

MUNICIPALITY OF CHATHAM-KENT

CORPORATE SERVICES

FINANCIAL SERVICES

TO: Mayor and Members of Council

FROM: Gord Quinton, BA, CGA
Supervisor, Accounting Operations

DATE: January 28, 2008

SUBJECT: 2007 Request for Encumbrance Reserve

RECOMMENDATIONS

It is recommended that:

1. An encumbrance reserve of \$1,020,300 be approved and carried forward to 2008 to allow for the completion of projects approved during the 2007 budget.
2. The following transfers to specific software reserves from the 2007 approved budget be approved and carried forward to future years' system upgrades:
 - Financial Services \$32,400
 - Human Resources \$18,040

BACKGROUND

Encumbrance Reserve

Certain undertakings within the authorized operating budget that were not yet completed or work not yet started by the end of December 2007 require funds to be set aside for these items in 2008. New Public Sector Accounting Board (PSAB) guidelines concerning liabilities came into effect September 1, 2004. The PSAB guidelines provide guidance for applying the definition of a liability. Items not yet completed but committed are treated as payables as the Municipality does not have a realistic alternative to change or avoid the obligation. The encumbrance reserve represents items in the approved budget that are uncommitted and could be cancelled by Council.

The Municipal Act allows municipalities to create reserves to accommodate these situations. By authorizing the creation of this reserve for encumbrances, Council is matching revenues to the year in which the expenditures are made.

Projects within the capital and lifecycle budgets, approved but not yet completed, are automatically carried over to 2008 in lifecycle reserves or in the capital fund, but are not encumbrances and not included in this report. Lifecycle budgets include bridges, roads,

public works, and computer equipment allocations. Also, not included as an encumbrance are funds provided by the Province through the "Best Start" program that may be carried over from one year to the next.

As well, any funds that were previously committed, but not yet spent, from the Health Division Special Community Project reserve, will be carried over to 2008.

The recommendations in this report are consistent with the accounting treatment used in the year end financial statements.

Financial Software Reserve

Upgrades to the corporate financial software occur every few years as the vendors improve their products. The Financial Software reserve is used to fund the upgrades as they occur. The last upgrade was in 2005 at a cost of \$108,000. The funds accumulated in this reserve will fund future system upgrades not yet planned. We anticipate upgrading again in 2008 as part of our efforts to comply with PS3150 Tangible Capital Assets.

Human Resources Software Reserve

The HRIS interface / integration has been identified as a 2008 goal for the HR Division. Further research and investigation into alternative software systems has been ongoing for a number of years. The creation of this reserve allows approved budget funds to be carried forward to fund future upgrades.

Council approval is required prior to using reserves. In each case, a Council report will be prepared.

COMMENTS

The attached Appendix A provides a breakdown of the requests by division within the departmental structure. The actual amounts may be lower, subject to final year-end results.

COMMUNITY STRATEGIC PLAN

The recommendation in this report supports the following objective and strategic direction:

B: Economy – We are a prosperous community

B1: Promote and market Chatham-Kent

Desired Outcomes/Proposed Activities

- Chatham-Kent to be recognized as a municipal leader in responsible fiscal management through manageable tax rate changes and sustainable fiscal planning.

The recommendations will not adversely impact on the remainder of the Community Strategic Plan.

CONSULTATION

Each department contributed to this report by identifying the amounts to be reserved and explaining how the item met the definition of an encumbrance.

FINANCIAL IMPLICATIONS

Reserves and encumbrances identified are set aside and will only occur provided allocations do not create a departmental or corporate deficit.

There is no impact on the 2007 or 2008 budget.

Prepared by:

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Director, Financial Services/Treasurer

Reviewed by:

Reviewed by:

Mary Lou McLeod, CGA
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Corporate Services

Gerry Wolting, B.Math, C.A.
Acting Chief Administrative Officer

Attachment(s) – Appendix A – 2007 Encumbrances

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Dept.	Division	Issue	Amount	Explanation	
Non Operating					
		Corporate Review	\$72,380	Portion of budget uncommitted - for implementation of Corporate Review recommendations	
Infrastructure and Engineering Services					
	Drainage, Environmental & Fleet	Chatham Leaf & Yard	\$17,309	Access road at depot off Siemens Drive Extension, delayed to 2008 due to discussions with Hydro One property management.	
		Project cost	\$10,481	CMiC upgrades to equipment costing module - awaiting quote from CMiC	
		Part-time wages	\$16,623	Temporary service writer contract to July 2008.	
		Engineering & Traffic			
		Travel and Training	\$8,828	Health & Safety training delayed to 2008	
		Maintenance - equipment	\$785	Equipment on backorder	
		Travel and Training	\$1,500	Traffic staff Synchro training scheduled for Feb. 2008	
		Travel and Training	\$1,000	Transit staff training in 2008	
		Consulting fee	\$20,000	Detailed Transit survey in 2008 - Cost \$40,000 - using \$20,000 from 2007 and \$20,000 from 2008 budget	
		Public Works	Training	\$11,878	Training to comply with new regulations. Delayed due to scheduling.
Health and Family Services					
	Senior Services	Membership fees	\$11,167	RN/RPN membership fees as per collective agreement	
		Software support	\$22,976	Telestaff maintenance fees - project was on hold but proceeding in 2008	
		Training	\$5,945	New MOHLTC standards for dietary workers to obtain Food Service Worker course - employees enrolled and awaiting reimbursement when proof of completion.	
	Social Housing	Computer hardware - new	\$3,000	Purchase delayed to 2008 -awaiting re-org of CKCCS building workstations	
		Computer software - new	\$2,000	Purchase delayed to 2008 -awaiting re-org of CKCCS building workstations	
		Equipment - new	\$7,526	Purchase delayed to 2008 -awaiting re-org of CKCCS building workstations	
	Children's Services	Equipment - new	\$40,000	Wallaceburg Learning Centre - cubbies, work to be completed in 2008	
	Community and Development Services				
	Community Services	Ball Diamond Liners	\$24,000	Dependant on Sports Field Business Plan. RTC in 2008	
		Part-time wages	\$3,370	Ont Senior Games part time wages to be used in 2008 until budget approved.	
Grounds maintenance		\$2,500	Steinhoff Park Soccer Field levelling work and seeding - to be completed spring 2008		
Study		\$100,000	Cultural Centre Master Plan and Building Assessment - to be awarded in 2008 after Cultural Plan completed.		
Emergency Management	Supplies	\$6,000	Emergency Operation Centre equipment; conditional on JEPP Grant - awaiting federal approval.		
Customer Services	Supplies	\$10,100	Traffic ticket purchases on hold to 2008 due to legislative changes.		
	Supplies	\$1,300	Parking ticket purchases on hold to 2008 due to legislative changes.		
Planning Services	GIS Mapping	\$8,000	GIS software - Map floodlines being revised by LTVCA		
Library Services	Equipment - new	\$7,323	Application server purchase delayed to 2008 due to restructuring by vendor		
	Equipment - new	\$18,888	Workstations, chairs and endpanels approved in 2007 supp budget. Quotes being finalized but will be delivered in 2008.		
	Study	\$100,000	Library Master Plan - RFP to be issued shortly with anticipated completion August 2008.		
Economic Development Services	Misc. Studies	\$52,836	The funds will be carried forward to carry out environmental studies, etc. when working with clients.		
	Advertising	\$1,173	Advertising campaigns undertaken but not billed.		
	Promotion/Investment	\$5,428	Promotional events planned to take place in 2008.		
	Signage	\$15,000	RM Tourism Visitor Info Centre - Improved signage approved as 2007 supp - waiting for building completion before purchase.		
	Office Supplies	\$14,500	RM Tourism Visitor Info Centre - New brochure racks approved as 2007 supp - waiting for building completion before purchase.		
	Printing Costs	\$3,584	2008 Travel Guide in production.		
	Meeting Expenses	\$10,800	Trade shows booked to market CK as a tourist destination to occur in 2008.		

Dept.	Division	Issue	Amount	Explanation
Corporate Services				
	Corporate Services Admin	Professional Fees	\$39,000	Council EMT/SMT strategic sessions and goal setting.
	Budget and Performance Services	Meeting Expenses	\$4,700	2008 Budget deliberations timing to 2008
		Printing Costs	\$10,400	2008 Budget deliberations timing to 2008
	Information Technology Services	various accounts	\$328,000	Project deferred to 2008 awaiting recommendations of IT Strategic Plan
Total Encumbrances Requested		0265-1730	\$1,020,300	

Corporate Services				
	Budget and Performance Services	Software support fees	\$21,300	Funding to future corporate financial software upgrades.
		Training	\$2,900	Funding to future corporate financial software upgrades.
	Financial Services	Training	\$8,200	Funding to future corporate financial software upgrades.
Transfer to Financial Software reserve 0265-1728			\$32,400	
	Human Resources	Computer Software	\$18,040	Payroll integration with InfoHR; project to be completed in 2008
Transfer to Human Resources Software reserve 0265-1731			\$18,040	