



REPORT FOR ACTION

Toronto Public Health Operating Budget Variance for the Six Months Ended June 30, 2019

Date: August 28, 2019
To: Board of Health Budget Committee
From: Medical Officer of Health
Wards: All

SUMMARY

This report provides an update to the Board of Health Budget Committee on Toronto Public Health's (TPH) 2019 Operating Budget.

As of June 30, 2019, in comparison to the Operating Budget approved by Council, TPH's gross expenditure was underspent by \$1,430.6 thousand (1.3 percent) and revenues were lower than budgeted by \$1,316.8 thousand (1.5 percent) resulting in a net favourable variance of \$113.7 thousand (0.5 percent).

TPH is forecasting an operating variance for year ending December 31, 2019 of \$2,486.0 thousand (1.0 percent) underspent for gross expenditures, \$2,475.7 thousand (1.3 percent) lower than budgeted for revenues, which will result in a net favourable variance of \$10.3 thousand.

RECOMMENDATIONS

The Medical Officer of Health recommends that:

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

FINANCIAL IMPACT

As of June 2019, TPH's gross expenditure was underspent by \$1,430.6 thousand (1.3 percent), revenues are lower than budget by \$1,316.8 thousand (1.5 percent), resulting in a net favourable variance of \$113.7 thousand (0.5 percent).

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>

On July 16, 2019, City Council approved a budget reduction of \$0.754 million gross and net to TPH's 2019 Operating Budget to address the citywide budget reduction target of \$10 million.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.18>

COMMENTS

Toronto Public Health's 2019 Council Approved Operating Budget was reduced by \$754.0 thousand gross and net by Council on July 16, 2019. This approval, in addition to a minor administrative change for insurance reserve, changed TPH's Operating Budget to \$254,521.2 thousand gross and \$63,740.8 thousand net.

The 2019 Council-Approved Operating Budget is based on a funding arrangement that has existed between the City of Toronto and the Ministry of Health (the Ministry) since January 1, 2007. The funding arrangement provides for a provincial-municipal cost-shared funding model of 75% provincial/25% municipal, which is supplemented by 100% provincial funding for select programs and service enhancements.

Impact of Provincial Announcements on 2019 Operating Budget

In April 2019, in a series of budget releases, correspondences, and meetings, the Ontario Government announced its intention to change aspects of the funding arrangement, including changes to the cost-sharing funding ratio and reductions to funding for public health units over a three year period. On May 27, 2019, the Province announced a reprieve which applied only to the retroactive nature of the changes put forward in April 2019.

On August 20, 2019, TPH received its 2019 Accountability Agreement from the Ministry. Prior to receiving the Accountability Agreement, TPH was operating under the premise that the total 2019 Ministry-approved allocation would be \$190.0 million. As outlined in Table 1, the actual 2019 Ministry-approved allocation for TPH is \$191,101.9 thousand, of which \$147,860.3 thousand will be funded by the Ministry. The Ministry's portion of the 2019 approved budget is \$1,055.1 thousand lower than the amount expected and approved by Council.

Also outlined in Table 1, there is a budget pressure related to operation of the supervised injection services (SIS). In 2018, in response to the Province's intention to transition to a new Consumption and Treatment Service (CTS) program model, TPH submitted an application for a CTS. In March 2019, the Ministry notified TPH that the submitted application was under review, and subsequently issued an interim funding

letter for the continued operation of the SIS during the review period. The interim funding is lower than the funding provided by the Ministry in 2018 and lower than the funding requested in the CTS application. This lower amount results in a funding pressure of \$236.7 thousand for the SIS.

Table 1: 2019 Financial Pressure

(\$000s)	Ministry of Health			City - Cost Shared Programs ¹	Total
	Cost Shared Programs	100% Funded Programs	Total		
Accountability Agreement					
Ministry of Health ²	129,724.7	18,135.6	147,860.3	43,241.6	191,101.9
City Council ³	130,779.8	18,130.6	148,910.4	43,593.3	192,503.7
Ministry of Health Funding Shortfall	(1,055.1)	5.0	(1,050.1)		(1,050.1)
City's Additional Investment ⁴				351.7	351.7
Supervised Injection Services ⁵		(236.7)	(236.7)		(236.7)
Financial Pressure	(1,055.1)	(231.7)	(1,286.8)	351.7	(935.1)

Notes:

- ¹ The City - Cost Shared Programs is the City's 25% matching contribution for the programs that are cost shared with the province.
- ² The 2019 Budget approved in the Ministry of Health Public Health Funding and Accountability Agreement (the "Accountability Agreement") with the Board of Health for the City of Toronto Public Health Unit received on August 20, 2019.
- ³ The 2019 Budget approved by City Council on March 7, 2019 for programs governed by the Accountability Agreement.
- ⁴ The investment in TPH approved by City Council in excess of the amount expected by the Ministry to match its approved budget for TPH.
- ⁵ Budget pressure related to the review of TPH's Consumption Treatment Sites application.

Toronto Public Health is forecasting a funding shortfall of \$935.1 thousand for programs governed under the Accountability Agreement, as summarized in Table 1 above. The City of Toronto's Municipal Code Chapter 71, Financial Control section 71.8 (2) states that "division heads shall ensure that expenditures do not exceed the approved program budget" and 71.8(4) states that "division heads must review expenditure levels to address revenue shortfalls". To this end, TPH has initiated a number of steps to address the anticipated loss in provincial revenues and a projected pressure related to the SIS. These steps are primarily focused on monitoring and limiting discretionary spending as well as through attrition.

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

As of June 30, 2019, gross expenditure was underspent by \$1,430.6 thousand (1.3 percent) and revenue was lower than budgeted by \$1,316.8 thousand (1.5 percent), resulting in a net favourable variance of \$113.7 thousand (0.5 percent), as outlined in Table 2 below.

Table 2: 2019 Operating Budget Variance

	As of June 30, 2019				As of December 31, 2019			
	Budget	Actual	Variance		Budget	Projection	Variance	
			Over / (Under)				Over / (Under)	
	(\$000s)		%	(\$000s)		%		
Gross Expenditure	109,937.1	108,506.5	(1,430.6)	(1.3)	254,521.2	252,035.2	(2,486.0)	(1.0)
Revenue	87,588.1	86,271.3	(1,316.8)	(1.5)	190,780.4	188,304.7	(2,475.7)	(1.3)
Net Expenditure	22,349.0	22,235.3	(113.7)	(0.5)	63,740.8	63,730.5	(10.3)	(0.0)

The gross expenditure variance of \$1,430.6 thousand (1.3 percent) is attributed to lower than budgeted spending in non-payroll expenditures by \$1,107.7 thousand and salaries and benefits by \$322.9 thousand.

The non-payroll variance of \$1,107.7 thousand is mainly due to the cost containment measures that have been implemented in response to the uncertainty around the funding from the Ministry for 2019, as noted above.

Revenue was under budget by \$1,316.8 thousand (1.5 percent) mainly due to the uncertainty regarding provincial funding.

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 Six Months Ended June 30, 2019.

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

As noted above, TPH anticipates a shortfall in provincial funding. In accordance with the City of Toronto Municipal Code Chapter 71, TPH has implemented cost containment measures. As a result of the cost containment measures, TPH is projecting a favourable variance of \$2,486.0 gross or \$10.3 thousand net at year end.

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

CONTACT

Althea Hutchinson, Director, Finance and Administration, Toronto Public Health,
416-338-7840, Althea.Hutchinson@toronto.ca

SIGNATURE

Dr. Eileen De Villa
Medical Officer of Health

ATTACHMENTS

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