



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**Toronto Public Health 2012 Operating Budget Request**

|                                             |                                                                                                 |
|---------------------------------------------|-------------------------------------------------------------------------------------------------|
| <b>Date:</b>                                | September 2, 2011                                                                               |
| <b>To:</b>                                  | Board of Health                                                                                 |
| <b>From:</b>                                | Medical Officer of Health                                                                       |
| <b>Wards:</b>                               | All                                                                                             |
| <b>Reason for Confidential Information:</b> | Personal matters about an identifiable individual, including municipal or local board employees |
| <b>Reference Number:</b>                    |                                                                                                 |

**SUMMARY**

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This report outlines the Toronto Public Health (TPH) 2012 Operating Budget request for consideration by the Board of Health.

The TPH 2012 Operating Budget Request totals \$228,226.7 thousand gross / \$41,137.4 thousand net. This request is \$6,242.8 thousand gross and \$3,639.9 thousand net below the 2011 Operating Budget. The net decrease of \$3,639.9 thousand over the 2011 Operating Budget is comprised of base budget increases for the negotiated collective agreement of \$818.5 thousand net and reduction options of 10 percent or \$4,458.4 thousand net.

**RECOMMENDATIONS**

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The Medical Officer of Health recommends that:

1. City Council approve the Toronto Public Health 2012 Operating Budget request of \$228,226.7 thousand gross / \$41,137.4 thousand net as summarized in Table 1, “2012 Operating Budget Request”.
2. City Council approve the list of base budget adjustments included in Table 5, “Overview of 2012 Operating Budget Request” of this report totalling an increase of \$1,999.8 thousand gross and \$818.5 thousand net.

3. City Council approve 2012 Reduction Options of \$8,242.6 thousand gross and \$4,458.4 thousand net as outlined in Table 3, "2012 Requested Reduction Options Budget".
4. The Board of Health forward this report to the City's Budget Committee for its consideration during the 2012 budget process.

### Financial Impact

The TPH 2012 Operating Budget request totals \$228,226.7 thousand gross / \$41,137.4 thousand net. This request is \$6,242.8 thousand gross and \$3,639.9 thousand net (8.1 percent) below the 2011 Operating Budget. The requested decrease is comprised of increases due to base changes of \$1,999.8 thousand gross and \$818.5 thousand net and decreases of \$8,242.6 thousand gross and \$4,458.4 thousand net for budget reduction options.

| Table 1<br>Toronto Public Health<br>2012 Operating Budget Request |             |           |                 |              |                         |       |
|-------------------------------------------------------------------|-------------|-----------|-----------------|--------------|-------------------------|-------|
|                                                                   | 2011 Budget | 2012 Base | 2012 Reductions | 2012 Request | Change from 2011 Budget |       |
| (\$000s)                                                          | \$          | \$        |                 |              | \$                      | %     |
| <b>GROSS EXP.</b>                                                 | 234,469.5   | 236,469.3 | (8,242.6)       | 228,226.7    | (6,242.8)               | (2.7) |
| <b>REVENUE</b>                                                    | 189,692.2   | 190,873.5 | (3,784.2)       | 187,089.3    | (2,602.9)               | (1.4) |
| <b>NET EXP.</b>                                                   | 44,777.2    | 45,595.8  | (4,458.4)       | 41,137.4     | (3,639.9)               | (8.1) |
| <b>Positions</b>                                                  | 1,925.0     | 1,914.9   | (58.3)          | 1,856.7      | (68.3)                  | (3.6) |

TPH has reviewed its services and costs and where achievable absorbed expected inflation increases and reduced costs in the 2012 budget request. TPH has reviewed the 2012 Request with the Director of Financial Planning Division. Corporate Financial Planning is recommending the TPH 2012 Operating Budget Request except for the proposed reduction in corporate overhead charges of \$790.0 thousand gross /\$197.5 thousand net due to the City's current fiscal position. The provincial funding of this charge benefits the City by offsetting costs for other City programs.

The corporate overhead charge from the City is for general municipal services provided to TPH. This is a third annual planned reduction based on a review of this cost allocation by the City's Internal Audit Division. The revised corporate charge was reviewed and validated by Corporate Accounting and the City's Internal Auditor in 2008 and a schedule was initiated in the 2009 operating budget cycle to allocate the full reduction required over five years. In 2011, Council did not reduce the requested amount of \$650.0 thousand gross and \$162.5 thousand net. This necessitated an increase of \$140.0 thousand gross and \$35.0 thousand net increase in reduction as proposed in 2012. There is no impact on public health service to the community from this reduction although the savings could be reallocated to delivering services.

## **DECISION HISTORY**

At its meeting of February 28, 2011, City Council approved a TPH 2011 Operating Budget of \$233,667.8 thousand gross / \$44,578.0 thousand net. During 2011, TPH received confirmation of additional 100 percent funding from Province of Ontario ministries and external sources in the amount of \$197.5 thousand gross and \$0 net for various public health programs. Also during 2011, TPH increased its budget due to a Council directive on Management COLA of \$589.1 thousand gross and \$184.2 thousand net for various public health programs. In addition, an in-year budget adjustment of \$15.1 thousand gross and net was made to reflect a reallocation of the City's 2011 insurance budget to City divisions.

The TPH 2011 Operating Budget including in-year budget adjustments is \$234,469.5 thousand gross and \$44,777.3 thousand net.

## **ISSUE BACKGROUND**

The TPH 2012 Operating Budget request assumes full provincial cost sharing at 75 percent for eligible programs, and decrease in this provincial funding of 1.4 percent for 2012 over the 2011 Operating Budget.

The City Manager issued guidelines and directions for development of the 2012 Operating Budget to all City Divisions, Agencies, Boards and Commissions (ABCs). Included in these directions is the expectation that all City Divisions and ABCs consider the following requirements as part of the budget preparation process:

- achieve the 2012 operating budget reduction target of ten percent of the Council Approved 2011 Net Operating Budget;
- review all services for efficiencies, conformance to and/or possibly changes in services level standards, and in particular service effectiveness and relevance;
- continue to control expenditures through cost savings measures;
- do not introduce any new initiatives for 2012; and
- do not budget for Cost of Living Allowance (COLA) for City employees.

Public health services include programs that receive provincial funding for 100 percent of the cost and those that receive provincial funding for 75 percent of the cost (cost-shared) which leverage \$3 of provincial funding for every \$1 of City investment in public health.

## **COMMENTS**

The statutory responsibilities mandate and authority of the Toronto Board of Health, and through the Board, Toronto Public Health, are set out in the Ontario Health Promotion and Protection Act (HPPA).

The program requirements and expectations of the Board of Health are set out in the Ontario Public Health Standards, authorized by regulation under the HPPA.

### Budget Reduction Target

To achieve the City's target of 10 percent net reduction over the 2011 net operating budget, TPH has identified reduction options totalling \$8,242.6 thousand gross and \$4,458.4 thousand net. These reductions are summarized in confidential Attachment 2 - TPH 2012 Service Level/Standard Adjustment Options.

Table 2 below provides a comparison of the 10 percent reduction target for TPH versus total budget reductions identified by TPH.

| Table 2<br>Toronto Public Health<br>2012 Recommended Budget Reduction<br>(\$000s) |                            |                                  |                                                                  |       |
|-----------------------------------------------------------------------------------|----------------------------|----------------------------------|------------------------------------------------------------------|-------|
| TARGET COMPARISON                                                                 | 10%<br>Reduction<br>Target | 2012<br>Recommended<br>Reduction | 2012 Recommended<br>Reduction<br>vs 2012 10%<br>Reduction Target | %     |
| 2012 Budget Reduction                                                             | (4,457.8)                  | (4,458.4)                        | 0.6                                                              | 10.0% |

The budget reduction options fall under the following categories:

1) Efficiency Change

An **Efficiency Change** is a reduction in the cost of delivering a service with minimal or no reduction in service level. This category includes proposed continuous improvement options and efficiency measures. This change is one where the service continues to be provided but is provided in a different way, and clients continue to receive the same or similar level of service

2) Revenue Changes

A **Revenue Change** is one where user fee or other external funding increases or decreases are proposed rather than a change in the volume of the service provided.

3) Minor Service Level Changes

A **Minor Service Level Change** would be one where the service level is only moderately affected or where the service level is slightly adjusted.

Table 3 – 2012 Budget Request Reduction Options below lists the total Reduction Options by categories that are included in the TPH 2012 Operating Budget Request.

| Table 3<br>Toronto Public Health<br>2012 Budget Request Reduction Options |                                   |                       |                             |                  |                  |
|---------------------------------------------------------------------------|-----------------------------------|-----------------------|-----------------------------|------------------|------------------|
|                                                                           | Summary of 2012 Reduction Options |                       |                             |                  |                  |
|                                                                           | Number of<br>Proposals            | Approved<br>Positions | Gross<br>Expenditures<br>\$ | Revenues<br>\$   | Net<br>\$        |
| (\$000s)                                                                  |                                   |                       |                             |                  |                  |
| <b>Request Reduction Options</b>                                          |                                   |                       |                             |                  |                  |
| Efficiencies                                                              | 22                                | (48.8)                | (7,475.4)                   | (5,311.7)        | (2,163.7)        |
| Revenues                                                                  | 4                                 | 0.0                   | 10.6                        | 2,110.9          | (2,100.3)        |
| <b>Provincial Funding Opportunities</b>                                   | 2                                 | (9.5)                 | (777.8)                     | (583.4)          | (194.5)          |
| <b>Total Request Reduction Options</b>                                    | <b>28</b>                         | <b>(58.3)</b>         | <b>(8,242.6)</b>            | <b>(3,784.2)</b> | <b>(4,458.4)</b> |

For 2010 the Ministry of Health and Long Term Care (MOHLTC) and the Ministry of Health Promotion and Sport (MHPS) offered increases of up to 3 percent of cost-shared funding over the 2009 approved funding level to Ontario Boards of Health to meet the Ontario Public Health Standards. For Toronto Public Health, the available increase was \$3.5 million. Due to the City's financial constraints, Toronto received only 0.5 percent or \$0.5 million of the available funding over the 2009 approved provincial funding, losing the opportunity to leverage an additional \$3.0 million for public health services with an investment of \$0.75 million from the City. Similarly, in 2011 financial constraints reduced the increase from the Provincial Allocation of \$3.6 million to \$2.6 million or a difference of \$1.0 million or 2.2%

For 2012, the Province of Ontario has announced that Ontario Boards of Health will qualify for funding increases of up to 3 percent over the 2011 approved funding level. For Toronto, this available allocation is \$3.8 million. Again in 2012, due to the City's financial constraints, Toronto Public Health is requesting a decrease of \$1.7 million or 1.4 percent of the available provincial funding, losing the opportunity to leverage an additional \$5.5 million in provincial funding for public health services with an investment from the City of \$1.375 million.

In 2010, 2011 and as requested for 2012, total provincial funding of \$9.5 million will be lost to the City for public health services due to municipal fiscal constraints. The lost opportunity to invest in and build public health programs and services will continue in future years as the base public health budget on which future provincial funding increases are calculated will be lower.

**Budget Impact on Toronto Taxpayers**

Overall the Province of Ontario provides funding for 74 percent of the TPH gross operating budget with 18 percent contributed from the City and the remaining 8 percent from user fees and other levels of government or external partners. The cost sharing formula of 75:25 means that every \$4 of public health services requires only \$1 of investment by the City.

Table 4 below shows the annual cost of public health services per Toronto resident since 2001. The shift in the provincial formula starting in 2005 from 50 percent to 75 percent funding for cost-shared programs has allowed the City to move significant property tax dollars from public health into other City programs. The 2012 Operating Budget request includes \$22.9 million less in municipal tax funding then in 2004. The 2012 Operating Budget request would cost each Toronto resident \$15.82 in property taxes for public health services.

| Table 4<br>Toronto Public Health                     |       |       |       |       |       |       |       |          |
|------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|----------|
| Municipal Cost per Person for Public Health Services |       |       |       |       |       |       |       |          |
| 2004                                                 | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012 Rec |
| 26.74                                                | 25.38 | 21.59 | 16.07 | 16.50 | 16.85 | 16.99 | 17.22 | 15.82    |

The TPH 2012 Operating Budget request totals \$228,226.7 thousand gross / \$44,137.4 thousand net. This request is \$6,242.8 thousand gross and \$3,639.9 thousand net or 8.1 percent lower than the 2011 Operating Budget. The requested decrease is comprised of increases due to base changes of \$1,999.8 thousand gross and \$818.5 thousand net and decreases of \$8,242.6 thousand gross and \$4,458.4 thousand net for reduction options over various TPH programs.

Table 5 – Overview of 2012 Operating Budget Request on page 7, lists the base budget changes included in the TPH 2012 Operating Budget Request.

Further details of the TPH 2012 Operating Budget are included in the Appendix attached to this report.

**Table 5**

| <b>Overview of the 2012 Operating Budget Request</b>        |                                                 |                           |                  |                  |
|-------------------------------------------------------------|-------------------------------------------------|---------------------------|------------------|------------------|
|                                                             | <b>Summary of 2012 Operating Budget Request</b> |                           |                  |                  |
|                                                             | <b>Approved Positions</b>                       | <b>Gross Expenditures</b> | <b>Revenues</b>  | <b>Net</b>       |
| (\$000s)                                                    |                                                 | \$                        | \$               | \$               |
| 2011 Council Appr. Operating Budget as at February 28, 2011 | 1,925.2                                         | 233,667.8                 | 189,089.8        | 44,578.0         |
| In-year approvals and technical adjustments                 | (0.3)                                           | 801.7                     | 602.5            | 199.2            |
| <b>2011 Operating Budget</b>                                | <b>1,925.0</b>                                  | <b>234,469.5</b>          | <b>189,692.2</b> | <b>44,777.2</b>  |
| Reversal of Non Recurring items & Capital Projects          | (39.3)                                          | (5,098.5)                 | (5,000.2)        | (98.3)           |
| Prior Year Impacts / Annualizations                         | 0.2                                             | 0.0                       | 0.0              | 0.0              |
| Economic Factors - Non Payroll                              | 0.0                                             | 0.0                       | 0.0              | 0.0              |
| Step, Progression Pay, Benefits                             | 0.0                                             | 3,403.1                   | 2,634.0          | 769.1            |
| <b>PART 1: Adjusted Base Budget</b>                         | <b>1,885.9</b>                                  | <b>232,774.1</b>          | <b>187,326.1</b> | <b>45,448.0</b>  |
| Other Base Changes                                          | (4.0)                                           | 335.2                     | 187.4            | 147.8            |
| Salaries & Benefits Related to Capital Projects             | 33.0                                            | 3,360.0                   | 3,360.0          | 0.0              |
| <b>PART 2: 2012 Base Budget Request</b>                     | <b>1,914.9</b>                                  | <b>236,469.3</b>          | <b>190,873.5</b> | <b>45,595.8</b>  |
| Over (Under) 2011 Operating Budget                          | (10.1)                                          | 1,999.8                   | 1,181.3          | 818.5            |
| % Over (Under) 2011 Final Budget                            | (0.5)                                           | 0.9                       | 0.6              | 1.8              |
| <b>Requested Reduction Options</b>                          | <b>(58.3)</b>                                   | <b>(8,242.6)</b>          | <b>(3,784.2)</b> | <b>(4,458.4)</b> |
| <b>PART 3: 2012 Request Including Reduction Options</b>     | <b>1,856.7</b>                                  | <b>228,226.7</b>          | <b>187,089.3</b> | <b>41,137.4</b>  |
| Over (Under) 2011 Final Operating Budget                    | (68.3)                                          | (6,242.8)                 | (2,602.9)        | (3,639.9)        |
| % Over (Under) 2011 Final Budget                            | (3.6)                                           | (2.7)                     | (1.4)            | (8.1)            |

## **CONTACT**

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## **SIGNATURE**

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Dr. David McKeown  
Medical Officer of Health

## **ATTACHMENT**

Attachment 1 – Toronto Public Health 2012 Operating Budget Request  
Attachment 2 – TPH 2012 Service Level/ Standard Adjustment Options (confidential)