



TO: Chair and Members of the Board of Health

FROM: Graham L. Pollett, MD, FRCPC
Medical Officer of Health

DATE: 2012 June 21

2013 BOARD OF HEALTH BUDGET TARGET – COST-SHARED PROGRAMS

Recommendation

It is recommended that the Board of Health determine the status of the 2005 Business Plan approach as it relates to the development of the 2013 budget.

Background

At the May 17, 2012, Board of Health meeting, Board members reviewed [Report No. 069-12](#) re 2013 City of London Target and passed the following resolutions:

1. *That the Board of Health request staff members to develop a 2013 Business Plan as it relates to the proposed City of London 2013 budget target for the Board of Health; and further*
2. *That Staff members demonstrate how the 2013 Business Plan would impact the Public Health Accountability Agreement that was signed by the Board of Health in 2011; and further*
3. *That Report No. 069-12 re 2013 City of London Budget Target be deferred until the Board receives the above information from staff.*

This report addresses resolutions 1 and 2. Specifically, it focuses on the impacts of a 75/25 cost-sharing arrangement to demonstrate the full implications of achieving this target. It should be noted that the Accountability Agreement states that “By receiving the grant provided to boards of health under section 76 of the (*Health Protection and Promotion*) Act, each board of health is expected to deliver programs and services that meet the Ontario Public Health Standards and other requirements of the Act.” To facilitate Board members’ consideration of this report, the following background documents that outline the expectations of the Board of Health have been electronically attached:

- a) [Public Health Accountability Agreement](#)
- b) Ontario Public Health Standards – http://www.health.gov.on.ca/en/pro/programs/publichealth/oph_standards/

- c) Ontario Public Health Organizational Standards
http://www.health.gov.on.ca/en/pro/programs/publichealth/orgstandards/docs/org_stds.pdf

Prior to considering the implications of a 75/25 cost-sharing arrangement, it is important to bring to the Board's attention that even maintaining the 2005 Business Plan approach whereby a 0% municipal funding increase request would be made for 2013, there would still be a funding shortfall to the Health Unit's 2013 budget. This is because it is anticipated that the 2013 provincial funding increase to public health units will be no higher than 2%. This shortfall is explained in Tables A-1, A-2 and A-4 in Appendix A.

Table A-1 (Appendix A) outlines the 2012 Approved Cost-Shared Budget. Table A-2 (Appendix A) highlights that a 2% provincial funding increase for 2013 would amount to an overall funding increase of \$304,945. However, Table A-4 (Appendix A – "2013 Estimated Non-Discretionary Net Requirements") illustrates that projected non-discretionary increases in requirements will total \$598,436, leaving a funding shortfall of \$293,491 ($\$598,436 - \$304,945 = \$293,491$).

Implications of 75/25 Funding Arrangement

Table A-3 (Appendix A) provides a summary of grant funding reductions for a 75/25 cost-sharing arrangement to be achieved. As can be seen, there would be a total reduction in grant revenues of \$1,570,461. However, the total municipal funding reduction would be \$1,875,406 ($\$1,575,343$ City, $\$300,063$ County). The municipal reduction is offset by an anticipated \$304,945 provincial funding increase, based upon an assumption of a 2% provincial 2013 funding increase.

Table A-4 (Appendix A), as explained above, illustrates estimated 2013 non-discretionary net requirements totaling \$598,436. These non-discretionary increased requirements, then, must also be accommodated within 2013 Total Cost Shared draft budget. Adding this \$598,436 to the Total Decrease in Table A-4, ($\$1,570,461$) results in a need to reduce expenditures by \$2,168,897 in 2013 ($\$598,436 + \$1,570,461$). Therefore, achieving the 75/25 cost-shared arrangement along with the non-discretionary increased requirements results in a total reduction of expenditures of \$2,168,897 (a 9.4% decrease from 2012 levels in the cost-shared budget).

Table A-5 (Appendix A) highlights staff's considerations on how this funding reduction could be addressed. The considerations are divided into two categories: 1) General Expenses & Revenues, and 2) Public Health Programs. The first category highlights \$443,700 in non-service delivery reductions, whereas the second category addresses direct and indirect program and services reductions totaling \$1,725,197. Combined, these cuts total \$2,168,897 ($\$443,700 + \$1,725,197$).

In summary, significant reductions in general expenditures, together with elimination of approximately twenty two (22) Full-Time Equivalent (FTE) positions representing 10.6% of the total cost-shared FTE staff complement, would be required to achieve a 75/25 cost-sharing funding arrangement in 2013.

Additional information regarding the details of the proposed cuts and their impact on Board of Health legal obligations under the Public Health Accountability Agreement is provided in Report No. 091-12, which is available in-camera due to the nature of the material presented (deals with personal matters about an identifiable individual, including Board employees). It should be noted, that these reductions will have a significant negative impact on the level of public health service provided to the residents of Middlesex-London and will be a significant step backwards in the progress that has been made to improve services since the introduction of the 2005 Business Plan.

Please note: Confidential Report No. 091-12 will be provided in hardcopy under separate cover.

City of London Budget Process Update

Since the Board of Health's May meeting, City Council met and passed the following resolutions:

That, on the recommendation of the City Treasurer, Chief Financial Officer, the following actions be taken with respect to the 2013 – 2017 Operating Budget Targets:

a) notwithstanding the updated forecasts provided by Civic Departments, Boards, Commissions and outside agencies that would indicate that a 5.5% property tax levy increase is required, the Civic Administration, Boards, Commissions and outside agencies BE REQUESTED to report back to the Strategic Priorities and Policy Committee with 3.8%, 2% and 0% tax increase scenarios, including the implications of those various scenarios;

b) that consideration of an average annualized targets for the 2013 to 2017 period BE REFERRED to the discussion of the report noted in a), above; it being noted that the average annualized increase forecasted by service programs was 4.1%, which represents a \$78 million fiscal challenge over the next 5 years;

c) the report back by the London Police Service and the Middlesex-London Health Unit, to the Strategic Priorities and Policy Committee, on the impact of the proposed targets BE REFERRED to discussion of the report noted in a), above;

Table 1 below highlights the impact of the 3 property tax increase scenarios identified in resolution a) above. The total funding decrease/increase is based upon the assumption that a 2% provincial funding increase will be provided in 2013. This is by no means certain. The need to cover non-discretionary net requirements of \$598,436 is also incorporated into Table 1. From a municipal funding perspective:

- Scenario 1 (3.8% property tax increase) would result in a \$297,619 (\$250,000 City + \$47,619 County) municipal funding decrease;
- Scenario 2 (2.0% property tax increase) would result in a \$595,238 (\$500,000 City + \$95,238 County) municipal funding decrease;
- Scenario 3 (0% property tax increase) would result in a \$892,857 (\$750,000 City + \$142,857 County) municipal funding decrease.

**Table 1 – Summary of Impact of 2013 City Tax Scenarios on Cost-Shared Program Budgets
(Assuming a 2% Provincial Increase)**

Tax scenario	City Funding Reduction	County Funding Reduction	Provincial Funding Increase (2%)	Non-Discretionary Net Requirements	Total Funding Increase / (Decrease)
3.8%	(\$ 250,000)	(\$ 47,619)	\$ 304,945	\$598,436	(\$ 591,110)
2.0%	(\$ 500,000)	(\$ 95,238)	\$ 304,945	\$598,436	(\$ 888,729)
0.0%	(\$ 750,000)	(\$ 142,857)	\$ 304,945	\$598,436	(\$ 1,186,348)

As per City Council resolution c) above, Health Unit staff members are to report to the June 25, 2012, Strategic Priorities and Policy Committee meeting on the impact to the Health Unit of the 3 property tax increase scenarios along with the non-discretionary net requirements.

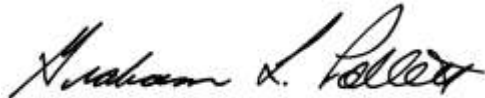
Summary

In summary, significant reductions in general expenditures, together with the elimination of approximately twenty two (22) Full-Time Equivalent (FTE) positions representing 10.6% of the total cost-shared FTE staff complement, would be required to achieve a 75/25 cost-sharing funding arrangement in 2013. These changes would result in significant challenges to the Board of Health to fulfill its legal obligations under the Health Protection & Promotion Act and the Public Health Accountability Agreement and have a significant negative impact on the level of public health services delivered to the residents of Middlesex-London.

As the City of London 2013 budget process is well underway, it is important that the Board of Health decide how it wishes to proceed regarding the Board deferred staff recommendation of Report [No. 069-12](#) which reads as follows:

That the Board of Health determine the status of the 2005 Business Plan approach as it relates to the development of the 2013 budget.

recognizing that even maintaining the 2005 Business Plan would still result in a funding shortfall of \$293,491.



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This report addresses Policy No. 4-10 (Budget Preparation and Approval) as outlined in the MLHU Administration Policy Manual.