

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, 2019

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 \$59,274 Cost-Shared Mandatory Programs surplus to the Contingency Reserve Fund.
- (c) That the Finance + Audit Committee makes recommendation to the Board of Health to initiate an updated reserve fund study in response to the evolving operating context of the organization.

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 any years' revenues so that the 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 2019 transactions in WDGPH's Guelph and Orangeville Facilities Reserve Funds are as follows:

Reserve	Opening Balance	Contributions to Reserve	Disbursements from Reserves ⁽¹⁾	Interest Earned	Closing Balance
Guelph Facilities Reserve	\$1,564,160	\$264,017	(\$1,600,000)	\$27,132	\$255,309
Orangeville Facilities Reserve	\$1,061,429	\$120,710	(\$1,000,000)	\$17,889	\$200,028

(1) Represents the portion of Reserve balances utilized for the Facility Loan total repayment of \$5,100,000 to three municipalities in August 2019.

The balances in WDGPH's Reserve Funds for Guelph and Orangeville facilities, as of December 31, 2019, in comparison with the closing balance required per the BOH approved Reserve Fund Plans, are as follows:

Reserve Fund	Actual Balance at December 31, 2019	Balance required in fund as of December 31, 2019, per BOH Reserve Fund Plan	Difference to be funded
Guelph Facilities Reserve Fund	\$255,309	\$1,816,290	\$1,560,981
Orangeville Facilities Reserve Fund	\$200,028	\$917,229	\$717,201

In 2014, the Altus Group conducted a capital reserve fund study for WDGPH. At that time it was recommended that the annual contribution amounts to each reserve fund should be re-evaluated in the future. In addition By-Law No. 3 (Property) states that the reserve fund plan shall be updated from time to time. Based on this, WDGPH Management recommends that the BOH initiate an updated reserve fund study in response to the evolving operating context of the organization – and to help right-size the Agency's annual contributions to the facility reserve's funds.

Reserves

In addition to the Guelph and Orangeville Facilities Reserve Funds, WDPGH had the following reserves as of December 31, 2019:

- 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 – this reserve belongs to the Poverty Elimination Task Force, a community collaborative that is housed at WDPGH. These funds have been set aside by the Task Force in order to offset any potential costs that may be incurred by WDPGH should the Task Force discontinue operations or incur other unexpected costs.

The transactions in these reserves in 2019 and balances as of December 31, 2019 were as follows:

Reserve	Opening Balance	Contributions to Reserve	Disbursements from Reserve	Interest Earned	Closing Balance
Contingencies	\$1,750,155	\$59,274 ⁽¹⁾	(\$1,450,000) ⁽²⁾	\$27,018	\$386,449
Information Technology	\$1,187,063	\$0	(\$1,050,000) ⁽²⁾	\$17,826	\$154,889
Fluoride Varnish Program Expansion	\$68,990	\$0	\$0	\$1,494	\$70,484
Poverty Elimination Task Force	\$27,445	\$10,292	\$0	\$653	\$38,390

(1) Pending approval by BOH.

(2) Represents portion of Reserves utilized to make total \$5,100,000 repayment (in August 2019) to all three municipalities against the Facility Loans outstanding.

PUBLIC HEALTH AND/OR FINANCIAL IMPLICATIONS:

2019 Year-end Transfers to Reserves

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

- Transfer \$59,274 into the Reserve for Contingencies at December 31, 2019.

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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