

Municipality of Chatham-Kent

Finance, Budget & Information Technology Services

Financial Services

To: Mayor and Members of Council

From: Matt Torrance, MBA, CPA, CGA
Director, Financial Services

Date: March 10, 2020

Subject: 2019 Request for Encumbrance Reserve

Recommendations

It is recommended that:

1. An encumbrance reserve of \$2,801,139 be approved and carried forward to 2020 to allow for the completion of projects approved during the 2019 budget.
2. \$38,415 be transferred to the Tourism Reserve from the Tourism operating budget.
3. \$200,000 be transferred to the Property Disposition Reserve from the Property Management operating budget.
4. \$171,117 be transferred to the Traffic Assets (Signal) Lifecycle Reserve.
5. \$442,902 be transferred to the Community Improvement Reserve.

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 2019, require funds to be set aside for these items in 2020. 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 expenditures to the year in which the revenue was raised.

Projects within the capital and lifecycle budgets, approved but not yet completed, are automatically carried over to 2020 in lifecycle reserves or in the capital fund, but are not encumbrances and are not included in this report. Lifecycle budgets include bridges, roads, public works, and computer equipment allocations.

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

Transfers to Reserves

A Tourism Reserve was established in 2014. The favourable variances from Tourism have been moved to this reserve since 2014, which resulted in a reserve balance of \$446,248. It is recommended that an additional \$38,415 of favourable variances from Tourism in 2019 be transferred to this reserve, which would bring the balance of the reserve to \$484,663. The intention of this reserve is to fund the implementation of the Tourism Master Plan, which will be brought forward to Council at a future date.

A Property Disposition Reserve was established in 2006 to collect the proceeds from municipal property dispositions and reinvest these funds in Chatham-Kent property acquisitions or issues related to property acquisitions. It is recommended that \$200,000 be transferred to the Property Disposition Reserve to offset the cost of environmental assessments on properties previously acquired by the Municipality.

Engineering & Transportation has accumulated a surplus of \$171,117 in Traffic Signal Equipment budgets over several years. With the recent creation of a lifecycle reserve for Traffic Assets (Signal), the operating accounts for Opticom and Traffic Equipment are better suited to a lifecycle reserve. A typical intersection has a capital cost of \$200,000 and Engineering & Transportation historically have asked for an encumbrance to this account until there was sufficient funds available to begin an intersection upgrade or replacement. The accounts are being used similar to reserve accounts.

The Tax Relief Grant area has accumulated a surplus of \$242,095 for Downtown Incentives and \$200,808 for Brownfield / Bluefield tax relief. It is recommended that the total surplus of these two programs (\$442,902) be transferred to the Community Improvement Plan Reserve to support the Chatham-Kent Community Improvement Plan.

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.

Areas of Strategic Focus and Critical Success Factors

The recommendations in this report support the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

- Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

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 2019 or 2020 budgets.

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Attachment(s): Appendix A – 2019 Encumbrance Requests

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2019 ENCUMBRANCE REQUESTS

Dept.	Division	Issue	B. Unit	Object	Sub	Account	Request	Explanation
Non Operating								
	Grants - Tax Relief	Heritage Tax - Residential	10002	65002	HERRES	10002.65002.HERRES	\$227,772	Heritage rebate applications outstanding
	Grants - Comm Partnership	Comm Partnership Grants	10009	65002	WHFRIEND	10009.65002.WHFRIEND	\$46,065	Documentation has not been provided for grant to be released
Community Development								
	Planning Services	Project Costs	12803	52126	GEN	12803.52126.GEN	\$24,071	Heritage - Special Projects
		Outside Legal Counsel	12822	50077	GEN	12822.50077.GEN	\$51,630	Funding for 5 year operational review
		Outside Planning Costs	12822	50082	GEN	12822.50082.GEN	\$11,304	Funding for 5 year operational review
		Consulting Fees	12825	50037	COMPREV2	12825.50037.COMPREV2	\$23,016	Funding for 5 year operational review
		Studies	12823	50067	BROWNFLD	12823.50067.BROWNFLD	\$18,264	Brownfield Studies
	Economic Development	Project Costs	11051	52126	GEN	11051.52126.GEN	\$11,000	Leader's Cabinet initiative to be completed in 2020
		Project Costs	11065	52126	GEN	11065.52126.GEN	\$53,320	Funding received through Invest in Canada Community Initiatives
		Project Costs	11050	52126	GEN	11050.52126.GEN	\$14,018	Export Market Access Fund for 2020 tradeshow / exhibitions
	Fire & Emergency Services	Equipment - Other >5,000	14042	39041	GEN	14042.39041.GEN	\$62,342.00	Municipal hose tender
		Equipment - Other >5,000	14021	39041	GEN	14021.39041.GEN	\$11,831.00	Municipal hose tender
Community Human Services								
	Employment & Social Services	National Child Benefit / SAR	15314	69097	GEN	15314.69097.GEN	\$156,194	National Child Benefit funding committed to be spent in 2020
		Computer Software	15305	39026	GEN	15305.39026.GEN	\$103,000	Software purchase not completed in 2019
	Culture	Museum Gift Shop	12231	52126	GIFTSH	12231.52126.GIFTSH	\$10,805	Gift shop surplus to offset special exhibits and programs
		Special Projects	12262	52126	GEN	12262.52126.GEN	\$20,000	Box Office renovations delayed to 2020
	Recreation Programs							
	Tourism	Promotional Expenses	11054	61006	TDADMIN	11054.61006.TDADMIN	\$5,620	Promotional items for 2020
		Meeting Expenses	11054	61021	TDADMIN	11054.61021.TDADMIN	\$1,212	Full staffing complement not in place for 2019
		Memberships	11054	61031	TDADMIN	11054.61031.TDADMIN	\$2,473	Memberships under review with cultural tourism
		Printing and Design	11054	62035	TDADMIN	11054.62035.TDADMIN	\$2,500	RFP for Tourism brochures work scheduled for 2020
		Black History Development	11054	61006	TDBLKHS	11054.61006.TDBLKHS	\$9,803	Incomplete project work
		Angling	11054	61056	TDANGLG	11054.61056.TDANGLG	\$7,923	New brochure print/design project incomplete
		Industry Equipping	11054	52126	TDINDTRY	11054.52126.TDINDTRY	\$1,619	Leveraged funds secured for projects based on SWOTC
		Signage	11054	38051	TDSIGN	11054.38051.TDSIGN	\$4,656	Signage strategy was on hold in 2019
	Resident Attraction	Meeting Expenses	12010	61021	YPADVISE	12010.61021.YPADVISE	\$1,393	Facilitate meeting for advisory group
		Advertising	12045	62015	GEN	12045.62015.GEN	\$2,000	Advertising product planning created in 2019 and will be distributed in 2020
		Design/Printing	12045	62035	GEN	12045.62035.GEN	\$4,917	Talent attraction brochure to be printed for increased outreach in 2020
	Libraries	Misc Expense	12701	61036	GEN	12701.61036.GEN	\$1,750	Training for new board members
		Equipment	12700	39041	GEN	12700.39041.GEN	\$22,100	Upgrades to Ridgetown branch
		Materials / Books	12713	39018	GEN	12713.39018.GEN	\$218,800	Materials / books on order
		Supplies	12733	62445	LBHEALK	12733.62445.LBHEALK	\$2,290	Supplies for Healthy Kids
Infrastructure and Engineering Services								
	Engineering & Traffic	Travel & Training	16326	27016	TRAF	16326.27016.TRAF	\$25,285	Training requirements for new staff
		Computer Software	16326	39026	TRAF	16326.39026.TRAF	\$16,252	Upgrade and increase AutoCad licenses
		Traffic Software Support/Mtc	16326	52171	TRAF	16326.52171.TRAF	\$21,403	Upgrade and increase AutoCad licenses
		Consulting Fees	16326	50027	TRAF	16326.50027.TRAF	\$164,743	Traffic Calming Study, Development Standards, Transportation Master Plan
		Cell Phones	16301	61076	GEN	16301.61076.GEN	\$8,930	Cover cost of upcoming cell phone replacement
		Equipment - Other	16301	38036	GEN	16301.38036.GEN	\$2,064	Equipment for New Hires
		Computer Software	16301	39026	GEN	16301.39026.GEN	\$22,371	Upgrade and increase AutoCad licenses
		Transit	Furniture - New	16361	39051	STRAPROJ	16361.39051.STRAPROJ	\$5,929
	Cell Phones		16361	61076	STRAPROJ	16361.61076.STRAPROJ	\$1,552	Cover cost of upcoming cell phone replacement
	Conventional Consulting Fees		16350	50037	TRCONVCH	16350.50037.TRCONVCH	\$74,558	Offset Transit Study/commitments to new contract
Finance, Budget & Information Services								
	Financial Services	Tuition Refunds	13201	27076	GEN	13201.27076.GEN	\$30,000	Training requirements due to significant staff turnover

2019 ENCUMBRANCE REQUESTS

Dept.	Division	Issue	B. Unit	Object	Sub	Account	Request	Explanation
		Project Costs	13201	52126	GEN	13201.52126.GEN	\$12,000	JDE Software Optimization
	Information Technology Services	Project Costs	13903	52126	HSPANORA	13903.52126.HSPANORA	\$66,966	Health Services funding for Panorama project
		Project Costs	13903	52126	HSSPROJ	13903.52126.HSSPROJ	\$100,000	Health Services project funding - project on hold
		Project Costs	13903	52126	IRIS	13903.52126.IRIS	\$11,100	Health Services IRIS database project
		Software Support/Maintenance Fees	13903	52131	PHUEMR	13903.52131.PHUEMR	\$203,000	Public Health Unit EMR software
		Wages	13844	22001	SECUR	13844.22001.SECUR	\$63,599	PCI compliance project
		Labour Burden	13844	26016	SECUR	13844.26016.SECUR	\$7,084	PCI compliance project
		Purchase of Service	13801	52131	TS	13801.52131.TS	\$390,200	IT Projects currently underway
		Software Support/Maintenance Fees	13848	52171	MSLIC	13848.52171.MSLIC	\$56,673	Microsoft licensing
		Purchase of Service	13801	52131	IS	13801.52131.IS	\$3,854	Purchase of service IT Resource Strategy
		Software Support/Maintenance Fees	13848	52171	PROPTAX	13848.52171.PROPTAX	\$50,807	Purchase of service Property Tax System Implementation
		Purchase of Service	13844	52131	GEN	13844.52131.GEN	\$100,000	Purchase of Service for Deskless workers
CAO's Office								
	CAO General & Admin	Furniture - New	11000	39051	GEN	11000.39051.GEN	\$17,979	Future furniture replacements
			11451	39051	GEN	11451.39051.GEN	\$12,710	Future furniture replacements
			11453	39051	GEN	11453.39051.GEN	\$3,127	Future furniture replacements
		Project Costs	11450	62375	GEN	11450.62375.GEN	\$35,743	Community marketing strategy
Mayor, Council and Admin Support								
	Mayor/General and Admin	Promotional Expenses	11950	61006	GEN	11950.61006.GEN	\$4,169	Promotional expenses for various events
	Mayor/General and Admin	Receptions & Gifts	11950	61011	GEN	11950.61011.GEN	\$2,068	Promotional expenses for various events
Corporate Services								
	Human Resources	Corporate Training-Developmental	13331	27021	TRDELRN	13331.27021.TRDELRN	\$15,161	Corporate training requirements
		Corporate Training-Systems	13752	27031	PPLEADEV	13752.27031.PPLEADEV	\$39,736	On-line recruitment system licenses starting in 2020
		Corporate Training-Systems	13332	29031	TRLEADEV	13332.29031.TRLEADEV	\$85,026	On-line recruitment system licenses starting in 2020
		Marketing	13752	62030	PPRECR	13752.62030.PPRECR	\$3,181	New employer brand video and on-line recruitment materials
		Marketing	13302	62030	GEN	13302.62030.GEN	\$10,181	New employer brand video and on-line recruitment materials
Total Encumbrances Requested		100.17171					\$2,801,139	

Community Human Services								
	Tourism	Culture/Performing Arts Surplus	11054			11054-TDARTS	\$13,000.00	Tourism surplus / deficits transfer to/from reserve for future implementation of Tourism Strategy
		Agri-Culinary Surplus	11054			11054-TDCULNRY	\$11,869.00	
		Small Towns Surplus	11054			11054-TDSLWN	\$8,483.00	
		First Nations/1812 Deficit	11054			11054-TDFN1812	\$5,063.00	
Transfer to Tourism Reserve (100.17263)							\$38,415.00	

Finance, Budget & Information Services								
	Financial Services	Environmental Assessment	13231			13231-PMADMIN	\$200,000	Environmental Assessment
Transfer to Reserve (100.17181)							\$200,000.00	

Infrastructure and Engineering Services								
	Traffic	Chatham Traffic Signals-Opticom	16325			16325-TRAF	\$120,143	Traffic equipment surplus transferred to Traffic Lifecycle Reserve
		Chatham Traffic Signals-New Equipment	16325			16325-TRAF	\$50,974	
Transfer to Reserve (100.17946)							\$171,117.00	

Non Operating								
	Grants - Tax Relief	CIP - Downtown Incentives	10002			10002-CIPDTWN	\$242,095	Community Improvement surplus
		CIP-Brownfield/Bluefield Tax Relief	10002			10002-CIPBLUE	\$200,808	
Transfer to Community Improvement Reserve (100.17161)							\$442,902.08	