

TITLE: **2025 Budget**

TO: Board of Health

FROM: Matthew Vrooman, Director of Corporate Services

DATE: November 21, 2024

APPROVED BY: Dr. N. Bocking, MOH and CEO

IN CAMERA?

Yes

No

Background

The majority of Haliburton, Kawartha, Pine Ridge District Health Unit's (HKPRDHU) base funding, also referred to as "cost-shared" funding, is received from the Ministry of Health. This grant is used to fund program requirements outlined by the Ontario Public Health Standards (OPHS). A global amount is provided by the Ministry of Health and the organization has flexibility to allocate across different programs based on need while still meeting program requirements. This base funding is "cost-shared" with the funding contributions from Haliburton County, Northumberland County, and the City of Kawartha Lakes.

HKPRDHU also receives funding from the Ministry of Health that is dedicated to specific programs supported at 100%. These programs include the Ontario Seniors Dental Care Program and the Medical Officer of Health/Associate Medical Officer of Health Compensation Initiative. Funding now being received for the new Central East Infection Prevention and Control (IPAC) Hub, jointly led by HKPRDHU and Peterborough Public Health, also falls in this category. Funding under this category can only be used for the program designated by the Ministry of Health.

Historically, the Ministry of Health has allowed health units to apply for "one-time funding" in their annual budget submissions. HKPRDHU has relied on one-time funding for programs such as public health inspector practicum students, the needle exchange program and other infrequent investments such as new vaccine refrigerators. One-time funding can only be used for the purpose specified in the budget submission.

The Ministry of Children, Community and Social Services (MCCSS) provides 100% funding specific to the Healthy Babies Healthy Children (HBHC) program.

Provincial Planning Context for 2025 Budget Development:

The province has communicated the following regarding planning for 2025:

- The provincial base contribution is 1% applied to the total of our 2024 base funding.
- There will be limited one-time funding opportunities other than small items such as public health

inspector (PHI) practicum students, etc.

Furthermore, the province is undertaking a review of the OPHS. The possible outcome of this review is that some program and service requirements may be removed with a subsequent expectation of health units to reallocate funds internally to relieve pressure in other program areas. The first draft of the revised OPHS that was circulated to health units for comment, however, did not see any program areas significantly change. The timing of release of the final new standards has not been confirmed and is anticipated to be sometime during 2025.

Finally, the province is undertaking a review of the funding formula for provincial contributions to health units. Information on the details of this, including content and timeline for release/implementation, are unknown at this point.

Additional Pressure Points and Assumptions for 2025 Budget Development:

- Our collective agreements expired at the end of 2023. The ONA collective agreement was ratified in the Summer of 2024.
- Our insurance broker has forecasted a slight increase in benefit premium expenditures starting April 1, 2025.
- Certain OPHS program areas continue to experience significant pressure related to the addition of work associated with provincial priorities. These include:
 - Vaccine Preventable Diseases: The health unit is responsible for the management and distribution of COVID-19 vaccines for primary care as well as the new provincial program for both adult and infant/child vaccines for respiratory syncytial virus (RSV).
 - Emergency Preparedness: A new Emergency Management Guideline added additional requirements for health units to support fall respiratory preparedness.
 - Substance Use Prevention and Harm Reduction

Measures Taken to Decrease Expenditures:

- Program Based Marginal Analysis (PBMA) – The benefits associated with PBMA initiated in 2023 have been realized throughout 2024. In 2023 each program area at HKPRDHU completed an exercise in activity prioritization and identification of interventions/activities that could be disinvested should we have insufficient resources. In addition, each program area was tasked with developing a list of at least 2 efficiency opportunities. Through this process, we identified savings in the following areas:
 - Travel costs – in our new hybrid work environment travel costs have decreased significantly.
 - Supply costs – teams identified items considered non-essential (e.g. tick removal keys) and items no longer needed due to the hybrid work environment.
- Gapped/unfunded positions - the Executive Committee has identified several permanent positions that have become vacant (either through employee movements to other positions, retirements, or parental

Budget Overview

leaves) that will remain vacant/unfunded for 2025. The 2024 budget included 4 unfunded/vacant permanent positions, and these will remain vacant. An additional 2 permanent positions became vacant throughout 2024, and these will also be left vacant for 2025. While gapping positions provides an opportunity for savings related to permanent salaries, it also increases pressures on program areas. As a result of gapping for 2025, the Health Unit will be doing less work in the areas of injury prevention, physical activity promotion, healthy eating promotion and school health promotion.

Summary of Cash Surplus Status:

As per HKPRDHU policy 3.70.90 (Reserve Fund), the Board of Health will maintain a Reserve Fund that will be not less than 75% of one month's operating expenses. Replenishment of the Reserve Fund will occur through the transfer of unspent municipal funds from the annual operating surplus, at the discretion of the Board of Health in consultation with the Health Unit's auditor. Based on average 2024 expenditures and our anticipated 2025 budget, the Reserve Fund for 2025 should remain at least \$1,386,022, which is 75% of one month's operating expenses.

In addition to our formal Reserve Fund, HKPRDHU also has a small additional cash surplus. This surplus excludes the Reserve Fund and excludes any future liabilities that the Board is responsible for (e.g. future employee benefits, capital assets, etc.). This cash surplus accumulated prior to the year 2020 and consists of unused funds from obligated municipalities.

In our 2024 budget, the Board approved \$500,000 to be taken from cash surplus to support strategic plan initiatives. However, in-year position vacancies and other found operational efficiencies were able to fund strategic plan related work. As such, only approximately \$188,000 of the \$500,000 is expected to be utilized by the end of 2024. In addition, HKPRDHU bank accounts are anticipated to earn approximately \$290,000 in interest throughout 2024. As per Ministry correspondence, if surpluses are a result of municipal funding surpluses prior to 2020, the Ministry does not require interest earned on these funds to be reported as offset revenue. As of October 31, only 19.8% of this interest needs to be reported to the Ministry and used to offset 2024 costs in the cost-shared budget. As such, the remaining amount (approximately \$230,000) can be added to the organization's cash surplus.

Should the Board of Health decide to offset pressures faced in our 2025 budget, approximately \$1,496,197 is available (Table 1).

Table 1. Projected Cash Surplus at December 31, 2024

General Bank Account per Balance Sheet (Oct. 31/24)	\$ 4,910,276	
Community Partners Bank Account	65,667	
Reserve Bank Account	1,614,112	
	\$6,590,055	
Less:		
Accounts Payable and Accruals		\$1,757,295
Employee Future Benefits		1,767,498
Due to Province		814,010
Deferred Revenue		304,126
Vacation Accruals		197,102
Community Partners		65,360
Projected Deficit		188,467
		-\$5,093,858
Net Cash Balance (Cash Surplus)	\$1,496,197	

Highlights from 2025 Recommended Budget:

The proposed 2025 budget is detailed in Table 2 and 3.

- The proposed 2025 budget reflects a less than 1% increase from 2024 (total increase of \$161,972).
 - While salaries and benefits reflect a 3.65% increase from 2024, this has been offset by savings found mainly in travel and supplies.
 - Investments made in 2023/24 in computer equipment and office furniture have enabled these line items to have a lower amount for the 2025 budget.
- Expenditures will support maintaining our current level of service to communities.
- The levy increase to municipalities is minimized by use of cash surplus. The increase to municipal contributions to balance the budget, without use of cash surplus, would be \$297,089.

Table 2. Detailed Description of Anticipated 2025 Revenue

Item	2025	2024	Change	Comments
Provincial Cost-Shared Base Funding	13,081,722	12,952,200	1% ↑	
Northumberland County	2,894,975	2,757,119	5% ↑	
CKL	2,567,203	2,444,955	5% ↑	
Haliburton County	666,396	634,663	5% ↑	
MCCSS (HBHC)	1,088,967	1,071,608	1.62% ↑	
100% Provincially Funded				
Ontario Seniors Dental Program	1,185,500	1,185,500	--	No change.
MOH Compensation Initiative	79,000	79,000	--	No change.
One Time Funding Requests		150,700		Presently, there are no opportunities to request one-time funds
Other Provincial Grants				
IPAC HUB	247,000			IPAC HUB has replaced the Hub and Spoke program
Recovery	274,500	290,500	6% ↓	Recovered funds from vaccines, misc. revenue and interest earned on cash reserves. Anticipating continued lowering of interest rates.
Excess Revenue (Reserve Fund)	297,089	500,000	41% ↓	Internal funding from reserve to offset deficit.
TOTAL	22,382,353	22,220,381		

Table 3. Detailed Description of Anticipated 2025 Expenditures

Item	2025 Budget	2024 Budget	Change	Comments
Permanent Salaries	12,408,337	11,845,774	3.65% ↑	2 new permanent positions were created with IPAC Hub funding. New collective agreements with bargaining units resulted in increased wages.
Contract Salaries	229,915	468,551	51% ↓	Given the loss of one-time funding and fiscal constraints, fewer contracts will be offered once current contracts expire.
Benefits	3,791,476	3,655,005	3% ↑	Reflects 3% inflationary increase.
Travel	272,950	337,932	19% ↓	Budgeted travel expenditures are 19% less than budgeted in 2024. This reflects less travel needed for immunization clinics as well as decreased travel associated with a hybrid work environment.
Fees for Service	1,584,861	1,653,835	6% ↓	This is largely funds for the Ontario Seniors Dental Care Program which flows directly to partner organizations. The reduction reflects reallocation of some expenses to more appropriate expense lines.
Professional Development	92,350	99,833	.07% ↓	Reflects a slight decrease in the amount allocated per employee.
Supplies	210,315	302,413	30% ↓	Reflects a decrease in supplies as a result of PBMA.
Administrative	58,280	75,000	22% ↓	Reflects a potential decrease to payroll costs.
Insurance	245,000	250,000	2% ↓	
Occupancy Costs	2,497,268	2,409,426	3% ↑	Reflects inflationary increase.
Communication Costs	177,000	214,800	18% ↓	Includes costs associated with phone lines, cell phones and internet. The decrease reflects efficiencies found by replacing our existing wide area network with direct to office fibre optic internet connections.
Computer Support	540,000	572,400	6% ↓	The Health Unit has a managed service provider for IT that is costed on a per person basis. The decrease reflects a decreased head count at the Health Unit. We should note however, that the increase in cyber and other computer related crimes coupled with remote work have drastically changed the way companies conduct business.
Equipment	195,600	238,612	18% ↓	Reflects investments made in 2023/24 resulting in less equipment to be purchased in 2025.
MOH Compensation Initiative	79,000	79,000	--	No change.
New Vaccine Refrigerators	0	17,800	--	Not required for 2025.
TOTAL	22,382,353	22,220,381		

Budget Overview

Recommendations to Board of Health

THAT the Board of Health receive the briefing note, 2025 Budget, for information and approve the 2025 budget for a total amount of \$22,382,353.