



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2019 October 31

PROPOSAL TO DRAW DOWN RESERVE FUNDS

Recommendation

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

- 1) Using up to \$818,258 from the Funding Stabilization Reserve to fund in part, the cost of leasehold improvements in connection with the Health Unit's relocation of premises to Citi Plaza;*
- 2) Using up to \$123,771 from the Dental Treatment Reserve to fund in part, the cost of leasehold improvements related to dental treatment facilities in the new location;*
- 3) Using up to \$29,462 from the Accumulated Sick Leave Reserve to defray OMERS costs for 2019;*
- 4) Returning \$6,044 from the Environmental – Septic Tank Reserve to the Ministry of the Environment if that Ministry accepts the funds, and if not accepted, then applying these funds to leasehold improvements related to Environmental Health in the new location; and*
- 5) Closing the Dental Treatment Reserve, Accumulated Sick Leave Reserve and the Environmental – Septic Tank Reserve.*

Key Points

- Upon review of the Health Unit reserve funds it is recommended that the Board approve the winding down of several reserves due to changes that have occurred to satisfy their intended purpose.
- In all cases where it is recommended to close a reserve fund, staff have attempted to identify the most appropriate use bearing in mind the sources of the funds and their intended purpose or use.
- Given the current relocation build and immediate cashflow requirements, drawdown of some funds is being recommended.

Background

Funding Stabilization Reserve – This reserve fund was established to ensure the ongoing financial stability and fiscal health of the Health Unit. Use of these funds can support operating cost increases that are largely temporary in nature and not within the Health Unit's ability to contain in the short term. Significant incremental costs of a temporary nature related to the move have been identified which require funding in the immediate term. Proceeds from this reserve can be used to address current cash flow requirements and will reduce the need to borrow funds and to incur financing charges in the near term. Funds available in this reserve as at December 31, 2018 were \$818,258.

Dental Treatment Reserve – This reserve fund was established from the sale of assets related to the closure of various dental clinics throughout the City of London related to a policy change from the Ontario Works program. The reserve fund can be used to fund annual deficits (if any) from operations and ultimately for future obligations relating to closure of the Dental Treatment Clinic.

With the introduction of the Ontario Seniors Dental Care Program (OSDCP), the Health Unit will avoid any future staff layoffs in connection with the closing of the Dental Clinic at 50 King Street. Going forward, a new dental clinic will be constructed at the Health Unit's Citi Plaza location which will be used jointly for OSDCP and for preventative dental care. It is proposed that the residual proceeds from the Dental Treatment Reserve, amounting to \$123,771 be used to defray the cost to build this clinic.

Accumulated Sick Leave Reserve - This reserve fund has a residual balance of \$29,462 although there are no longer any employees eligible to receive accrued sick leave benefits. All prior claims have now been settled. As the Board had originally approved the transfer of budget savings from an OMERS Contribution Holiday to fund the reserve, it is proposed that the residual balance be used to pay OMERS contributions for the current year.

Environmental – Septic Tank Reserve – This reserve fund has a residual balance of \$6,044 and there is no likelihood of further claims against the Health Unit in connection with septic tank inspections which were last performed by the Health Unit in 1994. The fund was originally established from grants from the Ontario Ministry of Environment and any unused portion is refundable to the Ministry of the Environment in its new form.

Next Steps

Based on direction from the Board of Health, management would use proceeds from the Funding Stabilization Reserve and the Dental Treatment Reserve to offset temporary increases in operating costs in connection with the Health Unit's relocation of premises and build of a dental clinic at Citi Plaza.

Further, management would use the funds from the sick leave reserve to pay down OMERS costs in 2019 and attempt to return funds from the Environmental – Septic Tank Reserve to the original funder however if unsuccessful will allocate the proceeds to fit up costs for Environmental Health in the new location.

Once reserve monies are transferred, the Dental Treatment Reserve, Accumulated Sick Leave Reserve and the Environmental – Septic Tank Reserve will each be closed.

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



Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health / CEO