

**Municipality of Chatham-Kent**  
**Finance, Budget & Information Technology Services**  
**Financial Services**  
**Information Report**

**To:** Mayor and Members of Council  
**From:** Steve Brown, CPA, CMA  
Director, Financial Services  
**Date:** July 26, 2018  
**Subject:** 2017 Use of Contracted Professional Services

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This report is for the information of Council.

**Background**

Chatham-Kent requires the utilization of professional services when their expertise is necessary or when there is workload that municipal staff cannot accommodate. Many municipal services have been contracted out by Council to private enterprise to reduce municipal staffing levels. The use of various professional services is a normal business practise.

**Comments**

The attached table is a summary of contracted professional services used by the Municipality during 2017. For comparison, a summary of 2016 figures has also been included. This summary does not include PUC, Entegrus or any of its subsidiaries.

Figures used are those charged to professional service expense lines in the financial records. During 2017, the net cost to the Municipality of Chatham-Kent for these various professional services was \$5,052,600 (compared to \$4,159,900 in 2016).

The \$892,700 net increase in services is due to increased expenditures in the “specialty projects” area and in particular the consulting fees associated with the lifecycle/capital bridges and roads. The “core services” area also saw an increase over 2016 specifically related to engineering fees associated with lifecycle/capital bridges and roads.

Gross expenditures were \$1,155,500 more in 2017, however, with corresponding increases in grant funding, the net cost increased only a portion.

**Consultation**

Departments are responsible for coding their expenses to appropriate ledger accounts and routinely review account balances to promote accuracy.

Lifecycle and capital projects are tracked on a project by project basis, which allows for a more efficient review of non-tax revenue funding associated with these types of projects. Also, internal engineering costs allocated to projects have been excluded from this report.

**Financial Implications**

Drainage related professional services are funded through related grant programs or recovered from drainage assessments. Some capital projects are to be financed through future years' savings and/or rate recoveries. As well, a number of other projects are funded at least in part through grants at either the provincial or federal level. The remainder of the funding for these contracted professional services is included in the Municipal budget.

Prepared by:

Reviewed by:

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Chief Financial Officer, Treasurer

Attachment(s): Summary of 2017 Use of Contracted Professional Services

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### 2017 Contracted Professional Services

	<u>2017 Actuals</u>			<u>2017 Net Budget</u>				<u>Notes on Non Tax Funding (Estimated and includes grants, drainage act assessments, subsidies, recoveries, user fees, etc.)</u>			
	<u>Gross</u>	<u>Revenues</u>	<u>Net</u>	<u>Total Net Budget</u>	<u>Base Budget</u>	<u>Lifecycle &amp; Capital Budget</u>	<u>Supplementary Budget</u>	<u>Gross Base Budget</u>	<u>Supplementary Budget</u>	<u>Estimated % Non Tax Funded</u>	<u>Estimated Non Tax Funding</u>
<b>Summary of 2017 Report:</b>											
1) Services that must be delivered by a third party	127,700	(15,300)	112,400	113,700	110,700	-	3,000	121,500	3,000		15,300
2) Services not delivered by existing staff (due to expertise, volume, Council direction, etc.)											
a) Core Services in base budget contracted out	4,844,000	(1,598,900)	3,245,100	2,701,800	506,000	1,984,500	229,400	792,600	234,400		1,598,900
b) Specialty projects (supplemental budget for the most part)	1,991,200	(296,100)	1,695,100	1,848,000	-	1,848,000	-	-	-		283,800
	<u>6,835,200</u>	<u>1,895,000</u>	<u>4,940,200</u>	<u>4,549,800</u>	<u>506,000</u>	<u>3,832,500</u>	<u>229,400</u>	<u>792,600</u>	<u>234,400</u>		<u>1,882,700</u>
	<u>6,962,900</u>	<u>(1,910,300)</u>	<u>5,052,600</u>	<u>4,663,500</u>	<u>616,700</u>	<u>3,832,500</u>	<u>232,400</u>	<u>914,100</u>	<u>237,400</u>		<u>1,898,000</u>

	<u>2016 Actuals</u>			<u>2016 Net Budget</u>				<u>Notes on Non Tax Funding (Estimated and includes grants, drainage act assessments, subsidies, recoveries, user fees, etc.)</u>			
	<u>Gross</u>	<u>Revenues</u>	<u>Net</u>	<u>Total Net Budget</u>	<u>Base Budget</u>	<u>Lifecycle &amp; Capital Budget</u>	<u>Supplementary Budget</u>	<u>Gross Base Budget</u>	<u>Supplementary Budget</u>	<u>Estimated % Non Tax Funded</u>	<u>Estimated Non Tax Funding</u>
<b>Summary of 2016 Report:</b>											
1) Services that must be delivered by a third party	52,500	(15,900)	36,600	112,100	112,100	-	-	122,900	3,000		15,900
2) Services not delivered by existing staff (due to expertise, volume, Council direction, etc.)											
a) Core Services in base budget contracted out	4,580,900	(1,564,800)	3,016,100	3,089,200	589,900	1,964,800	552,600	861,000	632,500		1,564,800
b) Specialty projects (supplemental budget for the most part)	1,174,000	(66,800)	1,107,200	1,395,700	-	939,700	456,000	-	456,000		-
	<u>5,754,900</u>	<u>1,631,600</u>	<u>4,123,300</u>	<u>4,484,900</u>	<u>589,900</u>	<u>2,904,500</u>	<u>1,008,600</u>	<u>861,000</u>	<u>1,088,500</u>		<u>1,564,800</u>
	<u>5,807,400</u>	<u>(1,647,500)</u>	<u>4,159,900</u>	<u>4,597,000</u>	<u>702,000</u>	<u>2,904,500</u>	<u>1,008,600</u>	<u>983,900</u>	<u>1,091,500</u>		<u>1,580,700</u>

<b>Detail of report reclassified to illustrate contracted out services vs use of consultants</b>												
<b>1) Services that must be delivered by a third party</b>												
<b>External Audit and Financial Specialists</b>												
Childcare Service 50% funded	2,200	(1,100)	1,100	2,800	2,800			5,600		50%	1,100	Provincial grant
Community Development Services	2,800		2,800	2,600	2,600			2,600		0%		
Economic Development	3,100	(3,100)		3,000			3,000		3,000	100%	3,100	Provincial grant
Employment & Social Services	1,600		1,600	1,600	1,600			1,600		0%		
FBIS	66,400	(5,400)	61,000	70,800	70,800			70,800		0%	5,400	BIA Funding
Health Services 100% funded	5,700	(5,700)		8,000	8,000			8,000		100%	5,700	Provincial grant
Housing Services	8,200		8,200	8,000	8,000			8,000		0%		
Reserve Funds	37,700		37,700	15,000	15,000			15,000		0%		
<b>Property appraisals</b>												
FBIS				9,900	9,900			9,900		0%		
Other										0%		
Subtotal of Section 1)	127,700	(15,300)	112,400	113,700	110,700		3,000	121,500	3,000		15,300	
<b>2) Services not delivered by existing staff (due to expertise, volume, Council direction, etc.)</b>												
<b>a) Core Services in base budget contracted out</b>												
<b>Compensation specialists</b>												
	8,600		8,600	4,600	4,600			4,600		0%		
<b>Computer Consultants - Network, GIS, Info Tech</b>												
	110,400		110,400	47,600	47,600			47,600		0%		
<b>Consulting fees</b>												
Childcare Service 100%	39,500	(39,500)		85,700		85,700		44,700	85,700	100%	39,500	Provincial grant
Childcare Service 50% funded	25,900	(13,000)	12,900	3,000			3,000		3,000	50%	13,000	Provincial grant
Community Development Services	3,500		3,500	3,000			3,000		3,000	0%		
Drainage										85%		Landowner assessments and Prov. grants
Economic Development	13,400		13,400	53,100		53,100		47,100	53,100	0%		
Health Unit 75% funded (medical & dental professionals)	50,200	(37,700)	12,500	11,800	11,800			22,500		75%	37,700	Provincial grant
Health Unit 100% funded	1,400	(1,400)						5,300		100%	1,400	Provincial grant
Housing Services										0%		
Senior Services	91,300	(32,000)	59,300	64,100	64,100			98,600		35%	32,000	Provincial grant
Traffic studies				5,300	5,300			5,300		0%		
Transit studies										0%		
	<u>225,200</u>	<u>(123,600)</u>	<u>101,600</u>	<u>223,000</u>	<u>81,200</u>		<u>141,800</u>	<u>218,200</u>	<u>141,800</u>		<u>123,600</u>	

## 2017 Contracted Professional Services

	<u>2017 Actuals</u>			<u>2017 Net Budget</u>				<u>Notes on Non Tax Funding (Estimated and includes grants, drainage act assessments, subsidies, recoveries, user fees, etc.)</u>				
	<u>Gross</u>	<u>Revenues</u>	<u>Net</u>	<u>Total Net Budget</u>	<u>Base Budget</u>	<u>Lifecycle &amp; Capital Budget</u>	<u>Supplementary Budget</u>	<u>Gross Base Budget</u>	<u>Supplementary Budget</u>	<u>Estimated % Non Tax Funded</u>	<u>Estimated Non Tax Funding</u>	
<b>Engineering</b>												
Drainage	639,600	(543,700)	95,900	639,600		639,600				85%	543,700	Landowner assessments and Prov. grants
Lifecycle/Capital bridges, roads	1,985,300	(768,400)	1,216,900							0%	768,400	Federal Gas Tax and other grants
Other Lifecycle/Capital - buildings, recreation, etc.	182,700	(35,300)	147,400	182,700		182,700				0%	35,300	Trail donation
	<u>2,807,600</u>	<u>(1,347,400)</u>	<u>1,460,200</u>	<u>822,300</u>		<u>822,300</u>					<u>1,347,400</u>	
<b>Environmental assessments</b>												
Lifecycle/Capital bridges, roads	1,800		1,800	17,000	17,000			17,000		0%		
Other Lifecycle/Capital - buildings, recreation, etc.	2,900		2,900	2,900		2,900				0%		
	<u>16,700</u>		<u>16,700</u>	<u>16,700</u>		<u>16,700</u>				<u>0%</u>		
	<u>21,400</u>	<u>0</u>	<u>21,400</u>	<u>36,600</u>	<u>17,000</u>	<u>19,600</u>	<u>0</u>	<u>17,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Outside Legal Counsel</b>												
Health Unit 100% funded								10,700		100%		Provincial grant
Drainage	2,300		2,300									
Fire Services	800		800							0%		
Labour negotiations/arbitrations/investigations	90,300		90,300	109,500	51,400		58,100	51,400	58,100	0%		
Landfill				4,500	4,500			4,500		0%		
Legal Services	6,300		6,300	43,700	43,700			43,700		0%		
Other Lifecycle/Capital - buildings, recreation, etc.	50,700		50,700	50,700		50,700				0%		
Planning	11,000		11,000	28,300	28,300			28,300		0%		
Police Services	107,900		107,900	59,900	59,900			59,900		0%		
Property & building services	1,800		1,800	6,100	6,100			6,100		0%		
Senior Services	7,700	(2,700)	5,000	9,700	9,700			15,000		35%	2,700	Provincial grant
Other legal - corporate				3,700	3,700			3,700		0%		
	<u>278,800</u>	<u>(2,700)</u>	<u>276,100</u>	<u>316,100</u>	<u>207,300</u>	<u>50,700</u>	<u>58,100</u>	<u>223,300</u>	<u>58,100</u>		<u>2,700</u>	
<b>Other Professional fees</b>												
CAO initiatives	12,800		12,800	12,000	12,000			12,000		0%		
FBIS	12,900		12,900							0%		
Health Unit 75% funded	3,800	(2,900)	900							75%	2,900	Ministry Cost Shared
Health Unit 100% funded	5,300	(5,300)								100%	5,300	Provincial grant
Human Resources	42,100		42,100	40,500	11,000		29,500	11,000	29,500	0%		
Landfill	45,400	(45,400)						60,000		100%	45,400	Host fee
Legal Services	25,300	(25,300)						40,600		100%	25,300	POC Funding
Lifecycle/Capital bridges, roads	9,200		9,200	9,200		9,200				0%		
Other Lifecycle/Capital - buildings, recreation, etc.	1,082,700	(10,700)	1,072,000	1,082,700		1,082,700				0%	10,700	
Planning Services				17,900	17,900			17,900		0%		
Police Services	14,100		14,100	5,700	5,700			5,700		0%		
Public Works										0%		
Senior Services	93,200	(32,600)	60,600	61,400	61,400			94,400		35%	32,600	Provincial subsidy
Others	300	(300)								100%	300	Provincial grant
	<u>1,347,100</u>	<u>(122,500)</u>	<u>1,224,600</u>	<u>1,229,400</u>	<u>108,000</u>	<u>1,091,900</u>	<u>29,500</u>	<u>241,600</u>	<u>34,500</u>		<u>122,500</u>	
<b>Planning</b>												
Applicant funded										100%		Recovered costs
Tax funded					18,100			18,100		0%		
					<u>18,100</u>			<u>18,100</u>				
<b>Survey/Search fees/Transfer Tax</b>												
	44,900	(2,700)	42,200	22,200	22,200			22,200		0%	2,700	POC Funding
<b>Subtotal of Section 2 a)</b>	<b>4,844,000</b>	<b>- 1,598,900</b>	<b>3,245,100</b>	<b>2,701,800</b>	<b>506,000</b>	<b>1,984,500</b>	<b>229,400</b>	<b>792,600</b>	<b>234,400</b>		<b>1,598,900</b>	

## 2017 Contracted Professional Services

	<u>2017 Actuals</u>			<u>2017 Net Budget</u>						<u>Notes on Non Tax Funding</u> <u>(Estimated and includes</u>		
	<u>Gross</u>	<u>Revenues</u>	<u>Net</u>	<u>Total Net Budget</u>	<u>Base Budget</u>	<u>Lifecycle &amp; Capital Budget</u>	<u>Supplementary Budget</u>	<u>Gross Base Budget</u>	<u>Supplementary Budget</u>	<u>Estimated % Non Tax Funded</u>	<u>Estimated Non Tax Funding</u>	<u>grants, drainage act assessments, subsidies, recoveries, user fees, etc.)</u>
<b>b) Specialty projects (supplemental budget for the most part)</b>												
<b>Project Delta Computer Upgrade</b>												
Computer Consultants	43,500		43,500							0%		
Other Professional fees										0%		From ITS Lifecycle reserves
	43,500		43,500									
<b>Public Housing Condition Assessment</b>												
Consulting fees	87,400		87,400							0%		From Lifecycle reserves
<b>One time Stimulus projects</b>												
<b>Wind Turbine projects</b>												
Consulting/Engineering fees	12,300	(12,300)								100%		Recovered costs
<b>Other one time projects sorted by type</b>												
<b>Consulting/Engineering fees</b>												
- Lifecycle/Capital bridges, roads	1,065,800		1,065,800	1,065,800		1,065,800				0%		From Lifecycle/Capital Budget reserves
<b>Other Professional fees</b>												
- Other Lifecycle/Capital - buildings	232,000		232,000	232,000		232,000				0%		From Lifecycle/Capital Budget reserves
- Parks, Recreation - Park, Facility upgrades (various)										0%		From Parks Lifecycle reserves
- Parks, Recreation - Trail upgrades	550,200	(283,800)	266,400	550,200		550,200				0%	283,800	From Parks Trail reserves
	782,200	(283,800)	498,400	782,200		782,200					283,800	
Subtotal of Section 2 b)	1,991,200	- 296,100	1,695,100	1,848,000		1,848,000				1	283,800	
Total of Section 2	6,835,200	(1,895,000)	4,940,200	4,549,800	506,000	3,832,500	229,400	792,600	234,400	1	1,882,700	
<b>Total of Sections 1 and 2</b>	<b>6,962,900</b>	<b>- 1,910,300</b>	<b>5,052,600</b>	<b>4,663,500</b>	<b>616,700</b>	<b>3,832,500</b>	<b>232,400</b>	<b>914,100</b>	<b>237,400</b>	<b>1</b>	<b>1,898,000</b>	

Notes: Non Tax Funding is estimated  
 Non Tax Funding could include grants, drainage act assessments, subsidies from other levels of government, recovered costs, user fees, etc.