

TORONTO STAFF REPORT

April 28, 2003

To: Board of Health

From: Dr. Sheela Basrur, Medical Officer of Health

Subject: Toronto Public Health - 2002 Year-End and 2003 Q1 Operating Budget Variance Report

Purpose:

To apprise the Board of Health of Toronto Public Health's budget variance as at December 31, 2002 and first quarter of 2003.

Financial Implications and Impact Statement:

There are no financial implications arising from this report.

The Chief Financial Officer and Treasurer has reviewed this report and concurs with the financial impact statement.

Recommendation:

It is recommended that this report be received for information.

Background:

For the year ended 2002, Public Health ended the year with a favourable gross variance in the amount of \$5.4 million or 3.4% and a favourable net variance of \$0.18 million or 0.3% out of a total approved gross expenditure budget of \$160.3 million and net expenditure budget of \$65.2 million.

The 2003 Public Health operating budget approved by the City Council in March 2003 is \$170.1 million (gross) and \$69.6 million (net). This assumes a gapping target of 4% which amounts to

\$4.2 million equivalent to approximately 60 full time positions. The budget also assumes a full provincial cost sharing for eligible programs.

As of March 31, 2003, Public Health gross expenditure is under-spent by \$0.92 million or 3.1%. In terms of net expenditure, Public Health is under-spent by \$0.85 million or 3.9%. Revenues however are under-achieved by \$0.07 million or 0.9%.

Comments:

Corporate Operating Budget Variance Reports for the Year Ended 2002 and 2003 Q1 are attached to this report for detailed information.

(1) 2002 Financial Performance

Due to a number of corrective measures implemented by management, Public Health achieved a favourable gross expenditure variance of \$5.4 million or 3.4% and a net expenditure variance of \$0.18 million or 0.3%. Revenue was under-achieved by \$5.2 million or 5.5%.

(a) Gapping:

Gapping has been under-achieved at 3.8% against a budget of 4.6%. The number of approved positions is 1,660 with a strength of 1,843 employees. Actual gapping level would have been lower without the imposition of a hiring freeze on new staff and internal transfers from August to December 2002.

(b) Salaries and Benefits:

A favourable variance of \$0.23 million has been achieved in Salaries and Benefits largely due to the implementation of a hiring freeze during the last 5 months of 2002 and an adjustment in Public Health's budget during the fourth quarter of 2002 to cover adjustments for harmonization of wage grades, retroactive Hay mapping, and recovery for OMERS holiday.

(c) Non-Payroll:

Controlled under-spending in Materials & Supplies, Equipment, and Service & Rents significantly contributed to the overall gross and net variance by year-end. Much of the under-spending comes from the Ontario Works Dental Program, and the Ontario Works Youth Program. The 2002 budget for the Ontario Works Youth Program covers an 18-month period (12 months in 2002 and 6 months in 2003) but program implementation only occurred during the last quarter of the year.

(d) Revenues:

The shortfall in revenues can be attributed largely to the following:

- (i) Animal Services revenues are under-achieved by \$0.68 million due to labour disruption, data access problems which resulted in lower than expected collection efficiency, and lost revenues related to the delay in the opening of the South Region Animal Shelter.
- (ii) Shortfall in the revenue from the Ministry of Health and Long-Term Care for its share of the 3% COLA for 2002 and the harmonization of wage grades.

This revenue shortfall is offset by the overall under-spending in non-payroll accounts.

(2) 2003 Year to Date Financial Performance

The YTD gross expenditure of Public Health is under-spent by \$0.92 million or 3.1%. In terms of net expenditure, Public Health is under-spent by \$0.84 million or 3.9%. Revenues however are under-achieved by \$0.07 million or 0.9%.

(a) Salaries & Benefits:

Public Health experienced an overall favourable variance of \$0.51 million for two main reasons:

- (i) Achievement of the gapping target of 4% as a result of higher level of vacancies from the hiring freeze imposed in the last five months of 2002. Management staff have recently begun filling the vacancies. The impact of this hiring will be reflected in the 6-month variance report. Management staff are planning to hold approximately 60 positions vacant to achieve the 4% gapping target. This will have a negative impact on service delivery and our ability to achieve compliance with the mandatory program guidelines.
- (ii) Retroactive adjustments for Management and Exempt COLA and Merit have not been accounted in the year to date figures for salaries and benefits.

Gapping levels and payroll expenditures are being monitored on a continuing basis to ensure that spending falls within the approved budget and early warning signs are identified at the onset. The development of a manual monitoring system to track gapping is a priority for Public Health and is currently in place.

(b) SARS:

The SARS outbreak has necessitated the redeployment of existing resources across programs as well as the hiring of additional resources to attend to this crisis. SARS is expected to be a continuing public health concern in the short-term; any related spending will be allocated to appropriate corporate accounts and is not foreseen to add any pressure to the Public Health budget at this time. However, it is evident that public health will need to address major backlogs generated by the response to SARS and may require additional staff to address this. This will create pressure on the budget. The details of SARS expenditures will be reported in a separate report in the future.

The Ministry of Health and Long-Term Care has indicated its willingness to reimburse all approved extraordinary and incremental expenses (e.g. special equipment and supplies) related to contain the spread of the SARS virus. The Ministry expects all health care transfer payment agencies to track all expenses that relate to SARS.

(c) Revenues:

Animal Services program has so far generated about 14% of its total budget for the year. As the South Region Animal Centre comes on stream, Public Health expects the revenues to compensate for a relatively slow start in revenue generation during the first quarter. As well, alternative ways to improve collection efficiency are being explored in the coming months depending on revenue targets being met.

Public Health has submitted a request in the amount of \$62.3 million to the Ministry of Health for the funding of cost-shared programs in 2003. This represents an increase of \$5.8 million over the 2002 approved cost-shared funding. Response from this request is not expected until the 4th quarter of 2003.

(d) Utility Costs:

Utility costs have been identified by the City as a potential cause for concern across departments and now needs to be reported as a separate line item.

There is an unfavourable variance in utility cost in the amount of \$12.7 thousand or 24.2% largely due to the increased hydro expense. The hydro bill has increased by 88% over the same period last year while both natural gas and water have increased by only about 1%.

The increase in the hydro cost can be attributed to a combination of the following:

- (i) Timing differences in the hydro bill as there is a lag of two to three months between hydro usage and billing.
- (ii) Increased usage of electricity due to a relatively colder and prolonged winter.

In an effort to balance the budget for utility cost, Public Health will vigorously pursue the Employee Energy Efficiency Program so funds can be saved and, at the same time, contribute to cleaner air in the community. In the event that hydro costs continue to remain higher than expected in the coming months, Public Health will need to reallocate its expenditure to cover any shortfall in the hydro budget.

Conclusions:

Overall favourable gross and net variance of Public Health in 2002 has been achieved through budget adjustments from Corporate Budget Services and belt-tightening measures such as hiring

freeze, controlled under-spending in non-payroll, and to some extent, through gapping. This has had an impact on service levels and Public Health ability to meet mandatory guidelines.

First quarter budget variance report in 2003 indicates favourable gross and net variances. Public Health continues to monitor actual expenditures in relation with the approved budget. At this time, Public Health actual expenditures are expected to be within the approved 2003 year-end budget.

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List of Attachments:

Attachment 1: Corporate Operating Budget Variance Report for the Year Ended 2002
Attachment 2: Corporate Operating Budget Variance Report for 2003 1st Quarter