



TO: Chair and Members of the Finance & Facilities Committee
FROM: Christopher Mackie, Medical Officer of Health; Emily Williams, CEO (Interim)
DATE: 2021 April 1

Q4 FINANCIAL UPDATE AND FACTUAL CERTIFICATE

Recommendation

It is recommended that the Finance & Facilities Committee recommend that the Board of Health:

- 1) Receive Report No. 10-21FFC re: “Q4 Financial Update and Factual Certificate” for information.*

Key Points

- The 2020 approved budget consists of a zero percent increase in Mandatory Programs funding from the Ministry of Health (MOH).
- At the close of Q2, the BOH advised MLHU staff to direct up to \$250,000 to long-term debt reservicing.
- Unexpected operating expenses in Q3 and Q4 reduced the Health Unit’s positive variance, and only \$4,794.00 was available to apply to debt reduction.
- Included in the financial update is a signed factual certificate, which provides assurance that financial and risk management functions are being performed.

Background

The Board of Health approved the 2020 operating budget on February 27, 2020 ([Report No. 02-20FFC](#)). The approved budget consists of no increase in Mandatory Programs funding from the MOH but does reflect a change of funding mix between the province and municipalities for previously 100% provincially funded programs.

MLHU currently has two term loans, one with a fixed interest rate for the City Plaza fit-up at an annual interest rate of 1.915% per annum amortized over 20 years, and the second one with a variable interest rate at Prime Rate minus 0.75% to cover timing of payroll obligations compared to timing of receipt of provincial funding. The variable rate portion of the loan can be pre-paid at any time without penalties.

Interest type	Interest rate	Amount
Fixed	1.915 %	\$ 3,050,000
Variable	Prime - 0.75 %	1,150,000
TOTAL		\$ 4,200,000

As part of the Q2 2020 Variance Report ([Report No. 21-20FFC](#)), the BOH approved the recommendation that “variance funds of up to \$250,000 in 2020 be applied towards relocation costs and to defray the anticipated borrowing costs related with the fit-up of the Citi Plaza location”. Unexpected operating costs in Q3 and Q4 have significantly eroded the Health Unit’s positive variance and the ability to make such a payment to reduce debt.

COVID-19 and Extraordinary Funding

In response to the COVID-19 pandemic, the Health Unit reassigned many of its staff to roles related to addressing the pandemic and supporting the community. The Budget Variance Summary has been modified with the addition of a 'COVID Reclassification' column, to show the costs related to supporting a community response to COVID 19. This assists in demonstrating what costs were covered by approved budgets for salaries and benefits of redeployed staff, and which costs were considered by the Ministry of Health (MoH) to be extraordinary, which will be funded through a one-time funding mechanism established by the MoH.

Financial Highlights

The Q4 Budget Variance Summary found in [Appendix A](#) represents an analysis of operating expenses based on the original budget for 2020 as approved by the Board of Health and outlined in Report 002-20FFC. The Variance Summary provides budgeted and actual expenditures for the full operating year for the programs and services governed by the Board of Health.

The current full year spending results in a breakeven position, fully offsetting the expected agency gapping budget of \$ 1,140,858, with \$4,794.00 directed to debt repayment. The cost of borrowing is outlined in the table above and remains low. As well, 2020 was an extraordinary year for MLHU and it is not anticipated that the same unexpected cost pressures will occur again in 2021.

Factual Certificate

A factual certificate, attached as [Appendix B](#), is to be signed by senior Health Unit administrators as an attestation for ensuring certain key financial and risk management functions are being performed to the best of their knowledge. The certificate is revised as appropriate on a quarterly basis and submitted with each financial update.

This report was prepared by the Finance Team, Healthy Organization Division.



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