

**Analyst Notes**  
**Community Services Committee**  
**January 12, 2006**

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**PART I: 2006 Operating Budget Overview**

**Table 1: 2006 Proposed Budget**

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.	\$	%	2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	179,992.1	172,992.1	186,741.3	0.0	186,741.3	6,749.2	3.7	0.0	0.0
<b>REVENUE</b>	147,258.8	142,958.8	153,353.3	0.0	153,353.3	6,094.5	4.1	(1,011.9)	0.0
<b>NET EXP.</b>	32,733.3	30,033.3	33,388.0	0.0	33,388.0	654.7	2.0	1,011.9	0.0
<b>Approved Positions</b>	2,106.5	2,106.5	2,126.9	0.0	2,126.9	20.4	1.0	0.0	0.0
<b>TARGET</b>			33,388.0						
<b>\$ Over (Under) Program Target</b>			0.0						
<b>% Over / Under Program Target</b>			0.0%						

**Executive Summary**

- Homes for the Aged (HFA) projects a net under-expenditure of \$2.7 million (net) (before reserve contributions) at year-end, which is the result of timing delays in opening new supportive housing sites, lower than budgeted occupancy levels, as well as specific expenditure reduction initiatives implemented to offset unrealized budgeted revenues and reduced base provincial subsidies. Also contributing to the variance is the receipt of a \$1.3 million subsidy for the High Intensity Needs Program pertaining to prior years, and the receipt of unbudgeted supplemental and one-time provincial subsidies.
- The 2006 Proposed Operating Budget for Homes for Aged of \$33.388 million net is comprised entirely of base funding changes, with no proposed New and Enhanced services. The 2007 incremental pressure of \$1.012 million represents the reversal of the one-time withdrawal from the HFA Stabilization Reserve Fund, proposed to meet the 2006 Target.
- The increase of 24.9 Approved Positions required to implement the new Provincial Standards is fully recovered from the Ministry of Health and Long Term Care. Offsetting this increase is a reduction of 4.5 Approved Positions arising from the implementation of service level efficiencies that realign specific administration and support service functions, which total \$0.672 million gross and net.
- Key Cost Drivers for the Program include ongoing increases in resident acuity / care level adjustments, economic increases for materials and supplies, and merit and step increases, totalling \$2.750 million, which are fully funded by the Province; also included are salary

increases for 2006 COLA \$ 3.602 million gross, \$0.732 million net (80% Provincially funded); and Local 79 harmonization costs \$0.924 million gross and net; and other economic adjustments totalling \$0.162 million gross and net.

- There are no new and enhanced service requests proposed for 2006, given affordability guidelines.

**Recommendations:**

It is recommended that:

- (1) The Homes for Aged 2006 Proposed Operating Budget of \$186.741 million gross and \$33.388 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Division Office	1,584.2	505.8
Toronto Homes	174,830.1	31,325.9
Community Based Services	10,327.0	1,556.3
	<hr/>	<hr/>
Total Program Budget	<u>186,741.3</u>	<u>33,388.0</u>

<b>PART II: BASE BUDGET</b>
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**Section A: 2005 Budget Variance Analysis****Table 2: 2005 Budget Variance Review**

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals*	2005 Adjusted vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	% Unspent
<b>GROSS EXP.</b>	166,997.5	179,992.1	172,992.1	7,000.0	3.9
<b>REVENUES</b>	139,182.7	147,258.8	142,958.8	4,300.0	2.9
<b>NET EXP.</b>	27,814.8	32,733.3	30,033.3	2,700.0	8.2
<b>Approved Positions</b>	2,065.8	2,106.5	2,106.5	0.0	0.0

\* Projected Actual expenditures to year-end based on revised 3rd Quarter Variance Report

**2005 Experience**

HFA is projecting to under spend its gross budget by \$7.0 million, and anticipates revenues to be lower than budget by \$4.3 million, resulting in a net favourable variance of \$2.7 million (before reserve contributions) at year end.

The favourable spending variance is primarily the result of reduced expenditures in the Homes for the Aged program due to timing delays in opening new supportive housing sites, a temporary reduction in occupancy levels, as well as specific expenditure reductions implemented by the Program to offset unrealized budgeted revenues and a reduction in base provincial subsidies.

Revenues are less than budget as a result of a slight reduction in occupancy levels, and lower than budgeted subsidies. This is partially offset by supplemental and one-time provincial subsidies, as well as \$1.3 million subsidy (related to prior years) for the High Intensity Needs Program.

**Impact of 2005 Operating Variance on 2006 Proposed Budget**

The reduced occupancy that was experienced during 2005 is not expected to re-occur in 2006, as the vacancies were temporary and due, in part, to the major capital renovations at True Davidson Acres, which have now been completed.

The \$2.7 million 2005 surplus projected for year-end is proposed to be transferred to the Homes for the Aged Capital Reserve Fund and the Homes for the Aged Stabilization Reserve Fund, to be allocated equally between the two funds, subject to “the Chief Financial Officer and Treasurer’s review of Capital and Operating final results.” This is consistent with the recommendations in the report entitled “New Long-Term Care Home Program Standards and Funding,” from the Commissioner of Community and Neighborhood Services as adopted by Policy and Finance Committee on November 23, 2004, and with the recommendations in the report entitled “Establishment of HFA Stabilization Cost Centre,” as adopted by Policy and Finance Committee on January 11, 2005.

The Homes for the Aged 2006 Proposed Operating Budget includes a \$1.012 million draw from the HFA Stabilization Reserve Fund (subject to the Chief Financial Officer and Treasurer’s review of Capital and Operating final results) to meet the 2006 Operating Budget Target.

**Section B: 2006 Proposed Base Budget**

**Table 3: 2006 Proposed Base Budget**

	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change		FY Incremental Outlook	
				2006 Proposed Base v. 2005 (Adj) Budget		2007	2008
(In \$000s)	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	179,992.1	186,820.9	186,741.3	6,749.2	3.7	0.0	0.0
<b>REVENUE</b>	147,258.8	152,341.4	153,353.3	6,094.5	4.1	(1,011.9)	0.0
<b>NET EXP.</b>	32,733.3	34,479.5	33,388.0	654.7	2.0	1,011.9	0.0
<b>Approved Positions</b>	2,106.5	2,127.9	2,126.9	20.4	1.0	0.0	0.0
<b>NET TARGET</b>			33,388.0				
<b>\$ Over (Under) Program Target</b>			0.0				
<b>% Over / Under Program Target</b>			0.0%				

**2006 Proposed Base Budget**

The 2006 Proposed Base Budget of \$33.388 million net is \$0.655 million, or 2% over the 2005 Approved Budget. The 2006 Proposed Base Budget is on target, as a result of a \$1.012 million withdrawal from the HFA Stabilization Reserve Fund.

The revenue increase of \$6.095 million, or 4.1% over the 2005 Approved Revenue, is mainly due to increases in Provincial revenues of \$5.619 million, offset by a net withdrawal from the Homes for the Aged Stabilization Reserve Fund, which is required to bring the 2006 Proposed Operating Budget to the 2006 target.

**2006 Base Budget Key Cost Drivers**

The 2006 Proposed Budget includes an increase of \$6.749 million, or 3.7% gross, and \$0.655 million, or 2% net over the 2005 Approved Budget. The increase is mainly due the following:

- Economic increases related to COLA and harmonization totalling \$4.631 million gross and \$1.762 million net.
- Ongoing increases in the resident acuity / care level adjustments of \$1.493 million gross and \$0 net, which are fully recovered from the Province and provide for a net increase of 24.9 Approved Positions.
- 2006 costs are offset by proposed service efficiency savings of \$0.672 million net, that realigns specific administration and support service functions, resulting in a reduction 4.5 Approved Positions.

**Table 4: Summary of Proposed Base Budget Changes  
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
<b>2005 Approved Operating Budget</b>	<b>2,106.5</b>	<b>175,490.1</b>	<b>147,258.8</b>	<b>28,231.3</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		4,502.0	0.0	4,502.0		
<b>2005 Approved Operating Budget</b>	<b>2,106.5</b>	<b>179,992.1</b>	<b>147,258.8</b>	<b>32,733.3</b>	<b>0.0</b>	<b>0.0</b>
Annualizations	24.9	2,002.8	1,360.2	642.6		
Economic factors		5,418.7	3,722.4	1,696.3		
<b>Adjusted Base Budget</b>	<b>2,131.4</b>	<b>187,413.6</b>	<b>152,341.4</b>	<b>35,072.2</b>	<b>0.0</b>	<b>0.0</b>
Other base changes	(3.5)	(592.7)	0.0	(592.7)		
Base revenue changes						
<b>2006 Base Budget Request</b>	<b>2,127.9</b>	<b>186,820.9</b>	<b>152,341.4</b>	<b>34,479.5</b>	<b>0.0</b>	<b>0.0</b>
Proposed Base Adjustments:						
Other base changes	3.5	592.7	0.0	592.7		
Service efficiencies	(4.5)	(672.3)	0.0	(672.3)		
Revenue adjustments		0.0	1,011.9	(1,011.9)	1,011.9	
Minor service impact						
Major service impact						
<b>Total Proposed Base Adjustments</b>	<b>(1.0)</b>	<b>(79.6)</b>	<b>1,011.9</b>	<b>(1,091.5)</b>	<b>1,011.9</b>	<b>0.0</b>
<b>2006 Proposed Base Budget</b>	<b>2,126.9</b>	<b>186,741.3</b>	<b>153,353.3</b>	<b>33,388.0</b>	<b>1,011.9</b>	<b>0.0</b>
<b>2006 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>33,388.0</b>		
<b>% Over (Under) Program Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.0</b>		
<b>% Over (Under) 2005 Budget</b>	<b>0.0</b>	<b>3.7</b>	<b>4.1</b>	<b>2.0</b>		

**Section C: 2006 Base Budget Issues****Key Issues and Recommendations*****Other Base Changes***

Homes for the Aged included in its 2006 Base Budget Request a reduction for service-efficiencies of \$0.672 million gross and net to offset 2006 base budget pressures. The reduction realigns the administrative and support functions, resulting in a reduction of 4.5 Approved Positions. This reduction has been moved out of the base budget and reclassified as a service efficiency

Also included in the 2006 Base Budget Request was the new request for one Privacy Analyst for \$0.080 million gross and net, required to meet increased work load associated with the mandatory reporting requirements for PHIPA (new privacy legislation for health information custodian). This request has been moved out of the base budget and reclassified as a New Request.

***Service Levels Changes***

As noted above, savings of \$0.672 million gross and net (arising from realignment of administrative services and support functions, which resulted in a reduction of 4.5 Approved Positions) has been moved out of the base budget and included in the 2006 Proposed Operating Budget as a Service Efficiency to offset 2006 base budget pressure. Through the use of continuous quality improvement initiatives, and through the adoption of best practices through out the Division, this initiative realigns the administrative and support functions, resulting in a reduction of 4.5 Approved Positions.

***Revenue Changes***

Homes for the Aged 2006 Proposed Operating Budget includes a one-time draw from the HFA Stabilization Reserve Fund of \$1.012 million in order to meet the 2006 Target. This Reserve Fund was established in 2005 when the Policy and Finance Committee recommended the adoption of the Community Services Committee report of December 14, 2004 entitled "Establishment of HFA Stabilization Cost Centre", where the authority was given to allocate HFA operating surpluses in the reserve "for use in those instances where funding fluctuations would otherwise adversely affect the Division's operations." The 2005 Approved Budget included a draw of \$0.536 million from the HFA Capital Reserve Fund, which was required to flat-line that budget to the 2004 Approved funding level.

***3 Year Operating Budget Overview***

Since 1993, the Ministry of Health and Long Term Care (MOHLTC) has been providing long-term care (LTC) funding based on a model referred to as level of care funding. This model funds all LTC homes in Ontario on a per diem basis through three funding envelopes that include nursing and personal care, program and support services, and accommodation. Through a reconciliation process, the province ensures that funds provided for the nursing and personal care and for the program and support services envelopes are used for these purposes, with any unspent funds being recovered by the province. Any surplus funds from the accommodation envelope can be retained by the home with the exception of the raw food allowance, which must be spent as required or returned to the

Province. In addition, the MOHLTC employs various temporary funding initiatives designed to offset unanticipated gaps in occupancy levels or variations in operations that are specific, and create cost differentials associated with the delivery of care and services.

This approach to funding LTC Homes can result in funding variations year over year due to fluctuations in occupancy and care levels. To help mitigate the impact of these fluctuations in funding, on February, 2005, Council adopted recommendations in the report entitled "Establishment of HFA Stabilization Cost Centre," as adopted by Policy and Finance Committee on January 11, 2005, , where the Community Services Committee recommended that a multi-year stabilization strategy be developed to help ensure the long-term sustainability of the Homes' program. This report proposed the creation of the HFA Stabilization Cost Centre, which "is intended to provide a hedge against future fluctuations in provincial subsidies and revenues and thereby help improve the Division's capacity to plan operationally and financially in subsequent years." The report recommended that "any operating budget surpluses generated by Homes for the Aged program arising from preferred accommodation revenues and operating efficiencies be allocated evenly on a 50:50 basis between the HFA Capital Reserve Fund and the new HFA Stabilization Cost Centre within the Community Initiatives Service Reserve Fund subject to the Chief Financial Officer and Treasurer's review of Capital and Operating final results."

Prior to the creation of the HFA Stabilization Cost Centre, Homes maintained only one reserve account, the HFA Capital Reserve Fund, established by City Council in 1998 for the purpose of funding health and safety related projects and/or minor capital upgrades no longer co-funded by the MOHLTC. By maintaining the HFA Capital Reserve Fund, the Program is able plan the delivery of its maintenance program more effectively.

Until the HFA Stabilization Cost Centre was established, the program had occasionally transferred operating surpluses generated from preferred rate accommodation and operating efficiencies into the HFA Capital Reserve Fund, as The Ministry allows these funds to be used to financially support operations and/or capital maintenance programs, although the MOHLTC's preference was that these monies be used to keep the homes in a state of good repair, as no other monies are available from the Ministry for this purpose.

With the implementation of the HFA Stabilization Cost Centre, the program will be better prepared to plan its operational funding requirements, given that there will continue to be funding fluctuations caused by changes in occupancy and care levels. As previously discussed under Revenue Changes, the 2006 Proposed Operating Budget Homes for the Aged includes a one-time draw from the HFA Stabilization Cost Centre of \$1.012 million in order to meet the 2006 Target. The reversal of this draw in 2007 will create a pressure for the program in 2007, which will need to be addressed as part of 2007 Operating Budget process.

**Appendix A**

**Summary of Service Level Adjustments**

**PART III: NEW COUNCIL PRIORITIES**

**Section D: 2006 Proposed New Council Priorities**

**Table 5: Summary of 2006 New Council Priorities (\$000)**

Council Priority	Description	Total 2006 New Requests		2006 Not Proposed		2006 Proposed Council Priorities		Proposed New Positions	Net Incremental Impact			
		Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2007	2008		
		\$	\$	\$	\$	\$	\$	#	\$	\$		
<b>Council Priorities:</b>												
	Sub-Total Council Priorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>New Requests Referred to 2006 Operating Budget:</b>												
	Sub-Total Referred	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	<b>New Program Requests:</b>											
1	Privacy Analyst	79.6	79.6	79.6	79.6	0.0	0.0	0.0		0.0		
	Sub-Total New Program Requests	79.6	79.6	79.6	79.6	0.0	0.0	0.0	0.0	0.0		
<b>Total New Council Priorities</b>		<b>79.6</b>	<b>79.6</b>	<b>79.6</b>	<b>79.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <b>Council Priority</b>                      1 - Improve Public Service                      2 - Make Progress on the Waterfront                      3 - Improve Business Climate                      4 - Make Toronto a clean and beautiful city                      5 - Strengthen our at-risk neighbourhoods                 </td> <td style="width: 50%; vertical-align: top;">                     6 - Ensure housing is affordable                      7 - Get the powers and funded needed for Toronto to succeed                      8 - Improve the planning process                      9 - Increase public involvement in civic affairs                      10 - N/A                 </td> </tr> </table>											<b>Council Priority</b> 1 - Improve Public Service 2 - Make Progress on the Waterfront 3 - Improve Business Climate 4 - Make Toronto a clean and beautiful city 5 - Strengthen our at-risk neighbourhoods	6 - Ensure housing is affordable 7 - Get the powers and funded needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A
<b>Council Priority</b> 1 - Improve Public Service 2 - Make Progress on the Waterfront 3 - Improve Business Climate 4 - Make Toronto a clean and beautiful city 5 - Strengthen our at-risk neighbourhoods	6 - Ensure housing is affordable 7 - Get the powers and funded needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A											

**Key Issues / Recommendations**

**2006 New Program Requests**

- Privacy Analyst** The request (\$0.080 million gross and net) is for a new position to meet increased work load associated with the mandatory reporting requirements for PHIPA (new privacy legislation for health information custodian). The request is based on the need to accommodate the increased workload related to privacy requirements, including responding to requests and educating staff and clients

- All recommended new program proposals that do not align with one of Council's highest priorities are restricted to items that are fully funded. Hence, although the program request aligns with one of the Council priorities, because it is not one of the Council's highest priorities and because it is not fully funded, it is not proposed for inclusion into Homes for the Aged 2006 Operating Budget.

**Appendix B**

**Summary of New Council Priorities**