REPORT FOR ACTION

Toronto Public Health Operating Budget Variance for the Four Months Ended April 30, 2019

Date: May 31, 2019
To: Board of Health
From: Medical Officer of Health
Wards: All

SUMMARY

This report provides an update to the Board of Health on the Toronto Public Health Operating Budget Variance for the four months ended on April 30, 2019.

As of April 30, 2019, Toronto Public Health's 2019 Operating Budget had a net unfavourable variance of $1,315.4 thousand net (9.9 percent).The variance is attributed to changes to the provincial-municipal cost-sharing model announced on April 11, 2019 in the 2019 Provincial Budget.

On May 27, 2019, the Province communicated its intent to reverse the retroactive funding cuts to public health announced in the 2019 Provincial Budget thus reverting back to the funding arrangement that had been in place prior to the budget announcement for their fiscal year of 2019-20.

RECOMMENDATIONS

The Medical Officer of Health recommends that:

1. The Board of Health receive this report for information.

FINANCIAL IMPACT

Toronto Public Health's (TPH's) 2019 Council Approved Operating Budget is $255,279.2 thousand gross and $64,498.8 thousand net. This budget was approved based on the funding arrangement that has existed between the City of Toronto and Ministry of Health and Long-Term Care (MOHLTC) since January 1, 2007, which is primarily cost shared (75% provincial/25% municipal) and, in part, 100% provincial. The changes, retroactive to April 1, 2019, announced in the Province's 2019 Budget have significant financial impacts to TPH, as noted in the Comments section of this report (pg. 3).

Reflective of the provincial funding announcement, TPH reported, as of April 30, 2019, underspending in gross expenditures by $740.3 thousand (1.1 percent), mainly from cost containment measures implemented in response to the change to the provincial-municipal cost-sharing funding formula. Revenues were lower than budgeted by $2,055.7 thousand (3.9 percent), also due to the changes in the funding formula effective April 1, 2019, resulting in a net unfavourable variance of $1,315.4 thousand (9.9 percent).

The retroactive change effective April 1, 2019 to the municipal-provincial cost-sharing formula to 60% provincial/40% municipal for all MOHLTC funded programs equates to a loss of $65 million in provincial funding for 2019. In order to maintain TPH's 2019 Council Approved Operating Budget, the City of Toronto's contribution to public health programs and services will need to increase by $25.3 million (58 percent) to offset the loss in provincial funding.

On May 27, 2019, the Province communicated its intent to reverse the retroactive funding cuts to public health announced in the 2019 Provincial Budget thus reverting back to the funding arrangement that had been in place prior to the budget announcement for their fiscal year of 2019-20. The financial information presented above reflects TPH's financial position of April 30, 2019. The financial impact of the May 27, 2019 announcement will be captured in the next operating budget variance report to be presented to the Board of Health.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on March 7, 2019, City Council approved a Toronto Public Health 2019 Operating Budget of $255,279.2 thousand gross and $64,498.8 thousand net.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX2.5

COMMENTS

As of April 30, 2019, gross expenditure was underspent by $740.3 thousand (1.1 percent) and revenue was lower than budgeted by $2,055.7 thousand (3.9 percent), resulting in a net unfavourable variance of $1,315.4 thousand (9.9 percent) as outlined in Table 1 below. The net unfavourable variance is primarily due to the retroactive changes to the provincial-municipal cost-sharing funding formula for MOHLTC programs effective April 1, 2019.

Table 1: 2019 Operating Budget Variance for Four Months Ended April 30, 2019

	AS OF APRIL 30, 2019				AS OF DECEMBER 31, 2019			
	BUDGET	ACTUAL	VARIANCE OVER / (UNDER)		BUDGET	PROJECTION	VARIANCE OVER / (UNDER)	
	($000s)	($000s)	($000s)	%	($000s)	($000s)	($000s)	%
Gross Expenditure	66,317.4	65,577.1	(740.3)	(1.1)	255,279.2	252,222.4	(3,056.8)	(1.2)
Revenue	52,980.9	50,925.2	(2,055.7)	(3.9)	190,780.4	162,437.8	(28,342.6)	(14.9)
Net Expenditure	13,336.5	14,651.9	1,315.4	9.9	64,498.8	89,784.6	25,285.8	39.2

Financial Impact of the Ontario Budget Announcement for Toronto Public Health

As part of its "vision for modernizing Ontario public health" and to "improve public health program and back-office efficiency and sustainability while providing consistent, high-quality services, and be responsive to local circumstances and needs", the Province announced its intent to adjust the provincial-municipal cost-sharing model for public health retroactive to April 1, 2019.

Ministry of Health and Long-Term Care officials have confirmed the following new funding formula for Toronto for programs previously cost-shared between the Province and the City of Toronto, and programs previously 100% funded by the Province:

	Cost-Shared Programs	**100% Provincial Funded Programs**
Prior to April 1, 2019	75% Provincial and 25% Municipal	100% Provincial
2019-2020 (Retroactive to April 1, 2019)	60% Provincial and 40% Municipal	
2020-21 (Effective April 1, 2020)	60% Provincial and 40% Municipal	
2021-22 and thereafter (Effective April 1, 2021)	50% Provincial and 50% Municipal	

The financial impact of the change in the provincial-municipal cost-sharing funding formula is a $65 million loss in provincial funding. The loss in provincial revenue is based on the assumption that the City's contribution to Toronto Public Health 2019 Operating Budget remains at approximately $43 million, the amount approved by City Council.

Year-to-Date Gross Expenditures and Revenue (April 30, 2019)

As of April 30, 2019, Toronto Public Health's gross expenditure variance is $740.3 thousand (1.1 percent) due to lower than budgeted spending in Salaries and Benefits by $87.7 thousand and non-payroll expenditures by $652.6 thousand.

The $740.3 thousand favourable variance is mainly due to the cost containment measures that have been implemented in response to the Province's change to the provincial-municipal cost-sharing funding formula for cost-shared and 100% funded programs by the MOHLTC.

Actual revenue was under budget by $2,055.7 thousand (3.9 percent) mainly due to the changes in respect to the new provincial-municipal cost-sharing funding formula outlined above.

Additional details on the year-to-date gross expenditures and revenues can be found in Attachment 1: Toronto Public Health Operating Variance Submission for the Four Months Ended April 30, 2019

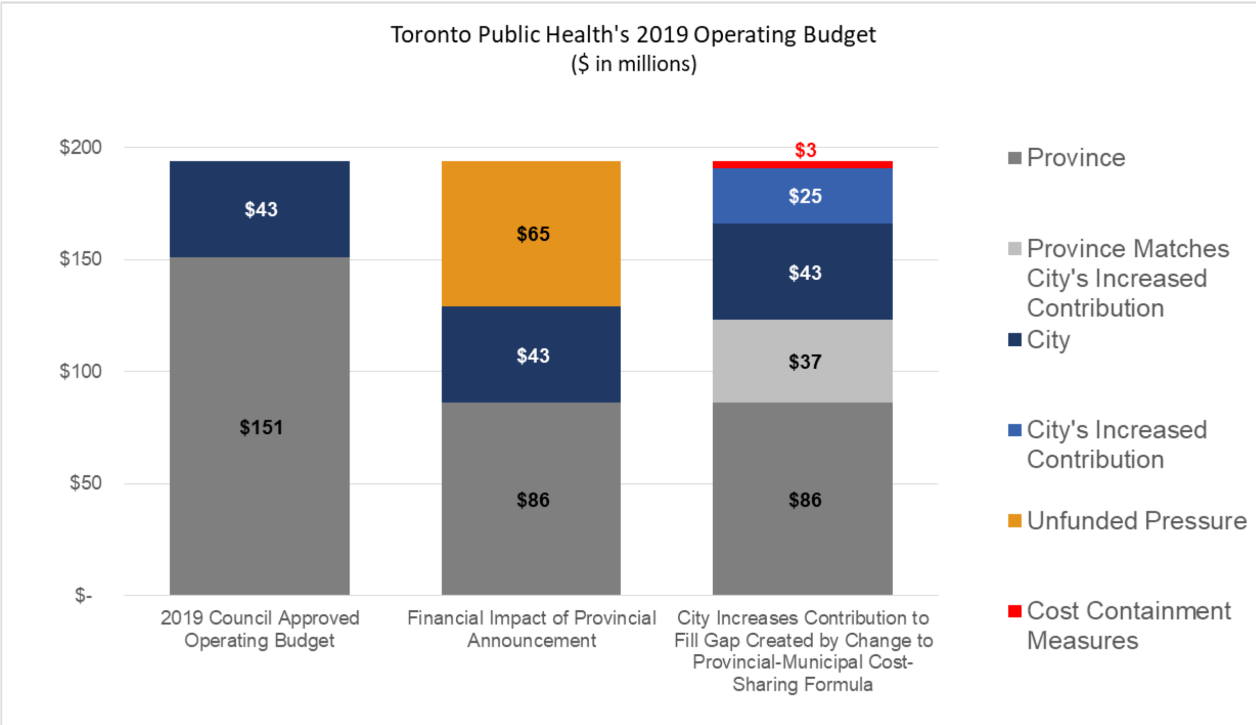
Projected Year End Gross Expenditure and Revenue (December 31, 2019)

As of April 30, 2019, Toronto Public Health is projecting a favourable gross expenditure variance of $3,056.8 thousand (1.2 percent) and an unfavourable revenue variance of $28,342.6 thousand (14.9 percent), resulting in a net unfavourable variance of $25,285.8 thousand (39.2 percent).

The projected gross expenditure variance is $3,056.8 thousand (1.2 percent) due to cost containment measures that have been implemented in response to the Province's changes to the provincial-municipal cost-sharing funding formula for MOHLTC programs. The gross variance is split between Salaries and Benefits in the amount of $2,162.6 thousand and non-payroll expenditures in the amount of $894.2 thousand.

The unprecedented and unexpected announcement in the 2019 Provincial Budget along with the manner in which information is being shared with TPH has created a high level of uncertainty in how TPH will fulfill its obligations under the Ontario Public Health Standards. Based on the best available information, TPH has calculated that the changes to the provincial-municipal funding formula will result in a loss of $65 million in provincial funding. In order to maintain the 2019 Council Approved Operating budget of $255,279.2 thousand, the City of Toronto will need to increase its contribution to TPH's 2019 Operating Budget by $25,285.8 thousand to fill the gap created by the $65 million loss in provincial funding as shown in the following chart.

Chart 1: Revenues Associated with the Ministry of Health and Long-Term Care Programs and Services Affected by the Change to the Provincial-Municipal Cost-Sharing Funding Formula



The increase in the City's contribution to maintain TPH's budgeted gross expenditure is reflected in a projected unfavourable revenue variance of $28,342.6 thousand. The $3,056.8 difference between the unfavourable revenue variance of $28,342.6 thousand and the $25,285.8 thousand in additional contribution required from the City is the savings expected to be achieved through cost containment measures.

Additional details on the gross expenditure, revenue, and net expenditure are outlined in Attachment 1: TPH Operating Variance Submission for Four Months Ended April 30, 2019.

Subsequent Event

On May 27, 2019, the Province communicated its intent to reverse the retroactive funding cuts to public health announced in the 2019 Provincial Budget thus reverting back to the funding arrangement that had been in place prior to the budget announcement for their fiscal year of 2019-20. The financial information presented above reflects TPH's financial position of April 30, 2019. The financial impact of the May 27, 2019 announcement will be captured in the next operating budget variance report to be presented to the Board of Health.

CONTACT

Althea Hutchinson, Director, Finance & Administration, Toronto Public Health
Tel: 416-338-7840, Email: Althea.Hutchinson@torornto.ca

SIGNATURE

Dr. Eileen De Villa
Medical Officer of Health

ATTACHMENTS

Attachment 1: Toronto Public Health Operating Variance Submission for the Four Months Ended April 30, 2019