

BRIEFING NOTE FA08-21

☒ For information ☐ For Approval

Date: September 22, 2021

Purpose: 2022 Preliminary Budget Issues Report

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INFORMATION

Report FA08-01 provides the District of Nipissing Social Services Administration Board (DNSSAB) with a preliminary update on the issues that will impact the 2022 budget.

BACKGROUND

As the 2022 budgeting process is scheduled to begin in the fall, it is timely to look at certain issues, concerns, and opportunities that will likely impact budget decisions. The following report provides the 2022 budget timetable and some highlights from the various program areas that will require consideration during the budgeting process. The aim of this report is to enhance communication and facilitate an effective budget development process. In order to develop a budget that is relevant, that will provide strong financial guidance, and that will be used to effectively manage risk, it is important to obtain a greater understanding of the elements that will influence the financial performance of the DNSSAB in 2022.

2022 BUDGET TIMELINE

The Finance & Administration Committee will be engaged in the budget process throughout the fall when necessary. It is suggested that the final budget be presented to the Board for approval at the December 15th, 2021 meeting.

	Sept	Oct	Nov	Dec
Preliminary Budget Issues Report	*			
Staff Budget Preparation	*	*	*	
Finance & Administration Committee (as required)		*	*	
Board Budget Approval				*

BUDGET GOALS

Staff remain cognizant of the mounting fiscal pressures on the DNSSAB's member municipalities to maintain service levels and minimize tax increases. Staff are also aware of the financial pressures facing DNSSAB clients and other Nipissing District residents.

In 2022, the DNSSAB will continue to see significant budget pressures due to the provincial funding changes that have been implemented over the last several years.

RELATIONSHIP TO THE DNSSAB'S STRATEGIC PLAN

The Strategic Plan 2020 has provided over-arching guidance to budget development for the past several years. A new strategic plan is currently being developed and will help guide future budgets. New initiatives will be assessed against the strategic plan to ensure they align with the adopted strategic direction of the Board. As well, priority initiatives and projects identified in the plan that require financial resources and Board support will be brought forward for discussion during the budget process.

BUDGET ISSUES AND CONSIDERATIONS

Ontario Works

Impact of Provincial Funding Changes

On August 12, 2021, the Ministry of Children, Community and Social Services (MCCSS) announced that the 2022 Ontario Works (OW) program delivery funding allocations will be maintained at the 2021 levels. This is to maintain stability while the ministry and municipalities work together to develop a new funding approach to reflect the broader social assistance system transformation (i.e. employment services transformation, centralized intake, etc.).

This will now be the fourth year (2019, 2020, 2021 and 2022) that funding has been frozen.

Despite the funding freeze, the DNSSAB still incurs annual inflationary increases in expenses such as collective bargaining increases, rent, utilities, etc. Therefore, the funding freeze shifts the burden of inflationary increases entirely to the municipal levy, whereas, these costs were historically split 50/50 with the Ministry. DNSSAB faces an approximate 2.5% – 3% annual increase in the cost of salaries and benefits for all departments due to the annual collective bargained increase of 1.5%¹ as well as step movements within the salary scales. A 2.5% or 3% increase to the OW salaries and benefits results in an annual levy increase of approximately \$127,500 to \$153,000 or 0.61% to 0.73%. It is anticipated that DNSSAB will be able to avoid any potential levy increases within the OW budget due to one-time costs built into the 2021 budget that will not be incurred in 2022.

¹ DNSSAB's two collective agreements expired December 31, 2020 and January 31, 2021 and are currently in negotiations so this is an estimate based on the most recent collective agreements.

Outcome Targets

MCCSS has also set aggressive outcome targets at a rate of 3% increases from the previous year. These aggressive outcome targets seem to be inconsistent with the funding changes to program delivery. The Province wants DSSABs/CMSMs to increase employment outcome targets, but is freezing the funding to the program delivery supports that are needed to achieve those targets. If program delivery supports are not maintained by the municipal levy, the DNSSAB would be more likely to incur penalties due to missed targets which would put more pressure on the municipal levy. This could result in a perpetual cycle of increasing financial burden on the municipal levy.²

COVID-19

COVID-19 has had a significant impact on employment assistance in 2020 and 2021 with the economy being shut down for various periods of time and few employment opportunities as a result.

Staff will continue to monitor trends and budget accordingly to respond to various potential scenarios.

² Outcome targets will likely change when the employment transformation is completed, but the timing for this unknown.

Children's Services

Impact of Provincial Funding Changes

The following points detail the Children's Services funding changes that were announced in 2019 from the Ministry of Education (EDU);

- **On January 1, 2020**, Consolidated Municipal Service Managers (CMSM) and District Social Services Administration Boards (DSSAB) will be asked to cost-share Expansion Plan operating funding at a rate of 80/20³ provincial/ municipal. Please note that while cost sharing continues to be encouraged, the ministry is committing to providing 80 percent of this funding regardless of the CMSM/DSSAB contribution.
- **The following year on January 1, 2021**, CMSMs/DSSABs will be asked to continue cost-sharing Expansion Plan operating funding at a rate of 80/20 and be required to cost share all administrative funding at a rate of 50/50; and
- **On January 1, 2022**, the threshold for allowable administrative funding CMSMs/DSSABs can spend on child care will be reduced from 10% to 5% in addition to the ongoing cost sharing requirements previously introduced.

For 2021, the province provided one-time funding to offset the administrative cost-sharing change that became effective January 1, 2021. Unless more funding of this nature is announced, this new cost share requirement will need to be added to the levy in 2022.

Similar to MCCSS, the EDU has committed to announcing funding allocations for the subsequent year in the fall of each year to better align provincial funding decisions with municipal/DSSAB budget cycles.

In regards to the announced changes above, based on the 2021 funding allocations, the increase to the municipal levy is estimated at \$73,464 (0.35%). However, it is unknown at this time how the EDU will implement the planned 2022 reduction in allowable administrative funding from 10% to 5%. If the 2022 funding change does not mitigate the impact of the 2021 funding change, as estimated above, there could be a municipal levy increase of approximately \$317,410 (1.52%). DNSSAB will need to wait for the funding details to be released by the EDU.

National Early Learning and Child Care Plan

During the 2021 budget release, the federal government announced plans for a National Early Learning and Child Care Plan. The goal is to bring fees for regulated child care down to \$10 per day on average within the next five years. Ontario has yet to finalize an agreement with the federal government for this plan.

With the upcoming Federal election, the development of this plan will depend on the newly elective government.

Liberal

- National Early Learning and Child Care Plan
- Aiming for a 50 per-cent cut in average fees by 2022 and to \$10 a day in 5 years (budget.gc.ca)

Conservative

- Cancel the National Early Learning and Child Care Plan
- Replace with refundable tax credits

NDP

- Relief funds to re-open non-profit childcare centres that closed during COVID-19
- Work with provinces to build a universal \$10 per day childcare system



Emergency Medical Services (EMS)

Impact of Provincial Funding Changes

Despite news that the Provincial government was intending to freeze EMS funding in 2019, the funding formula has stayed the same for 2019, 2020 and 2021 with the exception of the elimination of the annual incremental increase (see below). Therefore, it is expected that the funding formula will remain the same for 2022.

The way the Land Ambulance Service Grant (LASG) is calculated (in a simplified way) is that the DNSSAB essentially receives 50% of the previous year's approved budget plus a 100% portion to cover TWOMO and First Nations funding. Therefore, the 2022 50/50 provincial funding would be based on the 2021 budget as opposed to the 2022 budget. The issue with this is that the provincial funding is then a year behind on budget increases from EMS call volume changes, service enhancements and inflationary increases. The MOH had previously addressed this timing difference by including an incremental (inflationary) increase to the previous year budget. In 2018, this incremental increase was 1.7% or \$150,658. For 2019 through 2021, this incremental increase was set at 0%.

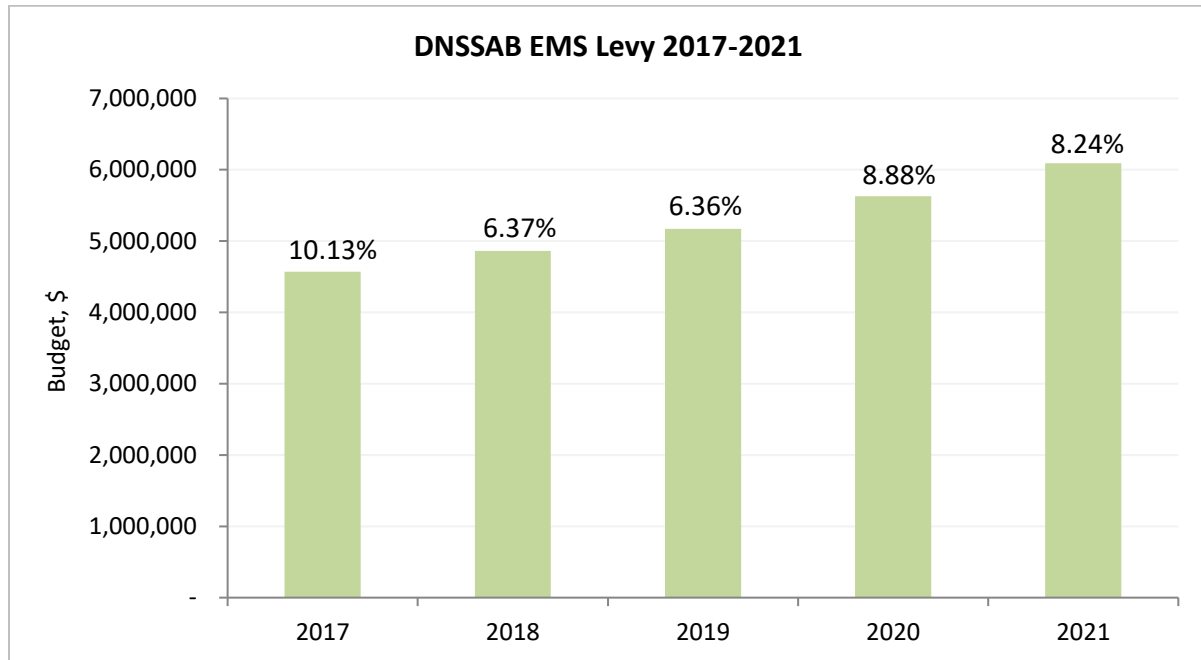
Other Cost Pressures

COVID-19 has caused prices of various goods and services to increase dramatically over the last year and a half. In addition, through the direct delivery review that is currently in progress, some necessary budget increases have also been identified. Here is a list of some of the areas where the DNSSAB is expected to see increased EMS costs in 2022:

- Ambulance purchases – DNSSAB has been given notice from the manufacturers that costs are expected to increase as a result of COVID-19.
- Insurance premiums are expected to continue to increase significantly due to a hard market⁴.
- Cost of uniforms is expected to increase as a result of collective bargaining changes.
- Cost of medical equipment is expected to increase to more accurately reflect the district's call volumes and service size.
- Cost of certain software applications are expected to increase as DNSSAB was previously using free trial versions which have expired.
- Options related to the procurement of bidirectional data movement tracking and ambulance Wi-Fi hot spots will be presented in the 2022 budget.

⁴ A hard market is a period of time when there is a high demand for insurance, but a lower supply of coverage available, which drives up premiums.

It is currently too early in the budget process to determine an estimated levy increase for EMS; however, if it is assumed that the funding formula will stay the same and use the average municipal levy increase over the last five years of 8.00%, then the estimated increase to the municipal levy to support EMS within the district in 2022 would be \$487,160 (2.33%).



COVID-19

Any directly related COVID-19 expenses (ex. PPE) have been fully funded by the MOH to date. Given what has been experienced during the first three waves, it is not anticipated that a fourth wave will result in significant budget increases; however, it would be prudent to budget for some minor COVID-19 related costs such as additional PPE.

Housing Services

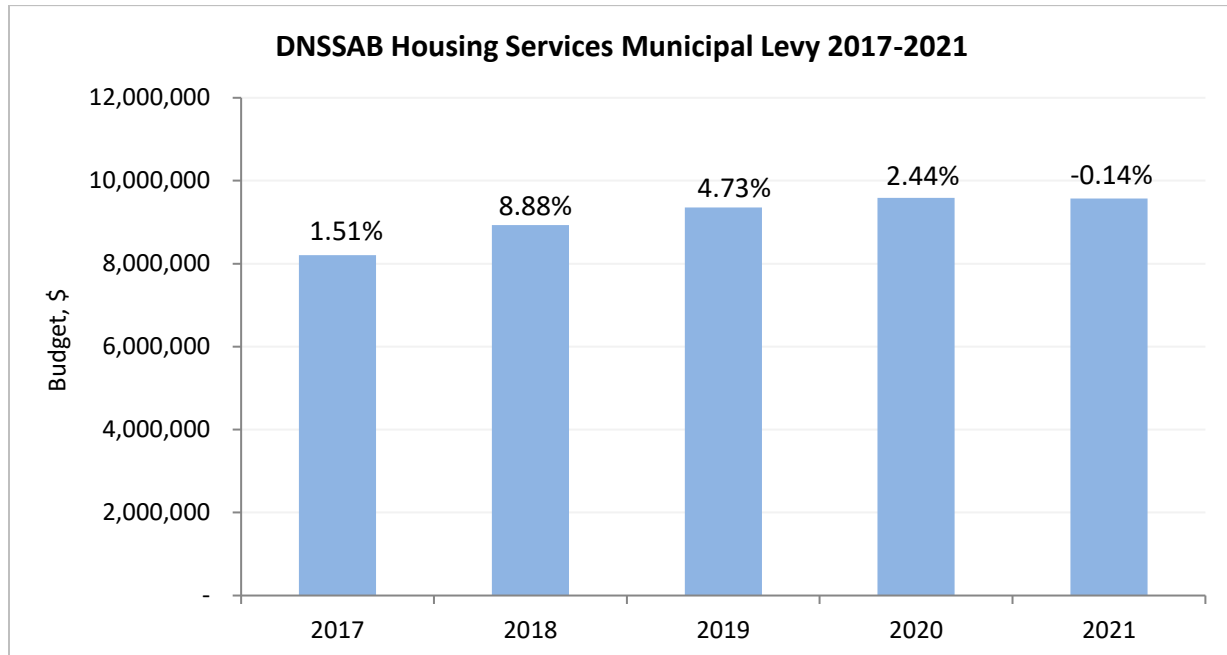
There have not been any significant funding changes announced for Housing Services for pre-COVID funding. However, the province has indicated that the fourth phase of the Social Services Relief Fund (SSRF) will be the final phase of SSRF funding. While DNSSAB did receive a very generous Phase 4 allocation of \$2,934,100, this funding is required to be expended by March 31, 2022. It was hoped that the annual Community Homelessness Prevention Initiative (CHPI) allocation would be increased to reflect the ongoing increased costs to combat homelessness, but DNSSAB's recently announced 2022-23 CHPI allocation will remain flat at \$1,771,340. This means there is currently no provincial funding to support the low barrier emergency shelter beyond March 31, 2022.

Here is a quick summary of some of the other budget pressures Housing Services will be facing in 2022:

- The 2021 federal budget proposed to maintain the 2021-22 Reaching Home funding levels for an additional two years. DNSSAB received an additional Reaching Home allocation of \$603,702 for 2021-22 in response to COVID-19. It is expected that the DNSSAB will receive this additional allocation through 2022-23, however details are still pending.
- Provincial and federal funding for social housing will see a year over year reduction of \$501,809 or 15.26%. This is a direct result of four social housing projects reaching the end of their operating agreements throughout 2021. COCHI funding may be utilized where available in order to transition expired projects to a more sustainable operational model and mitigate municipal levy increases.
- COCHI/OPHI funding is increasing by \$465,927 for 2022-23 which will help offset the reduction in social housing funding noted above.
- Provincially legislated cost indices dictate how much funding DNSSAB is required to provide provincially reformed-social housing providers. Changes to these indices could result in additional costs.
- Service level standards:
 - Legislation outlines the DNSSAB's service level standards (SLS); the specific number of Rent Geared-to-Income (RGI) units the DNSSAB is required to fund. This obligation is currently not being met by approximately 249 RGI housing units. The SLS Action Plan was presented to the Board in November 2019, which sees the DNSSAB making gradual investments over a 10 year period to address the SLS shortfall which is primarily funded through the municipal levy.

- The Gateway House (transitional housing) costs will increase in 2022 as the 2021 budget only includes a half year of costs for the second phase. At this time, the expected increase in expenses is approximately \$65,000 that would need to be funded through the levy.

It is currently too early in the budget process to determine an estimated levy increase for Housing Services; however, if the average municipal levy increase for Housing Services over the last five years of 3.49% (see chart below) is used, this would result in a \$333,980 (1.60%) increase.

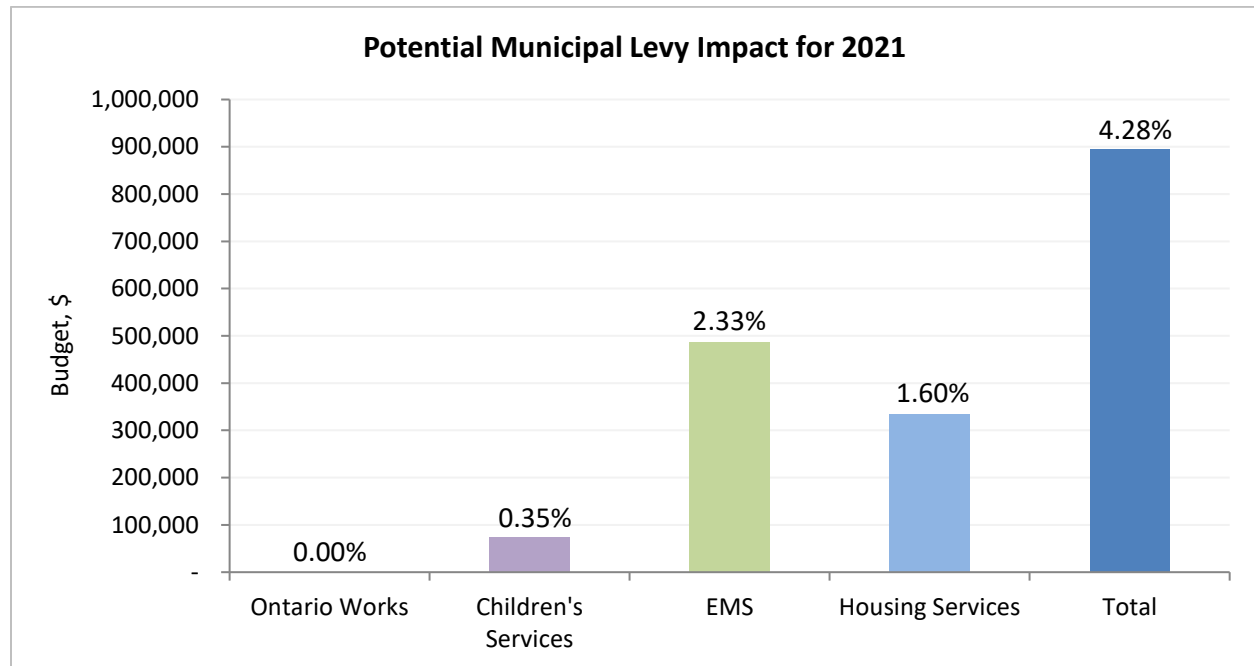


COVID-19

With the previously mentioned SSRF Phase 4 funding, the DNSSAB should have sufficient funding to support increased housing costs as a result of COVID-19; however, this funding is only available until March 31, 2022.

Overall

The below chart summarizes the potential municipal levy impact for each department that has been discussed above.



It needs to be highlighted that 2022 is effectively the third year being impacted by the provincial funding changes announced in 2019. These funding changes will continue to have an impact on the municipal levy for several years. The freezing of OW employment and program delivery funding and the elimination of the incremental increase for EMS funding will have perpetual negative impacts on the levy as these funding changes shift the inflationary budget pressures to the municipal levy.

Additionally, the Board has expanded services to address the challenges facing those individuals experiencing homelessness within the district. This includes transitional housing and the low barrier emergency shelter. While these are important initiatives, there is currently no provincial operating funding available, meaning these services will need to be funded by the municipal levy unless provincial/federal funding opportunities can be found. The DNSSAB will continue to advocate for operating funding for these programs. It should be highlighted that the province did provide significant capital funding to support the Gateway House.

Please note that this is a pre-budget analysis and does not reflect savings, investments or changes in services that may be identified through the budgeting process. It is simply meant to be an analysis on the impact of the funding changes and budget pressures compared to the previous year budget.

NEXT STEPS

DNSSAB staff asks that the Board provide direction for any projects they would like to see move forward in 2022 so these can be appropriately budgeted for in 2022.

As mentioned previously, DNSSAB will begin the budget preparation in September and will plan to present the budget to the Board in December. Any significant budget related items that need to be discussed with the Board before December will be brought forward to the Finance & Administration Committee in October and/or November if necessary.

CONCLUSION

The purpose of this report is to highlight areas for discussion during the 2022 budget process. This report is by no means an exhaustive list of issues, opportunities, and concerns that will need to be considered and addressed in the 2022 budget. It is intended to help provide some preliminary perspective and insight to the financial landscape the DNSSAB can expect in 2022.