



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2015 February 12

2015 PROPOSED BUDGET

Recommendation

The Finance and Facilities Committee recommends that the Board of Health:

- 1) Approve the 2015 Operating Budget in the gross amount of \$34,670,537 as appended to Report No. 05-15FFC re 2015 Proposed Budget; and further*
- 2) Provide direction regarding the risk of a potential 0% increase in MOHLTC funding for 2015; and further*
- 3) Forward Report No. 05-15FFC to the City of London and the County of Middlesex for information; and*
- 4) Direct staff to submit the 2015 Operating Budget in the Ministry of Health and Long-Term Care's Program Based Grant format.*

Key Points

- The proposed 2015 budget and Planning & Budgeting Templates were developed based upon a planned 1% increase in Mandatory Program funding from the MOHLTC, and a 0% increase from the City of London and the County of Middlesex. The budget also includes other known or potential funding sources from the Public Health Agency of Canada (PHAC), MOHLTC – 100%, Ministry of Children & Youth Services (MCYS) – 100%, and other revenues.
- The overall 2015 Proposed Budget as presented in Appendix B is increasing \$512,610 or 1.5%
- Uncertainty with the level of Ministry funding exists given their desire to balance the budget by 2017/2018.

Background

This year represents the second year of developing the Health Unit budget using the new integrated approach where program planning and budgeting activities are aligned to mitigate against the risk of unplanned expenditures and to support optimal allocation of resources to key initiatives. The revised approach uses a combination of “Program Budget Marginal Analysis” [PBMA] and Planning & Budgeting Templates to bring together both planning and budget information.

Program Budget Marginal Analysis

This is a process that transparently applies pre-defined criteria (See [Report No. 033-14FFC](#) for 2015 criteria) to prioritize where proposed decreases and increases could be made, to facilitate a “reallocation of resources based on maximizing the value of services across the four principles of the Ontario Public Health Standards [OPHS] (Need, Impact, Capacity, and Partnerships/Collaboration).” Attached as [Appendix A](#) is a

list of proposals for dis-investment, re-investment and one-time investments. The proposals have been incorporated into the proposed 2015 planning & budgeting templates for Board of Health approval.

Planning & Budgeting Templates

The Planning & Budgeting Templates (PBT) provide both planning & budgeting information and are meant to increase transparency and provide additional program information for the Board to make informed resource allocation decisions. The templates have been revised slightly to further enhance transparency. In the financial expenditure section (Section G) the categories have been expanded from two (Personnel Costs and Other Program Costs) to eight (Salary & Wages, Benefits, Travel, Program Supplies, Staff Development, Professional Services, Furniture & Equipment, and Other Program Costs). In the General Expense & Revenue PBT, the following categories are used to better describe these expenditures; Benefits, Managed Gapping, Program Supplies, Board Expenses, Occupancy Costs, Professional Services, Furniture & Equipment, Other Program Costs, and Contributions to Reserves / Reserve Funds). Over three Finance & Facilities Committee meetings the members reviewed the PBTs for Human Resources & Corporate Strategy; Information Technology; Oral Health, Communicable Disease and Sexual Health Services; Office of the Medical Officer of Health; Finance & Operations; Family Health Services; Environmental Health & Chronic Disease Prevention Services and General Expenses and Revenues.

2015 Proposed Board of Health Budget

At its meeting on October 2, 2014, the Finance & Facilities Committee reviewed [Report No. 041-14FFC](#) re 2015 Board of Health Budget – Financial Parameters. The Committee recommended that staff prepare preliminary 2015 budget models with a 0% and a 1% municipal increase. A 1% municipal increase would provide \$70,754 in additional resources. Using the outcomes of the PBMA process additional reinvestment proposals could also be approved.

The proposed 2015 budget and Planning & Budgeting Templates were developed with a planned 1% increase in Mandatory Program funding from the MOHLTC, and a 0% increase from the City of London and the County of Middlesex. The budget also includes other known or potential funding sources from the Public Health Agency of Canada (PHAC), MOHLTC – 100%, MCYS – 100%, and other revenues.

Attached as [Appendix B](#), is the 2015 Proposed Budget Summary that provides gross expenditures for the various programs and also provides a summary of revenue sources given the planned changes in the sources of funding.

As can be seen the Health Unit expenditures are planned to increase \$512,610 or 1.5%. This increase is expected to be funded \$286,166 by the MOHLTC, \$158,717 by the MCYS, \$23,600 by the PHAC, and \$44,127.

MOHLTC Funding Uncertainty

In 2014, the Health Unit received a 2% (\$308,024) increase in Mandatory Program funding (Ministry approved Nov 5, 2014). Unfortunately there hasn't been any reliable guidance on the expectation Health Unit's should have regarding increases in provincial grants. However we do know the Province is committed to balancing its budget by the 2017/2018 fiscal year. Should the Middlesex-London Health Unit not receive an increase in funding for the Mandatory Programs it would experience a budget shortfall of \$157,093. A number of options are available for consideration when contemplating a potential budget shortfall.

Option #1 – Hold back PBMA reinvestment decisions until Ministry approval

This option would be the most conservative in terms of a potential shortfall. It would have the lowest probability of needing to use reserves or impacting municipal budgets. However it would have the highest probability of impacting programs and services and generate unnecessary operating surpluses should the MOHLTC approve grants greater than 0%.

Option #2 – Continue with proposed budget – use reserves if shortfall materializes

Under this option the proposed budget would be executed as planned thereby maximizing the utilization of resources and reducing impact on programs and services in 2015. However this option would drawdown reserves in 2015 in the event the MOHLTC grants are approved lower than anticipated.

Option #3 – Continue with proposed budget – request additional municipal funding if shortfall materializes

This option is the same as Option #2 except that instead of using reserves in the event of a budget shortfall, the obligated municipalities are requested to fund the shortfall either in 2015 or as part of the 2016 MLHU budget request.

Conclusion

The 2015 proposed budget includes \$512,610 (1.5%) in additional expenditures which is being funded through increased grants from the MOHLTC, MCYS, PHAC and other revenue. Uncertainty exists in regards to the level of funding that will be approved by the Province. A number of options are available to address this uncertainty and the advice of the Committee is being sought.

This report was prepared by Mr. John Millson, Director of Finance & Operations.

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