

**Finance + Audit Committee Report BH.04.SEP0821.R07**  
**September 8, 2021**

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**Report to:** Finance + Audit Committee, Board of Health  
**Prepared by:** Rob Cunnington, Chief Financial Officer  
**Approved by:** David Kingma, Director Administrative Services and CAO  
**Submitted by:** Dr. Nicola Mercer, Medical Officer of Health & CEO  
**Subject:** **Financial Update**

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## Recommendations

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That the Finance + Audit Committee makes recommendation to the Board of Health to receive this report, as presented, for information.

## Background

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As Wellington-Dufferin-Guelph Public Health (WDGPH) has responded to the pandemic there have been a number of factors that have impacted both the 2021 Budget and the Finance Team. This report is intended to serve as an update to the Finance and Audit Committee (Board of Health) on the more significant of these items.

### A. COVID-19 Financial Reporting

The Finance Team has been in regular communications with the Ministry of Health (Ministry) since WDGPH enacted internal emergency operations procedures (IMS, Incident Management System) at the beginning of the pandemic in February 2020. Regular financial reports have been provided to the Ministry on COVID-19 expenditures incurred throughout this period. Costs for the Agency's COVID IMS response during 2020 were eligible for reimbursement for up to 100% but were offset by the Agency's ability to allocate \$800k of its 2020 Cost-Shared Mandatory budget towards these costs. As a result, total COVID-19 costs of approximately \$2.8M were reimbursed to the Agency in 2021 (\$2.05M in late January and the remaining \$0.75M in May).

Early in the 2021 fiscal year, the Ministry similarly indicated that it would assist public health units (PHUs) with reimbursement of COVID-19 pandemic response expenditures for 2021, with a pivot to the vaccination phase of the pandemic. The Ministry requested

that each PHU project their estimated COVID-19 costs for the full 2021 fiscal year and submit this as part of the annual 2021 Annual Service Plan and Budget in early April. WDGPH's budget included a total of approximately \$9.5M in estimated COVID-19 costs, split between Vaccination and General COVID-19 programs.

The Ministry delivered Minister approval letters on July 21, 2021 to all PHUs which for WDGPH included approval of a "one-time extraordinary" COVID-19 expenditure reimbursement totalling approximately \$4.6M. While this only represents around 50% of WDGPH's original budget request, the Ministry has assured all PHUs that additional "extraordinary" funding will be granted once each Agency reports their actual expenditures as part of the quarterly reporting process. The first advance for the expenditure reimbursement was deposited the week of August 9<sup>th</sup>.

## **B. Cashflow Challenges in 2021**

With the Ministry approval of the "one-time extraordinary COVID-19" funding for 2021 not occurring until summer 2021, it became apparent that, like other PHU's in the province, WDGPH could not sustain the significant COVID-19 expenditures that continued to occur in excess of the Agency's annual budgeted resources. Additional cashflow assistance was required to maintain pandemic response levels. In March 2021, the Finance team conducted an analysis of the Agency's cashflow needs to determine whether the Agency's resources were adequate to manage necessary expenditures such as bi-weekly payroll and the mass vaccination clinic costs. For context, the Agency had already added more than 200 recruitment transactions to the existing workforce by that time.

WDGPH's analysis confirmed the need for additional cash resources and options were reviewed with the Ministry. These options included: 1) the Ministry advancing future monthly base funding payments ahead of normal schedule; 2) the Agency requesting an increase to current banking overdraft/line of credit; 3) the Agency requesting advanced payments of quarterly base funding from municipal partners.

Senior Leadership elected to request an advance of the Ministry's December 2021 base funding. This request was approved quickly by the Ministry and funds were flowed within a few weeks. While helpful, this did not adequately cover the Agency's projected cashflow needs over the next number of months and further assistance was required. As a result, a request was also made to increase the Agency's Line of Credit with TD Bank from \$0.5M to \$3M. This has / would allow the Agency to continue operations without potential cashflow breaks (see more details in BOH report BH.04.SEP0821.R08 Increase to TD Bank Line of Credit).

### **C. Budgeting for the 2022-23 Fiscal Years**

WDGPH staff have started the early phases of the annual budgeting process. The City of Guelph has initiated a new multi-year approach to budgeting where the City Council will approve a two-year budget, including both 2022 and 2023. This is a significant change from prior years but is consistent with a growing trend among many public sector organizations, and it aligns with three of WDGPH's strategic guiding values: value for money, flexibility, and integrity. The Finance team is in communication with senior staff from all three municipalities to confirm the requirements and timelines of this year's budget process and are working towards finalizing the draft which will be presented to the Board of Health for approval at the November meeting.

### **D. Status of New ERP Finance System**

As previously discussed with the Board of Health, WDGPH underwent a process in late 2018 to find a provider for a new Finance/HR system to upgrade the Agency's older legacy systems that had become problematic and were unable to support organizational objectives. The replacement provider, Sparkrock 365, began work with WDGPH staff in the summer of 2019 to plan implementation. The plan at that time was to have the Finance component fully designed, tested and implemented by mid-2020.

However, with the prospect of Public Health Transformation and the onset of the COVID-19 pandemic, plans for the implementation were put on hold indefinitely. Despite these circumstances, within a few months Senior Leadership decided that the Agency's legacy finance systems could not wait to be replaced given the growing financial reporting requirements arising from the pandemic response, and the instability of the existing infrastructure. WDGPH re-engaged with Sparkrock 365 developers to continue the implementation. After a challenging number of months of system implementation efforts amidst the pandemic response, the new finance system went live on June 1<sup>st</sup>. The transition to Sparkrock 365 has been successful despite less-than-ideal project circumstances. The implementation of the HR component of Sparkrock 365 is tentatively planned for the first half of 2022 pending the overall environmental situation for WDGPH.

## **Public Health and/or Financial Implications**

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There are no significant financial implications for the Agency at this point in time. Finance will continue to give the Board of Health and its Committee members updates on all finance-related issues that arise.

## **References**

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None.