

Report To: Finance Committee, Board of Health
Submitted by: Dr. Nicola Mercer, Medical Officer of Health & CEO
Subject: **2016 YEAR-END TRANSFERS TO RESERVE FUNDS AND STATUS OF FACILITIES RESERVE FUNDS IN COMPARISON WITH RESERVE FUND PLAN**

RECOMMENDATION(S):

- (a) That the Finance Committee makes recommendation to the Board of Health to receive this report, as presented, for information.
- (b) That the Finance Committee makes recommendation to the Board of Health to approve the transfer of any remaining year-end surplus into the Reserve for Contingencies.

BACKGROUND:

Reserve funds are a tool for accumulating cash for future capital disbursements and other permissible expenditures of the organization. They allow Wellington-Dufferin-Guelph Public Health (WDGPH) to plan ahead and systematically save for a specific purpose or project and to smooth the financial impact over multiple years. Reserve funds can also help protect the organization against risks (such as a potential lawsuit or a major funding reduction).

The nature of provincial funding for Public Health makes it difficult to plan beyond the current fiscal year due to the requirement to use provincial funds prior to year-end or return them. Late in the year, provincial funding approvals exacerbate this as public health units operate with an uncertain level of funding for eight to ten months of every fiscal year. This funding timeline creates a challenge in developing an organizational multi-year business strategy and medium to long term financial plan. It is also difficult to execute a multi-year project and maximize value for money without the use of reserve funds. These factors may adversely impact overall organizational success in achievement of strategic objectives that usually span a five year period.

WDGPH maintains the following reserve funds:

- Guelph Facilities Reserve – for the purpose of funding future major capital repairs and maintenance to the WDGPH owned facility at 160 Chancellors Way, in Guelph, created in 2014 as per Finance Committee Report BH.04.MAR1016.R04 - Facilities Reserve Funds.
- Orangeville Facilities Reserve – for the purpose of funding future major capital repairs and maintenance to the WDGPH owned facility at 180 Broadway, in Orangeville, created in 2014 as per Finance Committee Report BH.04.MAR1016.R04 - Facilities Reserve Funds.
- Facilities Reserve (general) – for the purpose of constructing the two Board of Health owned facilities at 180 Broadway, in Orangeville and 160 Chancellors Way, in Guelph. The remaining balance in this reserve fund will be paid out to the three municipal partners as lump

sum loan repayments as per a motion passed at the December 7, 2016 Board of Health meeting following the final reconciliation of the first Quarter 2017.

- Reserve for Contingencies – general reserve fund.
- Reserve for Information Technology (IT) – to facilitate capital budgeting for future major IT related capital expenditures (software, hardware, and infrastructure).

PUBLIC HEALTH AND/OR FINANCIAL IMPLICATIONS:

2016 Year-end Transfers to Reserves

As directed by Board of Health motion, on December 7, 2016, \$67,000 from the year-end surplus has been transferred into the new Fluoride Varnish Reserve for the expansion of the program to five (5) additional high-risk schools.

Management recommends transferring any remaining year-end surplus into the Reserve for Contingencies at December 31, 2016. Currently, this stands at approximately \$40,000, but is subject to change as a result of one-time grants pending approval and any adjustments required by the Auditor. These funds would assist in smoothing the challenge of developing an organizational multi-year business strategy and medium to long term financial plan. It will also assist in executing a multi-year project and maximizing value for money.

Status of Guelph and Orangeville Facilities Reserves in Comparison with Board of Health Reserve Fund Plan

The Guelph and Orangeville Facilities Reserve Funds were created by the Board of Health in December 2014, in compliance with Section 6.9 of the Ontario Public Health Organizational Standards and Board of Health By-law No. 3 (Property).

The Board of Health Reserve Fund Plan was developed by the Altus Group Limited and outlines the estimated annual expenditures from the Reserves and the projected annual contributions to the Reserves required to have sufficient funds to meet future requirements. This approach ensures that when major capital repairs or replacements are required, such as a new roof or replacement of elevators, there will not be a significant one-year impact on the operating budget of the organization.

In 2016, lower than estimated interest was earned on the Guelph and Orangeville Reserve Funds and, as a result, additional capital contributions were required to reach the required closing balance at the end of the year, as follows:

Additional capital contribution to Guelph Facilities Reserve: \$556

Additional capital contribution to Orangeville Facilities Reserve: \$453

The 2016 transactions in WDGPH's Guelph and Orangeville Facilities Reserve Funds are as follows:

Reserve	Opening Balance	Contributions to Reserve	Disbursements from Reserve	Interest Earned	Closing Balance
Guelph Facilities Reserve	\$736,169	\$256,808	\$0	\$9,265	\$1,002,242
Orangeville Facilities Reserve	\$429,026	\$117,595	\$0	\$5,118	\$551,739

The balances in WDGPH's Reserve Funds for Guelph and Orangeville facilities, as of December 31, 2016, in comparison with the closing balance required per the Board of Health approved Reserve Fund Plans, are as follows:

Reserve Fund	Actual Balance at December 31, 2016	Balance required in fund as of December 31, 2016, per BOH Reserve Fund Plan	Difference
Guelph Facilities Reserve Fund	\$1,002,242	\$1,002,242	\$0
Orangeville Facilities Reserve Fund	\$551,739	\$551,739	\$0

WDGPH is in full compliance with the Board of Health approved Reserve Fund Plan as of December 31, 2016.

APPENDICES

NONE.

REFERENCES

NONE.

Prepared by:
Shanna O'Dwyer,
Manager, Finance

Reviewed by:
Elizabeth Bowden, Interim
Director of Administrative
Services

Original Signed Document on File

Approved by:
Dr. Nicola Mercer,
Medical Officer of Health &
CEO