

**Report To:** Finance + Audit Committee, Board of Health  
**Submitted by:** Dr. Nicola Mercer, Medical Officer of Health & CEO  
**Subject:** RESERVES AND RESERVE FUNDS STATUS AS AT DECEMBER 31, 2020

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**RECOMMENDATION(S):**

- (a) That the Finance + Audit Committee makes recommendation to the Board of Health to receive this Report, as presented, for information.
- (b) That the Finance + Audit Committee makes recommendation to the Board of Health to approve the transfer of the \$54,590 Cost-Shared Mandatory Programs surplus to the Contingency Reserve Fund.

**BACKGROUND:**

Reserves and Reserve Funds are tools used to accumulate cash for future capital disbursements and other permissible expenditures of the organization. These resources 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. They can also help protect the organization against risks, such as a potential lawsuit or a major funding reduction.

**Reserve Fund** refers to a discretionary fund with assets restricted for a specific purpose. It is based on a Board of Health (BOH) By-law or defined liability payable in the future and is usually prescriptive as to the basis for collection and use of monies in the fund. It is used to earmark revenue to finance a future expenditure and to set aside a certain portion of annual revenue so that funds are available, as required.

**Reserve** refers to an allocation from net revenue that is made at the discretion of the BOH as part of an overall strategy for funding programs or projects that are set out in annual budgets or budget forecasts. It has no reference to any specific asset as in the case of a reserve fund. A reserve may be established for a predetermined purpose and applied for that purpose at the discretion of the BOH.

**Reserve Funds**

WDGPH maintains the following Reserve Funds:

- Guelph Facilities Reserve Fund – for the purpose of funding future major capital repairs and maintenance to the WDGPH owned facility at 160 Chancellors Way, in Guelph.
- Orangeville Facilities Reserve Fund – for the purpose of funding future major capital repairs and maintenance to the WDGPH owned facility at 180 Broadway, in Orangeville.

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

The BOH Reserve Fund Plan was developed by the Altus Group Limited and outlines the estimated annual expenditures from the Reserve Funds and the projected annual contributions to the Reserve Funds 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.

The 2020 transactions in WDGPH's Guelph and Orangeville Facilities Reserve Funds are as follows:

Reserve	Opening Balance	Contributions to Reserve	Disbursements from Reserves	Interest Earned	Closing Balance
Guelph Facilities Reserve	\$ 255,309	\$266,657	NIL	\$ 5,141	\$ 527,107
Orangeville Facilities Reserve	\$ 200,028	\$121,917	NIL	\$ 4,028	\$ 325,973

The balances in WDGPH's Reserve Funds for Guelph and Orangeville facilities, as of December 31, 2020, in comparison with the closing balance required per the BOH approved Reserve Fund Plans, are as follows:

Reserve Fund	Actual Balance at December 31, 2020	Balance required in fund as of December 31, 2020, per BOH Reserve Fund Plan	Difference to be funded
Guelph Facilities Reserve Fund	\$ 527,107	\$ 2,092,491	\$ 1,565,384
Orangeville Facilities Reserve Fund	\$ 325,973	\$ 1,037,586	\$ 711,613

As referenced above, the Altus Group conducted a capital reserve fund study for WDGPH in 2014. At that time, it was recommended that the annual contribution amounts to each reserve fund should be re-evaluated in the future.

## **Reserves**

In addition to the Guelph and Orangeville Facilities Reserve Funds, WDPGH had the following reserves as of December 31, 2020:

- Reserve for Contingencies – general/working reserve;
- Reserve for Information Technology (IT) – to fund future major IT related capital expenditures (software, hardware, and infrastructure);
- Reserve for Fluoride Varnish Program – to fund costs associated with providing fluoride varnish applications to students at five additional high-risk elementary schools across Wellington-Dufferin-Guelph; and
- Reserve for Poverty Elimination Task Force (PETF) – this reserve belongs to the Poverty Elimination Task Force, a community collaborative that is housed at WDGPH. These funds have

been set aside by the Task Force to offset any potential costs that may be incurred by WDGPH should the Task Force discontinue operations or incur other unexpected costs.

The transactions in these reserves, in 2020, and balances as of December 31, 2020, were as follows:

Reserve	Opening Balance	Contributions to Reserve	Disbursements from Reserve	Interest Earned	Closing Balance
Contingencies	\$ 385,512	\$ 254,590 <sup>(1)</sup>	NIL	\$ 7,526	\$ 647,628
Information Technology	\$ 154,889	NIL	NIL	\$ 3,119	\$ 158,008
Fluoride Varnish Program Expansion	\$ 70,484	NIL	NIL	\$ 1,419	\$ 71,903
Poverty Elimination Task Force	\$ 38,390	\$ 10,000	NIL	\$ 773	\$ 49,163

- (1) Comprised of \$200,000 BOH-approved transfer, based on previously estimated surplus in Q2/Q3 reports. The remaining contribution represents the final 2020 surplus of \$54,590 (pending approval by BOH).

## **PUBLIC HEALTH AND/OR FINANCIAL IMPLICATIONS:**

### **2020 Year-end Transfers to Reserves**

WDGPH Management recommends transferring the year-end surplus into reserves as follows:

- Transfer \$54,590 into the Reserve for Contingencies as of December 31, 2020.

## **REFERENCES**

WDGPH By-Law No. 3 – Being a By-Law Relating to Property;  
CA.45.01.514 - Reserves and Reserve Fund Policy; and  
CA.45.02.514 - Reserves and Reserve Fund Procedure.

## **APPENDICES**

N/A.

*Original Signed Document on File*

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