

MUNICIPALITY OF CHATHAM-KENT

CORPORATE SERVICES

FINANCIAL SERVICES

TO: Mayor and Members of Council

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

DATE: February 12, 2010

SUBJECT: 2009 Request for Encumbrance Reserve

RECOMMENDATIONS

It is recommended that:

1. An encumbrance reserve of \$1,135,353 be approved and carried forward to 2010 to allow for the completion of projects approved during the 2009 budget.
2. The following transfers to specific software reserves from the 2009 approved budget be approved and carried forward to future years' system upgrades:
 - Financial Services \$18,145
 - Human Resources \$16,430
3. \$352,000 be transferred into the ITS Strategic Plan Implementation Reserve from ITS operations to fund Tactical Cycle 1 projects as previously approved.

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 2009 require funds to be set aside for these items in 2010. 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 2010 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.

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 2010-11 as part of the ITS Strategic Plan Tactical Cycle 2.

Human Resources Software Reserve

The HRIS interface / integration has been identified as a 2010 goal for the HR Division. Further research and investigation into alternative software systems is ongoing. The creation of this reserve allows approved budget funds to be carried forward to fund future upgrades.

ITS Strategic Plan Implementation Reserve

The Information Technology Services Tactical Cycle 1 plan presented to Council included some funding from operational accounts as the transition to new hardware/software was made. The transfer to this reserve allows for the funding to be in place in 2010 as the expenses occur. In 2009, the ITS area has a preliminary operating surplus of \$352,000, resulting from items deferred or put on hold pending the recommendations of the plan. The entire ITS Strategic Plan is a 5 year technology roadmap which was presented to Council in March 2008, with estimated requirements of between \$7.6 and \$10.2M.

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 explained 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 2009 or 2010 budget.

Prepared by:

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Attachment(s) – Appendix A – 2009 Encumbrances

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Appendix A

2009 ENCUMBRANCE REQUESTS

Dept.	Division	Issue	Amount	Explanation
Non Operating				
		Senior Advisory Committee	\$4,608	Outstanding projects
		Senior Games Committee	\$10,703	Outstanding projects
		Corporate Review	\$17,721	Portion of budget uncommitted - for implementation of Corporate Review recommendations
Infrastructure and Engineering Services				
	Drainage, Environmental & Fleet	Consulting fee	\$6,213	Backhoe/Loader course delayed to 2010.
		Printing	\$3,646	Training course curriculum outstanding.
		Lease payments	\$6,000	One time police project vehicle continuing in 2010.
	Engineering & Traffic	Wages - Part time	\$40,462	Part time staff resources required to finish Webpage work project
		Travel & Seminars - mandatory	\$1,514	Health & Safety and Eng. Technical training for 4 new replacement staff
		Conf/Seminar/Training	\$21,606	Health & Safety and Eng. Technical training for 4 new replacement staff
		Computer Software	\$3,070	Implementation of new project management software and AutoCad upgrade
		Equipment - replacement	\$4,393	Replacement of Eng. Survey equipment and Plotter in 2010
		Software support	\$8,342	Implementation of new project management software and AutoCad upgrade
		Supplies	\$663	Supplies for new plotter equipment when purchased in 2010
		Cell phone	\$846	Scheduled replacement of Eng technician cell phones in 2010
		Opticom maintenance	\$6,287	Opticom upgrades in 2010
		Equipment - new	\$30,174	Flashing arrow mandated conversion to be completed in 2010
		Travel & Seminars - mandatory	\$650	Committed to training in 2010
		Conf/Seminar/Training	\$4,056	Committed to training in 2010
		Maintenance - equipment	\$1,000	Committed to 2010 projects
		Membership/Affiliation fee	\$1,360	Awaiting invoice in 2010
		Phone systems	\$1,420	Committed to Traffic phone upgrades in 2010
		Travel & Seminars - mandatory	\$610	Committed to training in 2010
		Conf/Seminar/Training	\$610	Committed to training in 2010
		Consulting fee	\$56,000	Detailed Transit survey in 2010.
	Public Works	Materials	\$15,000	Signs for the Health Unit's Smoke Free Ontario strategy to be installed spring 2010
Community and Development Services				
	Community Services	Ball Diamond Liners	\$24,000	Dependant on Sports Field Business Plan. RTC in 2010
	Parks, Cemetery and Hort	Contracts	\$12,006	Removal of hazardous trees Jan-Mar 2010 when ground frozen.
		Contracts	\$8,500	Kingston Park Catch Basins - to be completed in conjunction with RinC funding project.
	Culture and Special Events	Wages - Part time	\$33,000	Cultural Mapping Project is a 3 year project with end date of July 2011
		Labour Burden	\$5,900	Cultural Mapping Project is a 3 year project with end date of July 2011
		Car allowance	\$2,590	Cultural Mapping Project is a 3 year project with end date of July 2011
		Conf/Seminar/Training	\$2,456	Cultural Mapping Project is a 3 year project with end date of July 2011
		Advertising	\$3,928	Cultural Mapping Project is a 3 year project with end date of July 2011
		Postage	\$2,394	Cultural Mapping Project is a 3 year project with end date of July 2011
	Planning Services	Software support	\$14,714	Software licenses for planning applications
		Project costs	\$7,415	Heritage CK projects ongoing
		Contracts	\$42,334	Heritage CK projects ongoing
	Library Services	Consulting Fees	\$30,000	Marketing Plan implementation deferred to 2010.
	Economic Development Services	Software support	\$26,914	In house editing program for Site Selector Tool program.
		Promotional Expense	\$11,111	New promotional items once new logo approved.
		Receptions & gifts	\$12,808	New gift items based on new logo.
		Wages - Part time	\$19,535	Contract extension to August, 2010 for Tourism Product Development Officer

Dept.	Division	Issue	Amount	Explanation
		Consulting Fees	\$56,341	For completion of Municipal Signage and Branding Strategy.
		Programs - materials/supplies	\$70,000	War of 1812 bicentennial project - yrs 1&2 of 4 set aside
		Advertising	\$958	Tourism Product Development Officer project
		Cell phone	\$3,791	Tourism Product Development Officer project
		Advertising	\$12,742	Tourism advertising committed
		Printing	\$23,370	Updating Tourism Map
		Promotional Expense	\$24,646	Committed to trade shows
		Contracts	\$2,905	Communities in Transition projects.
		Misc Studies	\$59,547	Commercial market threshold studies for individual communities in CK.
		Consulting Fees	\$43,094	Communities in Transition projects.
		Advertising	\$26,795	Community Profile and Business Directory and other marketing material updates.
Corporate Services				
	Corporate Services Admin	Professional Fees	\$57,793	Council EMT/SMT strategic sessions and planning/goal setting.
	Customer Services	Alarms	\$2,500	Civic Centre required upgrades to security system to be finalized in 2010.
		Supplies	\$4,359	Traffic ticket purchases.
	Human Resources	Corporate Training - Developmental	\$34,718	Conflict Resolution training to be completed in 2010.
		Compensation Specialists	\$5,000	ONA Pay Equity Order requires compensation specialist at 2010 tribunal.
CAO's Office				
	CAO	Conf/Seminar/Training	\$3,188	Professional development courses continuing to March 2010.
		Furniture	\$1,000	Furniture replacement.
Police Services				
		Communication equipment	\$121,823	Blackberry project being rolled out in 2010.
		Computer hardware	\$39,458	Remainder of tactical cycle 1 computers to be purchased in 2010.
		Computer software	\$34,766	Domain controller and firewall purchase deferred to 2010.
Total Encumbrances Requested 0265-1730			\$1,135,353	

Corporate Services				
	Budget and Performance Services	Software support fees	\$7,902	Funding to future corporate financial software upgrades.
	Financial Services	Conf/Seminar/Training	\$10,243	Funding to future corporate financial software upgrades.
Transfer to Financial Software reserve 0265-1728			\$18,145	
	Human Resources	Computer Software	\$16,430	Payroll integration with InfoHR; project to be completed in 2010. Research ongoing.
Transfer to Human Resources Software reserve 0265-1731			\$16,430	
	Information Technology Services	various accounts	\$352,000	ITS Strategic Plan Tactical Cycle 1 projects.
Transfer to ITS Strategic Plan Implementation reserve 0265-1793			\$352,000	