

The County of Peterborough
Joint Services Steering Committee

To: Chair and Members of Committee
From: John Butler, Director of Finance/Treasurer
Date: September 10, 2015

**Subject: Peterborough County/City Paramedics Service (PCCP)
Preliminary Draft 2016 Budget**

Recommendation:

That the Joint Services Steering Committee receives the preliminary draft 2016 PCCP budget proposal and approves it to be forwarded to the City of Peterborough to act as a preliminary estimate to assist the City in their 2016 budget development.

Financial Impact:

Preliminary 2016 Funding Requirement for the County and City of Peterborough with regard to PCCP:

	2015 Funding Requirement	2016 Funding Requirement	\$Change	%Change
City	\$4,335,579	\$4,547,895	\$ 212,316	4.9%
County	\$3,098,542	\$3,250,279	\$ 151,737	4.9%

General Overview:

The 2016 PCCP service's departmental budget estimates provided in this report are to be considered preliminary only. The final draft PCCP budget is not expected to be presented until February 2016, as a component of the County's 2016 budget process. This preliminary budget includes an estimate of the provincial grant funding for 2015/16 based on the estimated eligible 2015 operating expenses plus a 1.75% cost of living increase over the 2015 approved provincial base funding grant. The actual grant amount will not likely be known until early 2016 however. Staff will continue to communicate with the Ontario Ministry of Health and Long Term Care (MOHLTC) to obtain the final approved 2016 transfer amount as soon as it is available and revise the 2016 budget estimate accordingly.

The Consolidated Municipal Service Manager (CMSM) agreement between the County and City of Peterborough identifies permanent population as the method of distributing PCCP municipal costs. Following those guidelines, the distribution of municipal funding requirement contained within this preliminary draft budget estimate is based on each municipality's proportionate percentage of population for the Peterborough area.

Population data has been drawn from the 2011 Statistics Canada Population Census information. In the 2011 census, the total population of the County and City is reported as 134,933 residents. Of this, the City of Peterborough is noted to have 78,698 residents or 58.32% of the total population, with the remaining 56,235 or 41.68% of the population in the County. The Municipal cost sharing ratio for the land ambulance service is adjusted commensurate with the publication of the most recent census data in the first budget subsequent to the updated data's release. The revised ratio then remains in place until the next census data update. Statistic Canada generally updates its published population data once every five years. The change in sharing ratio based on the 2011 census data was incorporated into the 2013 paramedic services budget.

In this budget, gross expenditures are forecast to increase by approximately 3.63% or \$553,366. Operational gross expenditures are anticipated to increase by 4.8%, or \$673,488 primarily driven by the addition of four proposed new primary care paramedic (PCP) positions. The draft budgetary estimate allows for the recruitment of the new PCPs to be completed by March 2016 with an anticipated April 1st start date. Budget allocations have been prorated accordingly.

Capital costs are proposed to decrease by (10.4%) or (\$120,122) over those budgeted in 2015. This reduction is a reflection of replacing 2 ambulances in 2016 vs. the three replaced in 2015 and the move to less expensive administrative cars vs. emergency response vehicles (ERV) for the senior administration staff. The decrease is partially offset by the inclusion of power cots as an integral component of each new ambulance purchase.

Provincial Grants:

The Provincial operating grant transfer is estimated at \$7,155,816 based on the approved 2014/15 transfer amount, adjusted for estimated eligible 2015 operational expenditures plus a 1.75% cost of living increase applied to the base funding commitment. This estimate has been prepared utilizing the MOHLTC grant allocation formula as provided by the Minister. The final decision relating to the 2016 ambulance service grant transfer however, remains at the sole discretion of the Minister and will not be known exactly until the funding announcement is made. That announcement is expected in the first quarter of 2016.

In 2015, the Province committed separate funding support of \$450,600 for the Dedicated (or Offload) Nurse Program (DNP). The DNP initiative has proven extremely beneficial in managing the impact of patient offload delays at the Peterborough Regional Health Centre. Commencing with the 2014 level of MOHLTC grant commitment, the DNP was sufficiently funded to extend the nurse's operational hours to 24 hours a day, 7 days a week. While the 2016 Offload Nurse funding is yet to be confirmed, we are cautiously optimistic that it will continue at the 2015 transfer level and has been budgeted accordingly. Appendix B provided for your reference, contains annual statistical information regarding the hospital off-load delays.

General Operating Costs

Operational gross expenditures are forecast to increase in this proposal by 4.8% or \$673,488 over those budgeted in 2015. Manulife employee benefits costs, Ontario Municipal Employees Retirement System (OMERS) pension contributions, and long/short term disability premiums are included at the same rate as 2015 but applied at the expected 2016 wage levels. More detailed rates will be available in the late fall of 2015 or early winter months of 2016. The draft budget will be updated at that time to reflect the known changes.

In total, payroll (union and non-union) represents approximately \$598,900 of the forecast 2016 gross operational expenditures increase. This includes: senior management, full and part time superintendents, full & part time paramedics, and administration staff wages and benefits. It also includes related training and travel estimates for each group.

The total estimated 2016 payroll for the service is approximately \$11.5 million which equates to roughly 72.8% of the total 2016 gross expenditures, or 78.1% of the gross operational expenditures forecast for the service in 2016.

Administration:

Administration costs are expected to increase by 3.23% overall. Cost drivers include, Union collective agreement wage increases, part time hours estimates, GIS tracking, and software licensing/support. The increases are partially offset by anticipated easing in disbursements for computer hardware, advertising, and audit fees. Once more accurate pension and benefit rates are known, administration forecasts will be revised accordingly.

Paramedic Expenses:

Paramedic wages are calculated for 2016 based on the rates in Schedule A of the CUPE 4911 collective agreement (CA) for the period of January 1, 2016 to December 31, 2016. The wage increment in the CA for 2016 is scheduled at an increase of 2% over the 2015 rate. As previously noted, employee benefits costs

are subject to change and will be updated as more accurate information becomes available. The current CA expires on December 31, 2016.

In addition to the CA increase, the 2016 budget is recommending an enhancement of four new primary care paramedics (PCP) to the services compliment. As evidenced in a report presented to the Joint Services Steering Committee on June 11th of 2015 entitled "Peterborough County/City Paramedic (PCCP) Service 10-year Facilities and Resource Master Plan" (attached as appendix B to this report), ambulance call volumes in the Peterborough area have dramatically increased year over year. In 2014, the emergency and urgent calls (codes 3 & 4) increased by 7.7% over those of 2013. So far in 2015, the service is trending call increases in excess of 10% for these calls compared to the same period in 2014. Given the on-going anticipated impact of the Peterborough area population age demographic, there is no likelihood of this trend slowing in the foreseeable future.

While both County and City Councils approved funding for the Master Plan (MP) study to commence in 2015, the reality of the service struggling and falling behind its mandated emergency response time requirements indicate more immediate action be taken in the interim until the MP can be completed. The addition of four incremental PCPs to the service's staff compliment will allow one of the current City based ambulance day cars to be upgraded from a 12 hour to a full 24 hour a day, 7 day a week responder. Further needs will be discussed and addressed as the contents of the MP become available.

The incremental PCPs are anticipated to be recruited by the end of March 2016 with a start date of April 1, 2016. The budget allocation has been prorated accordingly. It is estimated that the four new PCPs will result in an incremental cost of \$345,239 in 2016. The remaining incremental paramedic forecast increase of approximately \$166,800 is attributed to the scheduled wage increase per the CA.

Vehicles, Insurance and Maintenance

Overall vehicle and insurance costs are estimated to reduce by \$18,154 or (8.7%) from those budgeted in 2015. The vehicle replacement schedule indicates that two ambulance are due for replacement in 2016 vs. the three that were replaced in 2015. Driven by long term economic and health considerations, vehicle replacements are now forecast to include power cots as standard equipment. Doing so will increase the per-unit replacement cost by an estimated \$16,000 per vehicle in 2016. It is felt however, the resulting future health and economic offsets created by the inclusion of the power cots will more than compensate for the added up-front expenditure. The cots have the same life expectancy as an ambulance and are distributed through the vehicle vendors.

Traditionally, senior administration staff have been assigned an ERV to accommodate their mobility requirements. In an attempt to offset some of the rising vehicle costs, administrative cars will be acquired for the chief and deputy chief at a forecast cost of \$43,000 per unit (2 x \$43,000 = \$86,000 total). This represents an estimated reduction of approximately \$23,800 per vehicle from the more expensive emergency response vehicles traditionally assigned to these senior administrative positions.

Insurance is expected to continue to increase in spite of their significant jump in 2015 and an incremental 4.5% has been estimated for premium increases. Fuel and licensing are also expected to increase but are offset by anticipated reductions in vehicle maintenance and repair expenditures.

Patient Care Equipment and Supplies:

The patient care section of the 2016 preliminary budget estimates a 25% increase in gross spending. Right across the board, costing pressures have been driving up expenditures related to equipment maintenance & repair (increase of \$34,800), drugs (increased \$18,200), pandemic supplies (\$10,000), disposable medical supplies (increase of \$10,000), and non-disposable medical supplies (increase of \$30,000). The budgetary increases are forecast with consideration for past costing historical trends applied to anticipated 2016 service level requirements.

Reserves

Overall contributions to the shared equipment reserve have been forecast to increase in the 2016 budget. The increase is to reflect changes in asset replacement costs, in particular the addition of the power cots to the ambulance fleet replacements. Future equipment replacements are forecast over a 10 year horizon with funding for asset replacements flowing from the reserve account as contributions from reserve. Contributions to reserve provide the annual reserve replenishment dollars and are sourced from municipal tax dollars. Reserve contributions are proposed to increase by 4.85% or \$30,455 over those budgeted for 2015.

Conclusion

Appendix A to this report provides preliminary budget numbers for your review. Again, limited information regarding potential OMERS increases, changes in health benefits costs, government payroll deduction levels, and short/long term disability premiums are available at this time. These factors will be adjusted in the 2016 draft budget as the details become known. Likewise, the provincial grant transfer is estimated based on the most accurate information available when this report was prepared. The final details will likely not be known until early 2017.

As stated in the general overview, the PCCP 2016 departmental draft budget estimates provided in this report are to be considered preliminary. Further details will be released as the County's 2016 budget process moves forward to completion and as more detailed information becomes available from our external partners, legislative regulators, and service providers.

Respectfully submitted,

John Butler
Director of Finance/Treasurer
County of Peterborough

And,

Randy Mellow
Chief of Paramedics,
County of Peterborough

Appendix A:
Peterborough County/City Paramedics (PCCP) Preliminary Draft 2016 Budget

Appendix B:
Peterborough County/City Paramedics (PCCP) Service 10-year Facilities and Resources Master Plan.