



The College of Naturopaths of Ontario

BRIEFING NOTE Capital and Operating Budgets for 2021-2022

PURPOSE: To consider the draft Capital and Operating Budgets for the fiscal year April 1, 2021 to March 31, 2022, and to consider whether any changes to the Registration fees for the coming fiscal year are warranted.

OUTCOME Decision on Capital and operating budgets, Registration fees and payment plans.

NATURE OF DECISION Strategic Regulatory Processes & Actions Other: Financial

PROCESS:

Activity:	Presentation, discussion.		
Results:	Decision on fees and payment plan, direction on the budget.		
Overall Timing:	35 minutes		
Steps/Timing:	1.	An overview of each of the two budgets will be presented by the CEO.	10 minutes
	2.	Discussion of the key implications of the draft budgets.	10 minutes
	3.	Q&A, discussion by Council.	10 minutes
	4.	Motion/Acceptance	5 minutes

BACKGROUND:

Each year in January, the Senior Management Team typically presents an Operational Plan as well as an Operating Budget and Capital Budget in support of that plan and the on-going infrastructure of the College.

Due to on-going irregular¹ operations within the College, the Operational Plan is not yet completed; however, the activities that will be included will be those that are on-going from the last year and the Governance Review implementation activities.

The draft Capital Budget for 2021-2022, along with two years of estimates, is attached to this briefing note as Appendix 1 for the Council's consideration.

The draft Operating Budget for 2021-2022, and two additional years of estimates is attached to this briefing note as Appendix 2 for the Council's consideration.

¹ College operations are irregular due to several factors including: COVID-19 and remote operations, medical leave of the Director of Communications (role being filled by CEO), and parental leave of Director of Operations (role being partly filled by CEO).

DISCUSSION POINTS:

Budget Timing

Normally, the budget is presented to the Council for acceptance in January in order to have a budget in place prior to the start of the fiscal year to which it applies. Under the Council's former quarterly meeting schedule, the January meeting represented the last opportunity to meet this objective.

Now that the Council has moved to a six-meeting cycle, the March meeting now represents the final opportunity to have the budget accepted prior to the start of the next fiscal year.

This means that the Council should not feel pressured to accept this budget and, depending on decisions surrounding registration fees, the CEO may prefer to take the budget back to the finance and senior staff members for revisions prior to re-presenting it for acceptance.

Capital Budget

A Capital Budget is a budget allocating money for the acquisition or maintenance of fixed assets such as land, buildings, and equipment (Oxford Dictionary). A simplistic view of a Capital Budget is that the purchases made are added to the College's asset list and are depreciated over a defined period.

In the coming year, capital expenditures have only been identified for computer equipment that has been noted as at or will hit the estimated life expectancy. Each computer or other electronic equipment is purchased and is assigned a timeframe by which it is expected to fail. The intent is to maximize the lifespan but to replace the equipment prior to failure.

The only other equipment to be replaced is the dishwasher which will only be replaced once there is a clear indication that the College will be ending its remote operations.

Regardless of whether we purchase this equipment, the funds to enable the replacements as they are needed must be included in the Capital Budget.

The total Capital Budget (Appendix 1) for 2021-2022 is \$9,200, over \$10,000 less than the \$19,400 set out last year.

Operating Budget

The total Operating Budget (Appendix 2) for 2021-2022 is as follows:

Revenue	\$3,323,039
Expense	<u>\$3,454,234</u>
Net Result	\$(131,195)

Revenues

Revenues have been calculated using the following high-level assumptions.

- Registration fees will be returned to their normal level, although the CPI increase would not be added for this year. Please see section below addressing fees.
- Applications for Registration will be as they would normally be on an annual basis, as would the issuance of initial applications.
- Examinations will run as normal with the typical number of candidates per session as the College has seen with regularity prior to COVID-19, and a small increase has been noted for those who may not have been able to complete examinations that were cancelled in the prior year.

- Inspections will be delivered as normal for new premises and the first of the 5-year inspections will be initiated.
- Professional corporations will continue to grow in number, albeit a small growth, but existing corporations will renew.

As Chief Executive Officer, I must note for the Council that these revenues have been developed based on a high degree of “normalcy” that may not yet exist. COVID-19 will continue to impact our operations and revenues well into the fall until a large percentage of the population is vaccinated. As of today, that is expected to be September 2021, but it would be foolhardy not to expect that this timeframe may slip.

Unfortunately, no degree of “crystal balling” will be able to shed light on what is about to happen. As a result, we need to contemplate risk mitigation approaches. One mitigation approach is to guarantee the revenue that is available to us, such as Registration fees from renewals.

Expenses

Expenses have been calculated using the following high-level assumptions.

- Council and all Committees will predominantly meet via Zoom, with an allocation made for one in-person meeting for training for Council and ICRC (dependent on government restrictions). This significantly reduces meeting expenses such as travel, accommodations and meals.
- Allocations for training have been increased as there is a need for training (and re-training) in unconscious bias, human rights etc.
- Hearing costs have been increased based on an analysis of the matters currently before the ICRC and the likelihood of a referral. The complexities of these cases have also been taken into consideration.
- ICRC program costs have been increased in the area of external consultants (investigators) again due to the increasing complexity of the matters under investigation.
- Under operations, legal fees have been increased based on the experience of the past year.
- Rent costs have remained essentially the same as the College is committed to the current lease until the end of February 2023; however, the timing will allow the College to consider what the future footprint of the College will need to be given our experience of working from home.
- Staff salaries and benefits have been increased by both an inflationary factor, as well as pay-for-performance bonus or salary increases to ensure that the College remains as competitive as possible in order to retain its staff.
- Important regulatory processes, including Peer & Practice Assessments and Inspections have been included in the budget on the assumption that the current lockdown will be lifted in February or March.
- Website programming has been completed, although a small allocation has been included for the final programming of the College’s new database, as well as for necessary upgrades and programming adaptations.

Registration Fees

The College is aware that many Registrants have been asking what, if anything, the College will do with its fee structure for the coming registration year (April 1, 2021 to March 31, 2022). In the prior fiscal year, the College reduced Registration fees by 40% and deferred payment until late September due to the COVID-19 pandemic. This was primarily because in early March, all non-essential services by regulated health professions were halted.

There are several considerations for the Council in contemplating any fee reduction for the coming registration year.

Approach of other Colleges

An analysis of the data from other regulatory Colleges and any changes made to fees indicates that two Colleges reduced fees, CONO (by 40%) and the College of Medical Radiation and Imaging Technologist of Ontario (by \$90). Several Colleges deferred payments and several more instituted payment plans.

Overwhelmingly, most Colleges did not change fees and there is no indication that any fee reductions are being undertaken for the next fiscal year.

Approach of the Associations

As part of the development process, the College has contacted both the Canadian Association of Naturopathic Doctors (CAND) and the Ontario Association of Naturopathic Doctors (OAND) about what they might be considering.

The CAND advised that they have not changed their fees in some time and will not do so for 2021.

The OAND has advised that they have taken several measures:

- The discounted membership rate for NDs in first and second year of practice has been extended so both groups remain at their discounted rate for another year.
- NDs in their first year of practice have been provided an offset in credit for CE courses from the OAND.
- All other membership fees for all other NDs have remained unchanged, that is, no fee increases of any kind.

College's Reserves

As noted elsewhere in this briefing, the anticipated deficit for the current fiscal year is projected to be within the range of \$600,000 to \$700,000. Actual projections are estimating a deficit of \$668,000.

When the question of a fee reduction was discussed at the Council meeting in April 2020, it was estimated that the deficit would result in a loss of \$935,000 if the pandemic went on for a lengthy period. Compared to those original estimates, the College has fared well, overall; however, much of the difference is due to having received \$350,000 in funding from the federal government.

Funding for a deficit of \$668,000 comes from the College's reserves which we now project to be reduced from \$2.46 million to \$1.79 million after accounting for the projected deficit in the current fiscal year.

Reserve Policy (EL17)

In October 2020, the Council approved a new Executive Limitations Policy requiring that specific Restricted Reserve Funds be established and maintained at specific ranges. These include:

Restricted Reserve Fund	Target Range	Current Amount
Investigations and Hearings	\$1,000,000 to \$2,000,000	\$0
Patient Relations	\$100,000	\$89,704
Succession Planning	\$50,000	\$0
Business Continuity	\$3,000,000 to \$4,000,000	\$75,385
Total Restricted Reserves	\$4,150,000 to 6,150.000	\$165,089

The College is expected to have a minimum of \$4,150,000 in the Restricted Reserve Funds. As noted above, as of the date of preparing this briefing note, the current Restricted Reserves are \$165,089 and Unrestricted Reserves are at \$2.46 million.

In preparation for the close of the third quarter of the current fiscal year, instructions have been relayed to the finance and accounting staff to reallocate those reserves into the specified funds as follows:

- Investigations and Hearings - \$1,000,000
- Patient Relations - \$0²
- Succession Planning - \$50,000
- Business Continuity - \$1,000,000.

This leaves \$417,386 in Unrestricted Reserves (retained earnings).

The Council will be asked to provide funding for the current deficit from the Business Continuity Fund, the purpose for which the fund exists. This will leave \$332,000 in that fund moving into the next fiscal year.

Regulatory Experience of the College during COVID-19

As Council members are aware, the circumstances impacting the profession and regulatory Colleges are evolving. That said, the College needs to reflect upon its experience in this past year, including the following observations.

- Regulatory work was reduced last year, primarily the Peer & Practice Assessments and Inspections. Both programs must be reinstated moving forward in order for the College to properly meet its mandate.
- Regulatory work in other areas, including Complaints, Reports, Discipline and Examinations has increased over the past year, due in part to the pandemic.
- Staff willingly gave up any pay-for-performance increases or bonuses for the best interest of the College last year. It would be unfair to ask the staff to do this for a second year in a row, especially given the increased workloads in many areas. It is of critical importance that the College retains the staff team it has in place at this time given the skills of these people. Failure to adjust salaries will likely result in an increased level of staff turnover.

The primary rationale for providing a fee reduction in April 2020 was due to the profession being prohibited from practicing. Today, the profession can provide health care services to the public, albeit primarily on a remote basis but in-person when it is essential to do so. The current stay at home order is exempted for health services so Ontarians can and will continue to seek those services.

² In accordance with EL17, just prior to the close of this current fiscal year, the Patient Relations Fund will be topped up with \$10,296 from the Unrestricted Reserve Funds.

Payment Plan Recommendation

Prior to the Council deliberating what relief it might consider for the profession, a recommendation is now being brought forward to allow the Chief Executive Officer to institute a payment plan for Registrants that does not comply with the College's by-laws.

The College, having moved to a new database system, has access to a more streamlined pre-authorized debit system than previously available. The CEO would like to launch a new payment plan program, however, to make it more advantageous to the Registrants and more of a COVID-19 offset, Council is being asked to accept the following proposed program changes:

- Section 18.04 of the by-laws requires that the Registration fees set out in Schedule 3 of the by-laws be adjusted by the Consumer Price Index –
 - It is proposed that this adjustment, albeit minor, be waived.
- Paragraph (i) of section 18.08 (Payment Schedules) requires that 35% of the annual fee for the coming year be paid by March 20th –
 - It is proposed that this be waived for the coming year, instead, the College will collect pre-authorized debits on a straight line of 10 equal payments, being made on the 5th day of each month, beginning in April 2021.
- Paragraph (ii) of section 18.08 requires the CEO to designate the amount of payments to be made –
 - The payments will be in the amounts of \$160.90 for Registrants who hold a General Class certificate of registration and \$80.70 for Registrants who hold an Inactive Class certificate of registration.
- Paragraph (iv) of section 18.08 requires that a Registrant who wishes to participate in the program must pay an enrolment fee as set out in the by-laws. That fee is currently set at \$153 –
 - It is proposed that this fee will be waived, and that no enrolment fee will be charged in the coming registration year.
- Finally, the Operating Policies of the College do not permit a Registrant who has previously participated in the program and who has defaulted in making a payment to participate in the program –
 - It is proposed that this requirement also be waived.

Other rules surrounding the payment plan will remain in place, including the following conditions of a default in payment:

- Any default of payment will result in a \$35 insufficient funds fee be levied.
- Default of any fee will result in all remaining fees being due to be paid within 30 days.
- Nonpayment of the fees within the 30 days will result in the suspension of the Registrant for non-payment of fees.

Registrants will not be obligated to participate in the payment plan; however, they will be given the opportunity to do so upon logging into the website to renew their Registration.

Options for consideration

The primary responsibility of the Council is to ensure that the College continues to exist and can perform its role as mandated in legislation. The College exists to serve the public interest and enhance patient safety.

In light of these and other circumstances described in this briefing note, the Council may wish to consider several avenues for the College to continue to provide some relief to the profession.

The College's reserves are not depleted and the projected deficit for next year's budget is sufficiently low that it can be accommodated within the reserves. Council does have some

flexibility in terms of how it might wish to proceed, although it should be noted that a second 40% reduction would all but deplete the reserve funds.

Another important factor to note when considering various levels of discounting Registration fees for the coming year, it would also mean that the College will not be able to allocate any monies to any of the new or existing Restricted Reserve Funds or Operational Reserve Funds, as the College will not be generating a surplus.

What Council may also wish to consider is the amount of funds that remain in the Business Continuity Fund (\$332,000) and whether it wishes to provide this as a form of Registration fee relief to the profession.

Should Council wish to essentially deplete what remains in the Business Continuity Fund, then it might approach the situation by providing at reduction of \$200 for Registrants in the General Class and \$100 for Registrants in the Inactive Class:

Class	# in Class	Discount	Cost by Class
GC	1524	\$200	\$304,000
IN	155	\$100	\$15,500

This would leave \$12,500 in the Business Continuity Fund which would be used to offset the Registration fees of new Registrants in the coming year. The following table sets out the overall costs of the discount for varying amounts of discounts on the fees.

Class	-\$200/-100	-\$175/-75	-\$150/-50	-\$125/-25	-\$100/0
GC (1524)	\$304,000	\$266,700	\$228,600	\$190,500	\$152,400
IN (155)	\$15,500	\$11,625	\$7,750	\$3,875	\$0
Total	\$319,500	\$278,325	\$236,350	\$194,375	

ANALYSIS

Risk Assessment – The following is a more comprehensive risk assessment. Please refer to the attached document Understanding the Risk Analysis Terminology for information.

Risk Category	Risk Type	Assessment
Hazard	People	Not applicable in this matter.
	Property	Not applicable in this matter.
	Liability	Not applicable in this matter.
	Net Income Loss	Not applicable as Net Income loss based on declining revenues is not the result of a hazard (peril).
Operational	People	As budgets include salary dollars, there is always a risk that the College is not able to keep up to the compensation levels of the employment market pay and loss of personnel may occur.
	Process	Launching a payment plan in a new system will require a new process and the risk of error exists.
	Systems	The new database will process payment plans and there is a low risk that the new system might fail.
	External events	Payment processing will rely on the bank to properly process and report on the receipt of funds. Registrants to ensure monies are in account on pre-set day of monthly withdrawals.
Financial	Market	Declining interest rates result in a lower return on the College's investments. The budget is not largely reliant on these revenues. Additionally, the College is

		subject to changes in the market as they impact the profession. Should the government shut down the health care sector again, there is risk to the College's funding, in particular as it relates to the credit risk described below.
	Credit	The introduction of the payment plan makes the College a creditor and subjects the College to a risk of default in payment. The role of the College does provide it with sufficient leverage such that there is no history of loss in this regard.
	Price	Not applicable in this matter.
Strategic	Economic Environment	The College is subject to changes in the economic environment based on the ability of the profession to provide services to patients, overall market sustainability could impact the profession and therefore the College.
	Demographics	Under normal circumstances, the number of Registrants will grow annually by a small amount as the number of new Registrants exceeds the number of retiring/resigning Registrants. This may change in the future with an aging population.
	Political	The political environment has a degree of instability and uncertainty due to the COVID-19 pandemic and a lack of clarity as to which measures the government may take and their impact on the economy and health care.
	Reputation	Some Registrants may be once again looking to the College for fee relief and failure to do so may impact how they view the College. The public and government could interpret providing the profession fee relief, in particular if it jeopardized the sustainability of the College, as evidence that the College is acting in the profession's interest as opposed to the public interest. On the other hand, not taking actions to ensure the long-term sustainability of the profession could negatively impact the College's reputation among naturopathic patients.

Privacy Considerations – The way the budget is presented ensures that there are no privacy implications. These may have arisen if the materials disclosed compensation rates for College personnel and providers.

Transparency – The discussion in this briefing provides the reader and the public with appropriate information, full disclosure (through public release of the briefing and discussion of Council that will be open to the public) of relevant information in a timely way. The briefing provides the context for the information and the often-competing factors which the Council must weigh in arriving at a decision. Please see the attached document Understanding the College's Commitment to Transparency.

Financial Impact – This budget briefing sets out above the financial implications of the budget for the next fiscal year.

Public Interest – Budgets are operating road maps, and any budget must speak to the overall financial standing, revenues and expenses for the organization which in turn allows the reader to deduce whether the College is sustainable in the long term. The public interest is best served if the College's budget can demonstrate the sustainability of the organization.

RECOMMENDATIONS

It is recommended that the Council approve the waiving of the specific by-law provisions with respect to the proposed payment plan for Registrants.

It is recommended that the Council consider the financial information provided and make a final determination of whether it wishes to provide relief for Registrants in the form of changes to the Registration fees.

Andrew Parr, CAE
Chief Executive Officer
January 25, 2021