction of Sparta Line.
- Seeking match funding to conduct a \$100,000 transportation study



REVENUES AND COSTS

The consolidated statement of operations reports annual revenue and expenses for 2019 on a comparative basis to the prior year and the budget. The net of revenue and expenses is the change in economic resources available to the County and thereby results in a change in the accumulated surplus.

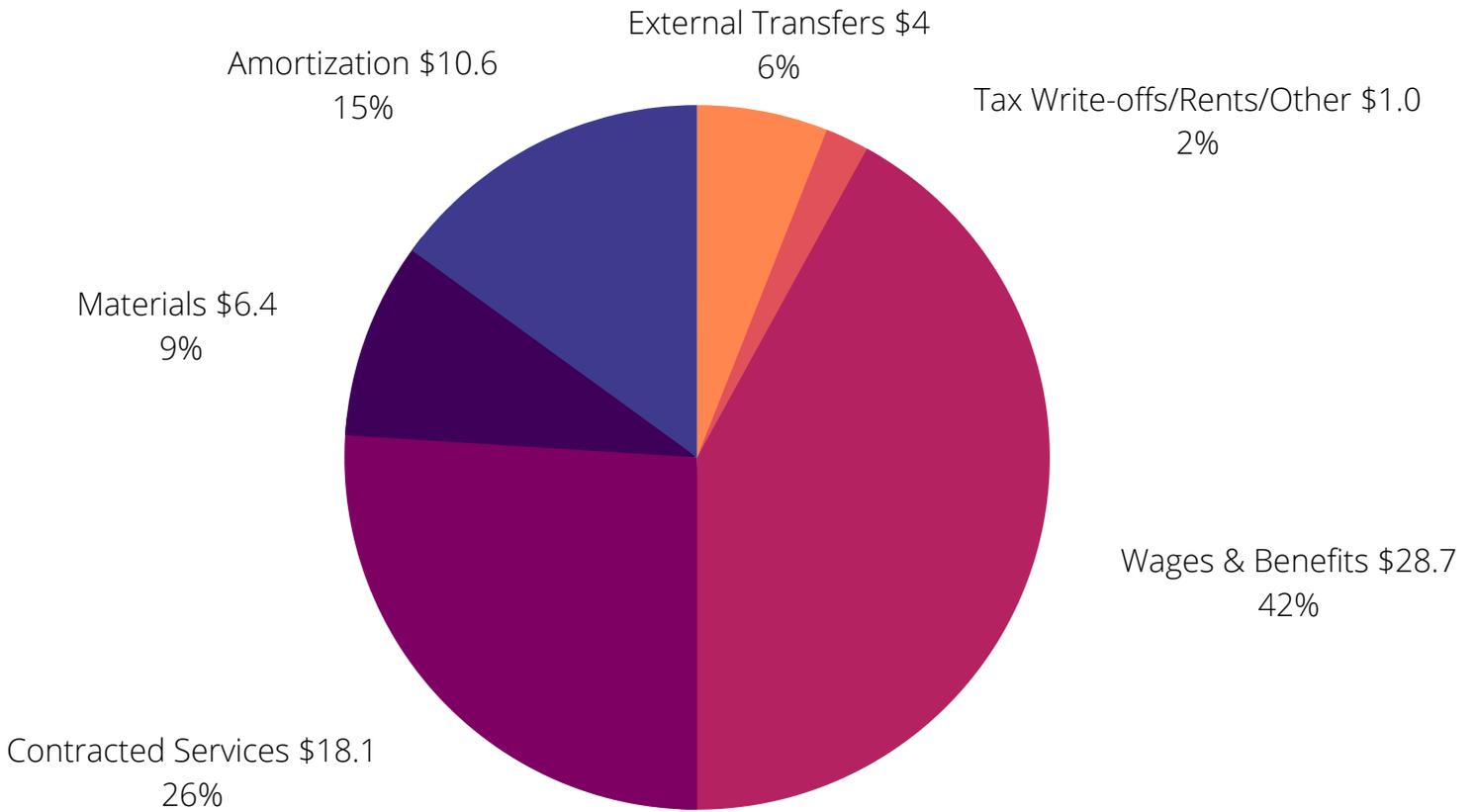
Sources of Revenue (Millions)



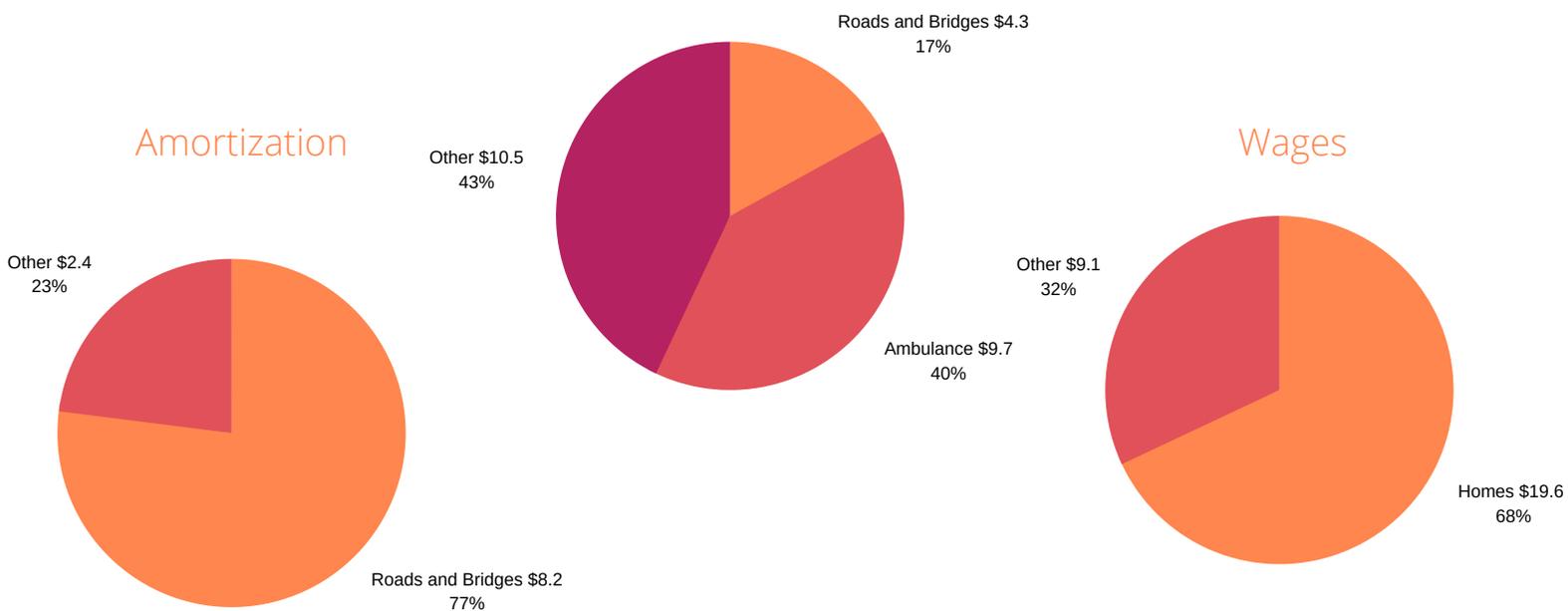
In 2019, the County received revenue of \$78.9 million and incurred expenses of \$68.8 million for a net gain of \$10.1 million. The vast majority of revenue is derived from property tax revenue and transfer payments from the provincial and federal governments.

2012 was the first year that transfer payments were less than tax revenue, and now stands at 47% of revenue being derived from taxes and only 39% from transfer payments. Annual OMPF (Ontario Municipal Partnership Fund) payments have been reduced resulting in a cumulative loss of \$5 million in OMPF transfer payments placing an increased burden on Elgin County rate payers.

Spending by Cost Element (Millions)



Material and Contracted Services

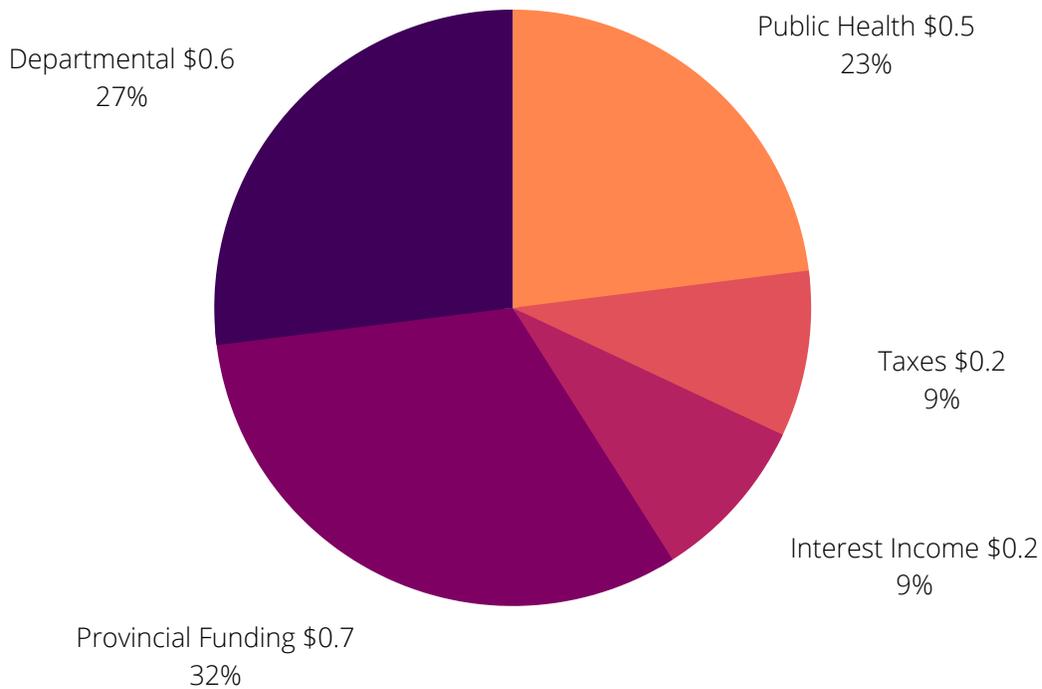


Of the total expenditures of \$68.8 million, wages & benefits account for 42% of those expenditures, with 68% of these expenses occurring at the long-term care homes. Contracted services and materials combined account for a further 36% of cost with over half attributed to ambulance and roads-bridges. Amortization accounts for 15% of the total expenses, this sector being dominated by roads and bridges with 77% of the amortization cost. External transfers are predominately to the City of St. Thomas for providing Social Services. In addition, Provincial Offences fines collected net of expenses flow through as transfers to the local municipalities.



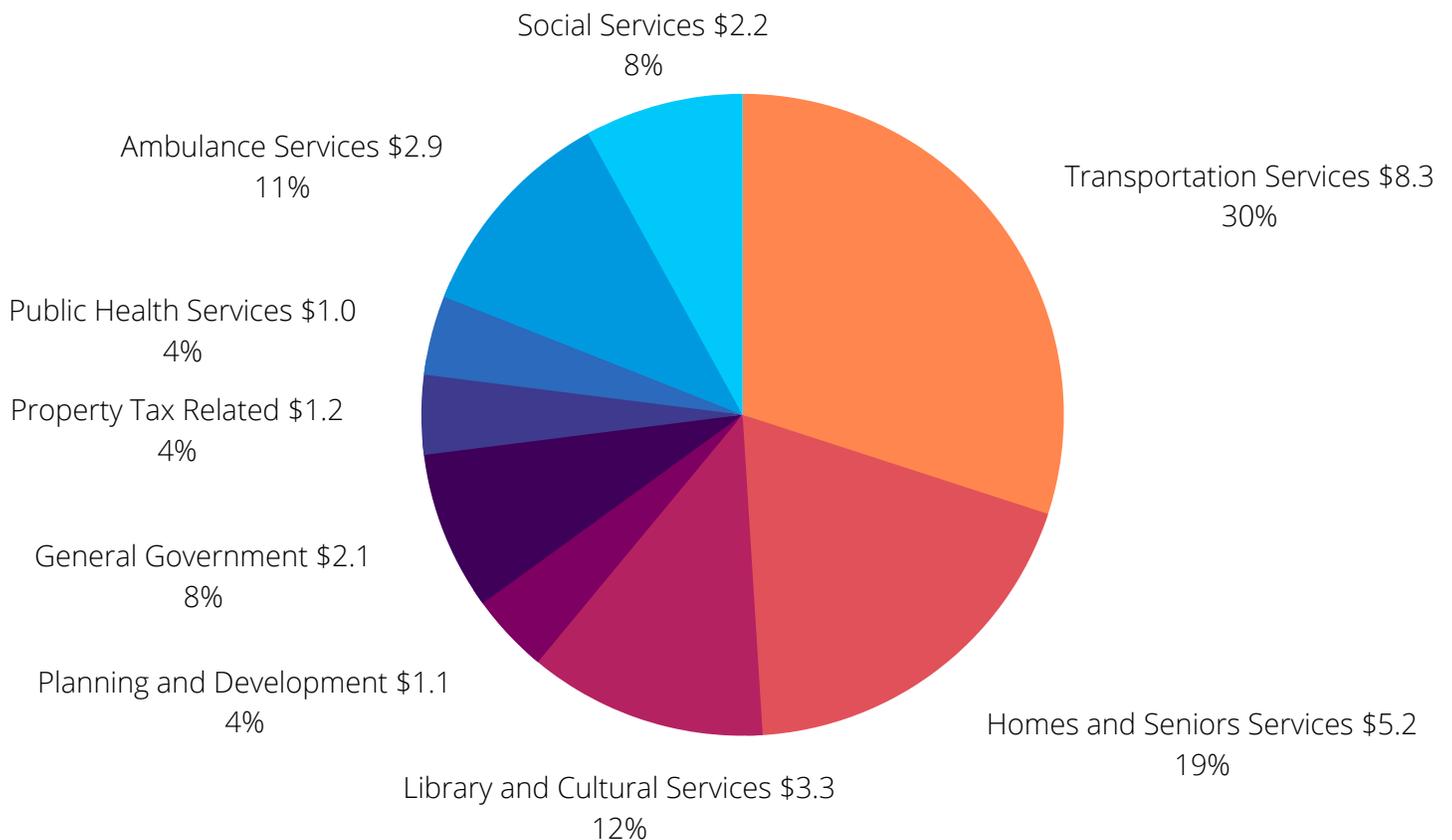
The 2019 budget planned for net income of \$7.9 million, however due to tight financial controls and other factors, Elgin achieved \$2.2 million of performance resulting in actual net income of \$10.1 million. Significant performance to budget is as follows:

Budget Performance (Millions)



The province provided \$0.7 million of funding to assist in Efficiency Funding. This money will be held in reserve and used to improve operations once projects have been identified. Department performance added \$0.6 million (0.9% of budget) for total favourable performance. Public Health returned prior year surpluses to the municipalities resulting in \$0.5 million of unbudgeted reduction in net contributions. Favourable tax performance of \$0.2 million is due to Supplemental Taxes adding unanticipated incremental revenue. Lastly, favourable interest rates on GICs provided a further \$0.2 million in additional revenue resulting in total performance for the County of \$2.2 million.

Net Spend by Service Category (Millions)

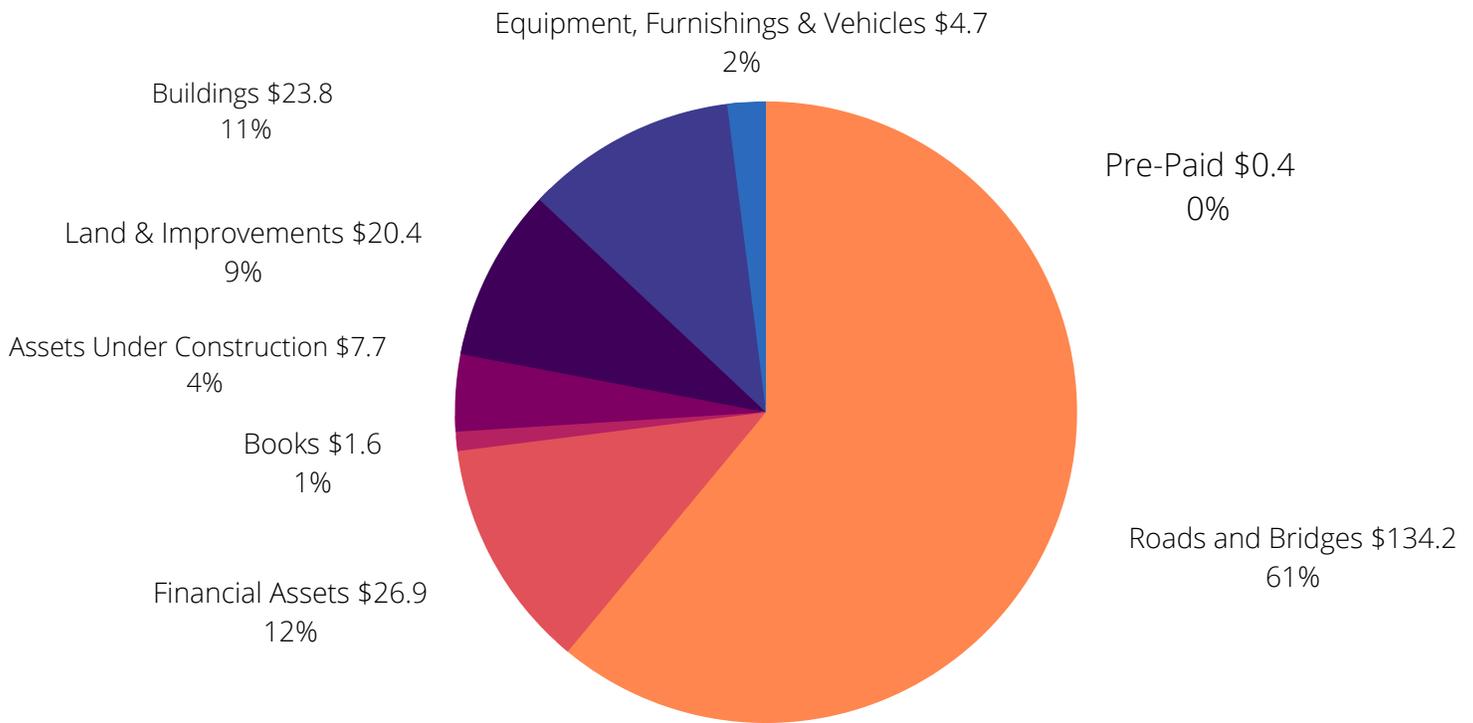


Net spending represents the County's total expenditures less funding from external sources. In other words, it represents the amount County rate payers are contributing to expenditures through the levy. Transportation is the single largest net cost to Elgin County with 30% of net expenditures. Soft services which include: Homes & Senior Services, Social Services, Library, Ambulance and Public Health services combined account for just more than half of the County's net expenditures.

General Government accounts for 8% of the County's net spending. It is important to note that general government includes the costs of information technology, finance and human resources departments required to support the above-mentioned services being provided to Elgin's residents. It also includes a \$0.25 million grant to the hospital redevelopment as part of \$3.5 million ten-year commitment. Planning & Development and Property Tax Related costs equate to 8% of net expenditures. The Property tax related costs are comprised of Municipal Property Assessment Corporation (MPAC) costs and tax write-offs. MPAC is a not-for-profit corporation whose main responsibility is to provide its customers - property owners, tenants, municipalities, government, and business stakeholders - with consistent and accurate property assessments. Every municipality in Ontario is assessed its share of the cost of operating this corporation.



MUNICIPAL POSITION



By the end of 2019 the County municipal position was \$219.7 million. Elgin County's municipal position is composed of both financial and non-financial assets. The financial assets of \$26.9 million, up \$4.9 million from the prior year, comprise 12% of the County's equity. A portion of these financial assets play a key role in allowing the County of Elgin to meet its financial obligations during the three-month period between receipts of property tax revenue. The remainder represents the self-funded capital required to rebuild Terrace Lodge.

The non-financial assets represent the infrastructure of the County. The County's equity in non-financial assets is predominately comprised of roads and bridges (61%), buildings (11%), land and land improvements (9% - includes land for roads as well as building), and assets under construction (4%). Sustaining this infrastructure is critical to the long-term success of the County. This is achieved through Council's commitment to making timely investments into the capital maintenance of the assets. For example, Council committed \$35 million to rebuild Terrace Lodge and has increased annual investments into roads and bridges from \$7 million to \$11 million over the ten-year period ending 2020.



MUNICIPAL PERFORMANCE MEASURES PROGRAM (MPMP)

MPMP is a performance measurement and reporting system that promotes local government transparency and accountability. It also provides municipalities with useful data to make informed municipal service level decisions while optimizing available resources. The County inspects road conditions every 2 years and has a consultant complete bridge inspections every 2 years.

Measure	Description	2016/7	2017/8	2018/9
Adequacy of Roads	% of paved lane kilometres rated adequate	62.0%	49.3%	50.9%
Adequacy of Bridges & Culverts	% of bridges and culverts where the condition is rated as good to very good.	83.5%	86.3%	86.3%
Maintenance Costs	Per paved lane kilometre	\$3,371	\$3,608	\$3,405
General Government	General Government - % of costs for governance, corporate management and program support.	4.9%	4.3%	4.6%

A road is adequate when surface distress is minimal and no maintenance or rehabilitation action is required. A bridge or culvert is rated in good to very good condition if distress to the primary components is minimal, requiring only maintenance. Primary components are the main load carrying components of the structure, including the deck, beams, girders, abutments, foundations. The past deterioration of the road and bridge system that occurred for approximately two decades starting around the 1990s is being addressed by Council through the long-term planning that sees the annual capital spending on the road system increasing from \$4.9 million in 2010 to over \$17 million by 2025, as approved in the 2020 ten-year plan.

Paved roads are defined as roads with asphalt surface, concrete surface, composite pavement, portland cement or surface treatment. Maintenance includes frost heave/base/utility cut repair, cold mix patching, hot mix patching, shoulder maintenance, surface maintenance, surface sweeping and surface flushing. Surface maintenance activities include crack sealing, spray patching and slurry seal. Also included in these costs are bridge maintenance and winter control costs, but amortization is excluded. The County of Elgin contracts with its seven municipal partners to provide road maintenance based on a set per kilometre dollar amount.

General government administration includes departments primarily involved in general administration, financial management and human resources. The costs provide governance, corporate management and support to the operational departments. Excluded from these costs are amortization, MPAC and tax write-offs.

For your online source of information regarding:

- Consolidated Financial Statements
- Financial Information Return (FIR)
- Municipal Performance Measures Program (MPMP)
- Council Remuneration
- Salaries over \$100,000

Please visit: <https://www.elgincounty.ca/financial-services/>



450 Sunset Drive
St. Thomas, Ontario, N5R 5V1
(519) 631-1460
www.elgincounty.ca