

TITLE: **2024 Budget Development**

TO: Board of Health

FROM: Dr. N. Bocking, Medical Officer of Health

DATE: November 9, 2023

APPROVED BY: N/A

IN CAMERA?

Yes

No

## **Provincial Planning Context for 2024 Budget Development:**

The province has communicated the following with regard to planning for 2024:

- The provincial base contribution is 1% applied to the total of our 2023 base plus mitigation funding.
- There will be limited one-time funding opportunities other than small items such as PHI practicum students, needle exchange, etc.
- There is no guarantee that there will be COVID program or COVID vaccine related one-time funding.
- There are options to cover program related expenses framed as business continuity as part of the merger support fund for organizations approved for voluntary mergers.

Furthermore, the province is undertaking a review of the Ontario Public Health Standards. The anticipated outcome of this review is that some program and service requirements will be removed with a subsequent expectation of health units to reallocate funds internally to relieve pressure in other program areas. To date, no details have been provided with regard to what program areas these may be.

## **Summary of Cash Surplus Status:**

As per HKPRDHU policy 3.70.90 (Reserve Fund), the Board of Health will maintain a Reserve Fund that will be not less than 75% of one month's operating expenses. Replenishment of the Reserve Fund will occur through the transfer of unspent municipal funds from the annual operating surplus, at the discretion of the Board of Health in consultation with the Health Unit's auditor. Based on average 2023 expenditures and our anticipated 2024 budget, the Reserve Fund for 2024 should remain at least \$1,398,635, which is 75% of one month's operating expenses.

In addition to our formal Reserve Fund, HKPRDHU also has a small additional cash surplus. This surplus excludes the Reserve Fund and also excludes any future liabilities that the Board is responsible for (e.g. future employee benefits, capital assets, etc.). This cash surplus accumulated prior to the year 2020 and consists of unused funds from obligated municipalities.

In our 2023 budget, the Board approved \$300,000 to be taken from cash surplus to support strategic plan initiatives. However, in-year position vacancies and other found operational efficiencies were able to fund strategic plan related work. As such, the \$300,000 was not utilized. In addition, HKPRDHU bank accounts are anticipated to earn approximately \$250,000 in interest throughout 2023. As per Ministry correspondence, if surpluses are a result of municipal funding surpluses prior to 2020, the Ministry does not require interest earned on these funds to be reported as offset revenue. As of October 31, only 19.8% of this interest needs to be reported to the Ministry and used to offset 2023 costs. As such, the remaining amount (approximately \$200,000) can be added to the organization's cash surplus.

*2022 Audited Financial Statements:*

<b>Cash Surplus</b>		\$2,888,164
<b>Less:</b>		
Reserve Fund	(1,530,196)	
Capital Assets	(645,388)	\$2,175,584
<b>Net Surplus Available</b>		<b>\$712,580</b>

*Cash Surplus as per Balance Sheet from Oct 31, 2023:*

<b>Cash Surplus</b>		\$1,993,615
<b>Less:</b>		
Reserve Fund	(1,449,840)	
Capital Assets	(645,387)	
Community Partners Bank Acct	(67,023)	(168,635)
<b>Add:</b>		
Current Deficit	\$794,514	
<b>Net Surplus Available</b>		<b>\$625,879</b>

*Projected Cash Surplus at December 31, 2023*

<b>Cash Surplus</b>		\$1,993,615
<b>Less:</b>		
Reserve Fund	(1,449,840)	
Capital Assets	(645,387)	
Community Partners Bank Acct	(67,023)	(168,635)
<b>Add:</b>		
Current Deficit	794,514	
2023 Interest Revenue	200,000	
Anticipated change to reserve based on Policy	35,173	
<b>Net Surplus Available</b>		<b>\$861,052</b>

Should the Board of Health decide to offset pressures faced in our 2024 budget, approximately \$861,052 is available.

## **Pressure Points and Assumptions for 2024 Budget Development:**

- Our collective agreements expire at the end of this year. Current trends in health unit labour settlements has been upwards (Hastings Prince Edward Public Health settled on 3% with both unions).
- Our insurance broker has forecasted a 39% increase in benefit premium expenditures starting April 1, 2024.
- It is unlikely that we will realize significant savings by sub-letting office space in Port Hope or Lindsay. As per consultation with a commercial real estate agent, the market value of the available space to sub-let in the Port Hope office would offset approximately 4% of our current monthly rent for that office.
- HKPRDHU has not received any new permanent funding to support the ongoing workload associated with responding to COVID-19 as an infectious disease of public health significance. While the impact of COVID-19 infections has decreased over time, and the uptake of COVID-19 vaccine has decreased among our population, there are ongoing Ministry of Health program expectations that need to be managed.
- There continue to be some program areas managing catch-up and recovery following our pandemic response. For example, we have yet to fully implement enforcement of immunization requirements for childcare centres and oral health screening continues to identify significant need.

The Executive Committee has identified 4 contract positions that are essential to move forward program areas that are either a community priority or considered high liability risk if the program is not fully implemented. These program areas and positions include:

- Vaccine Preventable Diseases/Immunization Services
  - There is a significant ongoing workload associated with supporting the roll-out of COVID-19 vaccines. This includes more fridge inspections needed, more cold chain incidents responded to, maintenance of expanded inventory of vaccines (vaccines distributed to primary care are managed by the Health Unit), vaccine data cleaning and maintenance, and the actual delivery of vaccine clinics. To meet the absolute minimum increased work requirements in this program area an additional administrative assistant is needed as well as an additional registered practical nurse.
- Small Drinking Water System Risk Assessments and Inspections
  - In August 2023, the Health Unit identified a significant number of small drinking water systems that have not been inspected in accordance with the regulations. The cause of the back-log is related to a data entry practise in 2009 that resulted in files being prematurely closed. In order to address this back log, two additional public health inspectors are required. In addition to 2

contract positions dedicated to support this, some resources will need to be diverted from our Food Safety program which may result in not meeting our inspection requirements for low-risk premises.

The Health Unit can apply for one-time funding to the Ministry as part of our Annual Service Plan submission. However, Ministry approvals typically do not occur until late summer. Hiring contract positions late in the year compromises the Health Unit's ability to address the above noted concerns. As such, it is the recommendation of the Executive Committee that the contract positions for the above positions be filled in January 2024. Should the one-time funding requests not be approved by the Ministry then the difference will need to be taken from HKPRDHU cash surplus.

### **Measures Taken to Decrease Expenditures:**

- Program Based Marginal Analysis – each program area at HKPRDHU has completed an exercise in activity prioritization and identification of interventions/activities that could be disinvested should we have insufficient resources. In addition, each program area was tasked with developing a list of at least 3 efficiency opportunities. Through this process, we have identified savings in the following areas:
  - Travel costs – in our new hybrid work environment travel costs have been decreased significantly.
  - Supply costs – teams identified items considered non-essential (e.g. tick removal keys) and items no longer needed due to the hybrid work environment.
  - Decreased on-call expenses (combined corporate services and management on-call).
  
- Gapped/unfunded positions - the Executive Committee has identified 4 permanent positions that have become vacant (either through employee movements to other positions, retirements, or parental leaves) that will remain vacant/unfunded for 2024. This includes 2 health promoter positions, a registered practical nurse position, and public health food worker position. While gapping positions provides an opportunity for savings related to permanent salaries, it also increases pressures on program areas. As a result of gapping for 2024, the Health Unit will be doing less work in the areas of injury prevention, physical activity promotion, and healthy eating promotion.

## Detailed Description of Anticipated 2024 Revenue

Item	2024	2023	Change	Comments
<b>Provincial Cost-Shared Base Funding</b>	12,831,545	12,020,750		1% increase applied to 2023 provincial base contribution plus mitigation funding.
<b>Northumberland County</b>	2,757,119	2,625,828	5% ↑	Levy increase already communicated to CAO.
<b>CKL</b>	2,444,955	2,328,529	5% ↑	Levy increase already communicated to CAO.
<b>Haliburton County</b>	634,663	604,441	5% ↑	Levy increase already communicated to CAO.
<b>MCCSS (HBHC)</b>	1,019,533	1,019,533	--	No change to this funding.
<b>100% Provincially Funded</b>				
Ontario Seniors Dental Program	1,185,500	1,185,500	--	No change.
MOH Compensation	79,000	79,000	--	No change.
<b>One Time Funding Requests</b>				
Needle Exchange	59,000	59,000	--	This is the amount received for the past 2 years. Ministry has indicated that we are likely to receive the same.
PHI Practicum Student	30,000	30,000	--	This is the amount received in 2023. Ministry has indicated that we are likely to receive the same.
Vaccine Program Pressures	209,687	--		Costs associated with positions to meet ongoing demand of COVID vaccine program, full ISPA enforcement, and addition of RSV vaccine distribution. Unclear whether full amount will be approved.
Small Drinking Water Systems	266,667	37,500		Costs associated with additional contract PHI positions to clear back log in SDWS risk assessments and inspections. Unclear whether full amount will be approved.
<b>Other Provincial Grants</b>				
Hub and Spoke Funding	70,000	17,500	--	This is the amount received in 2023.
<b>Recovery</b>	290,500	70,500		Recovered funds from vaccines, food handler training, as well as interest earned on cash reserves.
<b>TOTAL</b>	<b>21,878,169</b>			

## Detailed Description of Anticipated 2024 Expenditures

Item	2024 Budget	2023 Budget	Change	Comments
<b>Permanent Salaries</b>	11,931,949	11,948,885	0.1% ↓	Assumes 2.5% increase available for wage supports.
<b>Contract Salaries</b>	512,588	1,117,559	54% ↓	Given the loss of COVID one-time funding, the Health Unit has had to decrease the number of contract staff supporting infectious diseases, and the vaccine program.
<b>Benefits</b>	3,733,361	3,201,706	16% ↑	Reflects an anticipated 39% increase in benefit premiums starting April 1, 2024.
<b>Travel</b>	325,852	476,555	32% ↓	Budgeted travel expenditures are 31.62% less than the \$476,555 budgeted in 2023. This reflects less travel needed for COVID immunization clinics as well as decreased travel associated with a hybrid work environment.
<b>Fees for Service</b>	1,596,846	2,155,214	26% ↓	This is largely funds for Ontario Seniors Dental Program which flows directly to partner organizations. The reduction reflects reallocation of some expenses to more appropriate expense lines.
<b>Professional Development</b>	102,000	113,500	10% ↓	Reflects a decrease in head count.
<b>Supplies</b>	262,338	486,333	46% ↓	Reflects a decrease in COVID-19 programming supplies, results of PBMA, and use of 2023 surplus to offset 2024 expenditures.
<b>Administrative</b>	75,000	67,524	11% ↑	This includes costs associated with fees for payroll software, bank accounts, etc. The increase reflects inflationary pressures.
<b>Insurance</b>	250,000	242,596	3% ↑	We are anticipating a minimal increase to the expected 2023 expenditure of approximately \$232,000.
<b>Occupancy Costs</b>	2,409,426	2,457,860	2% ↓	Reflects decrease in approx. \$50,000 for Haliburton office space.
<b>Renovations</b>	15,000	100,000	85% ↓	Anticipating minimal renovation costs.
<b>Communication Costs</b>	214,800	261,020	18% ↓	Includes costs associated with phone lines, cell phones and internet. The decrease reflects efficiencies found by replacing our existing wide area network with direct to office fibre optic internet connections.
<b>Computer Support</b>	572,400	600,000	4.6% ↓	The Health Unit has a managed service provider for IT that is costed on a per person basis. The decrease reflects a decreased head count at the Health Unit. We should note however, that the increase in cyber and other computer related crimes coupled with remote work have drastically changed the way companies conduct business.
<b>Equipment</b>	238,609	250,000	4.6% ↓	Reflects use of 2023 variance to offset purchase costs for equipment coming off lease in 2024.
<b>MOH Compensation Initiative</b>	79,000	79,000	--	No change.
<b>Needle Exchange</b>	59,000	59,000	--	No change.
<b>TOTAL</b>	<b>22,378,169</b>	<b>23,920,152</b>	<b>6.5% ↓</b>	

## 2024 Budget Scenarios

The current projected deficit is \$500,000. We are requesting to use \$500,000 from cash surplus to offset this deficit for 2024. The following scenarios provide details on balancing the deficit as well as articulating the risk associated with one-time funding asks.

### Scenario A –

In this scenario, the Board of Health balances the proposed budget for 2024 by using \$500,000 from our cash surplus. This scenario assumes that we receive all of the one-time funding from the province that we request and that contract positions are filled in January 2024. If the Health Unit enters into a voluntary merger, there may be opportunities for further cost recovery (through the merger support fund) that will decrease the amount needing to be taken from cash surplus. In addition, if the Health Unit merges, ongoing operational fiscal pressures in 2025 may be addressed through the province’s review of the funding formula. If the Health Unit does not merge, alternative solutions will be needed to balance the 2025 budget.

Item	Scenario A	Scenario B	Scenario C
<b>Total Net Expenditures</b>	<b>22,378,170</b>	<b>22,378,170</b>	<b>22,378,170</b>
<b>Funding</b>			
Provincial Cost-Shared	12,831,545	12,831,545	12,831,545
Provincial 100% Funded	1,264,500	1,264,500	1,264,500
Municipalities	5,836,738	5,836,738	5,836,738
Healthy Babies Healthy Children (MCCSS)	1,019,533	1,019,533	1,019,533
One-Time Funding: Vaccine Program	209,687	105,000	209,687
One-Time Funding: Small Drinking Water Systems	266,667	150,000	266,667
Other One-Time Funding	159,000	159,000	159,000
Recovery	290,500	290,500	290,500
Excess Revenue (from Reserves)	500,000	500,000	0
<b>Total Funding</b>	<b>22,378,170</b>	<b>22,156,816</b>	<b>21,878,170</b>
<b>Difference</b>	<b>0</b>	<b>-221,354</b>	<b>-500,000</b>
<b>Cash Surplus Remaining</b>	<b>361,052</b>	<b>139,698</b>	<b>861,052</b>

### Scenario B –

In this scenario, the Board of Health balances the proposed budget by using \$500,000 from cash surplus. Proposed contract positions are filled in January 2024 (meaning the entire cost is incurred). The Ministry approves only 50% of our one-time funding request. The difference is taken from remaining cash surplus. If the Health Unit enters into a voluntary merger, there may be opportunities for further cost recovery (through the

merger support fund) that will decrease the amount needing to be taken from cash surplus. In addition, if the Health Unit merges, ongoing operational fiscal pressures in 2025 may be addressed through the province's review of the funding formula. If the Health Unit does not merge, alternative solutions will be needed to balance the 2025 budget.

## Scenario C –

The Board of Health does not use cash surplus to balance the budget. The deficit is addressed by eliminating roughly 6.9 FTEs. The reduction in FTEs significantly impacts the Health Unit's ability to meet OPHS program requirements. If the Health Unit enters into a voluntary merger, there may be opportunities for further cost recovery (through the merger support fund) that will decrease the amount needing to be taken from cash surplus. In addition, if the Health Unit merges, ongoing operational fiscal pressures in 2025 may be addressed through the province's review of the funding formula. If the Health Unit does not merge, alternative solutions will be needed to balance the 2025 budget.

### Recommendations to Board

THAT the Board of Health receive the briefing note, 2024 Budget Development, for information.