



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2015 December 3

2016 BUDGET – PBMA PROPOSALS

Recommendation

It is recommended that the Finance & Facilities Committee:

- 1) Approve in principle PBMA investments totaling \$527,289 as identified in Appendix A to Report No. 31-15FFC, and further*
- 2) Approve in principle PBMA one-time investments totaling \$206,953 as identified in Appendix B to Report No. 31-15FFC, and*
- 3) Approve in principle PBMA disinvestments totaling \$281,597 as identified in Appendix C to Report No. 31 – 15FFC.*

Key Points

- There are total of 32 Program Budget Marginal Analysis (PBMA) proposals being recommended to be included in the 2016 budget.
- The schedule for the review and approval of the 2016 budget can be found in Appendix D.
- Appendix E highlights the current draft of expected changes to revenue and expenditures for the 2016 operating budget.

Background

At the November 5th Committee meeting the members received [Report No. 27-15FFC](#), re: “Proposed Resource Reallocation for the 2016 Budget” for information. The report outlined the processes used to identify various Program Budget Marginal Analysis (PBMA) proposals for consideration in the 2016 Health Unit budget. The report was a preliminary report as there were still consultations occurring and further refinements to some proposals.

Proposed PBMA Investments and Disinvestment Opportunities

There are a total of 32 proposals being recommended by the Senior Leadership Team (SLT) for inclusion into the 2016 Health Unit budget, 14 on-going investments (totaling \$527,289), 5 one-time investments (totaling \$206,953), and 13 disinvestments (totaling \$281,597). Description of the proposals have been included for investments ([Appendix A](#)), one-time investments ([Appendix B](#)), and disinvestments ([Appendix C](#)).

At the November meeting of the Finance and Facilities Committee (FFC), Members inquired about the PBMA proposal to make the Health Unit a living wage employer. Attached as [Appendix F](#) is Living Wage Canada’s business case for employers to pay a living wage.

2016 Budget Timetable

It is proposed ([Appendix D](#)) that the 2016 budget be reviewed by FFC during the first 3 meetings of 2016 and approved by the Board of Health on February 18, 2016.

2016 Budget Highlights

At the October 15th Board of Health meeting, the Board reviewed [Report No. 23-15FFC](#) and approved financial parameters for developing the operating budget. The budget will be developed assuming a 2% provincial increase on cost-shared funding and a 0% change to the municipal request. This provides an additional \$325,612 in provincial funding. It should be noted that the ministry continues to advise all public health units to plan for no growth for mandatory programs in 2016. Therefore, there is a level of uncertainty surrounding the estimated 2% provincial increase in cost-shared funding.

[Appendix E](#) provides a high level draft of expected revenue and expenditure changes for 2016, the details of which will be presented in the service area operating plans for consideration in January 2016. Included in the list is a \$25,225 reduction to the expected gapping budget. The expected gapping budget consists of estimated natural savings due to staff turnover, unexpected leaves of absences and other operational program changes. Currently the expecting gapping budget is approximately 2.4% of the overall Health Unit budget. In 2015 the Health Unit's budget was under significant pressure due to the expected shortfall in provincial revenue given ministry guidance to expect no change in funding. In 2014 we also ended the operating year with contributing \$23,932 less to the Technology & Infrastructure Reserve Fund than was planned. These experiences suggest that the budget for expected gapping of \$815,163 is too high. The PBMA process has also had a profound impact on the way we budget and plan program expenditures. As this process matures and there are less staffing changes year to year, less gapping can be expected. Reducing this budget would help relieve the uncertainty in provincial funding and assist the organization to ensure financial sustainability.

Conclusion

As part of the approved 2016 budget process, 32 PBMA proposals are being recommended to be included in the operating budget which will be presented to FFC early next year and approved by the Board on February 18, 2016.

This report was prepared by Mr. John Millson, Director of Finance & Operations.



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