



FEE REVIEW ANALYSIS

**In Support of a Licence Fee Increase
13 December 2022**

Introduction

The Bereavement Authority of Ontario (BAO) was established in 2016 to promote the rights and safety of consumers purchasing funeral and burial or cremation services. Prior to 2016, the bereavement industry in Ontario was regulated by two separate entities, the Board of Funeral Services, also an administrative authority, which regulated funeral and transfer services, and the then Ministry of Government and Consumer Services' Cemeteries Regulation Unit, which regulated cemeteries and crematoriums. In addition to consumer protection and education, the BAO's key operations include licensing and inspections of funeral homes, transfer services, cemeteries, and crematoriums.

The BAO spent its early years establishing itself as a new regulator by building and maintaining good working relationships with the operators of funeral homes, transfer services, cemeteries, and crematoriums to promote greater compliance. Its enforcement approach has been to educate licensees and other operators by issuing letters requesting compliance, issuing guidelines, and providing time to address licensing issues.

Auditor General's Report

The [Office of the Auditor General of Ontario's Value-For-Money Audit Report \(Report\)](#) found that a stronger regulatory approach is needed to protect and educate consumers who purchase bereavement services and products. The Report made 20 recommendations containing 56 issues to be addressed. Responding to these issues has been a primary focus since receipt of the Report's findings in December 2020.

It is the implementation of the Auditor General's recommendations and ensuing resource needs that have given rise to much of the need for a fee increase.

In 2022, the BAO embarked on a new strategic planning process, informed by Board, Management and stakeholder interviews, research, and analysis of the current environment as well as emerging issues and trends, Management recommendations, and Board deliberation.

The 2022-2025 Strategic Plan builds on the foundation created in 2016 and shifts to a stronger risk-based regulatory approach informed by evidence to hold the sector accountable for compliance and to protect consumers.

Vision and Mission

The vision of the BAO is a fair and safe bereavement marketplace where Ontarians have confidence in the dignified and respectful treatment of the deceased.

To support this vision, the mission of the BAO is to effectively regulate Ontario's bereavement services. To achieve the vision and mission we:

- Use risk-based regulatory tools to promote compliance and to inspire confidence in the sector
- Use evidence to inform decision-making
- Support the development of a strong and diverse sector
- Remain responsive to the changing needs of consumers and the sector



Core Services Provided by the BAO

The following core services are funded by the BAO's revenue stream:

- Licensing of establishments and individuals, including new applications and renewals
- Ensuring compliance with legislation
- Oversight of internships
- Approval of education programs
- Oversight and safeguarding perpetual care of cemeteries in perpetuity
- Ensuring respectful and dignified treatment of decedents
- Consumer protection
- Complaint handling
- Mediation
- Inspections
- Investigations
- Compliance Actions (Registrar's Actions)
- Public Education & Outreach
- Trust Fund Oversight
- Compensation Fund Administration
- Liaison with Government
- Liaison with Stakeholders

French Language Services

The BAO employs four bilingual individuals. These employees provide bilingual support to consumers, stakeholders and licensees via phone and written correspondence, upon request. The BAO also provides bilingual Funeral Service education through Collège Boréal, which offers the program in French. Of the total of 2,308 inquiries by phone or email, 19 were received and responded to by the BAO in the French language in 2021/22. BAO publications are offered in French and English.



Bereavement Environment

The bereavement sector has seen more change in the past several years than at any other period in recent history. These changes have been fueled by the COVID pandemic, new technological developments, the impact of international immigration, and ultimately changes in the preferences of many consumers.

The impact of COVID on the bereavement sector has been significant, it has changed the size of in-person gatherings, raised new health concerns and accelerated the pace of virtual meeting alternatives.

A longer-term trend that has accelerated in recent years is a shift from burial to cremation. According to the BAO's own statistics, cremation now accounts for 70% of all forms of disposition in Ontario. Coupled with this is a trend of families choosing to place the cremated remains of their loved ones outside of the traditional cemetery environment. Beyond traditional cremation, there is an increased interest in new technologies that profess to offer greener alternatives (e.g., alkaline hydrolysis and composting).

Ontario's traditional funeral, cemetery and crematorium sector developed largely in response to the Christian beliefs of Canada's early immigrants. As globalization, immigration and religious beliefs continue to change the face of Canada, these trends are also impacting bereavement practices. Funeral homes, cemeteries and crematoriums are evolving in response to the trends. It is incumbent on the BAO to remain at the forefront of this evolution to effectively regulate the industry and to protect the interests of consumers.

Key strengths in the current bereavement industry include a robust regulatory framework and the professional orientation of bereavement practitioners. Funeral operators, cemeteries, crematoriums, and transfer service providers are required to be licensed by the BAO, and funeral professionals must have completed a certification process through a recognized educational faculty.

The current weaknesses in the industry include a dominant focus on traditional Christian-based practices, industry consolidation, and challenging sector succession issues with an apparent reduced interest in the sector as a career. Another change impacting the stability of the sector is the emergence of new unregulated niche providers and business "disrupters" for some bereavement-related services. The majority of the province's over 5,000 cemeteries are managed by volunteer boards, with no expertise or financial sophistication, putting them at risk of operating in non-compliance with regulations.

Fee increase required

The BAO and its leaders on the Board and throughout the Management Team are well-positioned intellectually to respond to the emerging issues within the sector with risk-based strategies and oversight. However, the current revenue stream with the current fee schedule cannot sustain the BAO's greatly expanded and more assertive operations, which are the direct result of adopting the Office of the Auditor General of Ontario's Value-For-Money Audit recommendations.

Accordingly, the Board of Directors has approved a fee increase greater than the cost of inflation, to take effect for the 2024 licence renewal year.



Bereavement Environment -Cont.

In setting fees, the BAO has the following objectives:

Objective	Details
Consistency with Operating Principles	<p>Vision & Mission:</p> <p>The vision of the BAO is a fair and safe bereavement marketplace where Ontarians have confidence in the dignified and respectful treatment of the deceased.</p> <p>To support this vision, the mission of the BAO is to effectively regulate Ontario's bereavement services. To achieve the vision and mission we:</p> <ul style="list-style-type: none"> ■ Use risk-based regulatory tools to promote compliance and to inspire confidence in the sector ■ Use evidence to inform decision-making ■ Support the development of a strong and diverse sector ■ Remain responsive to the changing needs of consumers and the sector <p>Corporate Objects as per Incorporating Documents:</p> <ul style="list-style-type: none"> ■ Enhance Consumer Protection and Confidence, ■ Promote Consumer Education, Information and Awareness ■ Promote Fair and Ethical Business Practices ■ Develop a Code of Practice to Foster Professionalism and high ethical standards ■ Promote a Fair, Safe and Informed Marketplace that Supports a Competitive Economy ■ Conduct Activities to Prepare for the Future
Fulfill Obligations under the Safety & Consumer Statutes Administration Act	<ul style="list-style-type: none"> ■ The BAO shall carry out the administration of legislation delegated to it. (FBCSA) ■ The BAO shall comply with the principles of maintaining a fair, safe and informed marketplace and promoting the protection of the public interest.
Fulfill Obligations under the Funeral, Burial and Cremation Services Act	<ul style="list-style-type: none"> ■ Establishing duties of operators and licensing, ■ Address consumer protection issues including contracts, disclosure, pricing, and advertising; business solvency, trust money and finances, ■ Ensuring Dignity, Respect, Decency for Human Remains, ■ Establish Professional Qualification, Education and Competency ■ Oversight of Cemetery Management and ensuring the care, quiet and good order of Cemeteries in perpetuity ■ Public Health & Safety
Fulfill Obligations under the Administrative Agreement	<ul style="list-style-type: none"> ■ The Administrative Authority shall ensure that it has adequate resources to comply with this Agreement, the Designated Legislation and the SCSAA consistent with the business plan that it has provided to the Minister under clause 7(1)(a) of this Agreement. ■ Fees shall be set on a cost recovery basis and designed to cover all of the BAO's costs including those which cannot be directly attributable to the payees, including complaint handling, inspection, investigation, prosecution, public awareness campaigns, website development and maintenance, governance programs, government oversight and reporting, and general administration. <p>The relative fees charged for different services and licensing types shall reflect:</p> <ul style="list-style-type: none"> ■ the comparative costs to the BAO for processing applications or providing the services; ■ the period during which a licence shall be effective; and ■ uniformity of application regardless of geographic location.

Sources of Revenue and Rationale for the Fee Increase

The BAO's revenue comes predominantly from the licence fees paid annually by establishments and individuals. The fees paid are based on a "per death" basis, for the number of deaths handled during the preceding twelve months. Ontario typically records approximately 100,000 deaths per year without significant variation. As a result, the revenue received by the BAO doesn't change materially, year over year.

The BAO commenced operations in 2016 with a staff of 19 full-time employees and an annual revenue from licensing fees of \$4,113,110.

The first four years saw the BAO grow into its mandate effectively and efficiently financially. The BAO operated at a surplus each year and was able to bank reserves of over \$1 million annually.

Many changes have been implemented to fulfil the Office of the Auditor General (AG) audit's recommendations, increasing our expenses considerably. The most substantial of these expenses have included:

- The hiring of 10 additional BAO staff members (for a 2022 total of 37 staff). As a part of their retainer with the BAO, KPMG was tasked to analyze our staffing model. There is universal agreement that the BAO was "built too small" to carry-out its mandate and additional staff were hired in 2022.
- The procurement of a new Customer Relationship Management (CRM) technology database system, costing approximately \$1.5 million
- The retention of KPMG to provide consulting services and manage the AG audit implementation, at a cost of \$350,000

We are currently drawing from our reserves to fund these additional expenses, which is not sustainable.

Auditor General's recommendations that will specifically require additional resources:

Recommendation #	Action Required
2.2	Increased inspections to deter upselling
3.1- 3.4	Contact/Inspect cemeteries to determine reason for non-compliance and require them to renew their licences and file reports (there are over 5000 cemeteries)
4.2	Inspect cemeteries that failed to file reports on time
5.1	Inspect funeral homes that don't file reports on time
7.1 – 7.5	Improved data analytics – new CRM technology required (and in progress)
11.1 – 11.2	Complaint tracking and new CRM technology are required

Sources of Revenue and Rationale for the Fee Increase -Cont.

In addition, the BAO developed its Business Plan for the 2022-2025 period. The fee increase is required to sustain our current business plan commitments and activities.

Risk-based Strategy	We use risk-based regulatory tools to promote compliance and inspire confidence in the bereavement services sector.
What we're going to do	The BAO will inform and educate the sector on regulatory expectations and hold licensees accountable to meet their obligations, acting in response to the risks that are presented.
How we're going to do it	<ul style="list-style-type: none">■ Implement Auditor General recommendations■ Implement an enhanced risk management model that defines risk categories, appetite, capacity, and tolerances■ Implement risk-based oversight and inspection processes■ Align resources with the risk-based approach■ Proactively provide information to licensees regarding compliance expectations■ Strengthen compliance and enforcement through increased disciplinary action■ Encourage identified at-risk cemetery operators to consider voluntary abandonment and transfer to municipality■ Preserve and protect cemeteries by addressing cemetery boundary issues and issuing certificates of consent, when applicable■ Implement regulatory changes■ Conduct regular review of governance policies■ Provide Board training/education workshops■ Continue to increase engagement and strengthen relationships with current stakeholders, government■ Identify and address all cemetery licensing deficiencies by implementing a verification follow up policy■ Publicize policies regarding licensing renewal obligations■ Streamline licensing renewal process for funeral and transfer service operators■ Expansion of complaints and compliance response templates■ Strengthen IT infrastructure (Cyber Security / Management of corporate assets)■ Increased automation of processes (e.g., new license applications and renewal, complaints, inspections, online submissions, etc.)■ Confirm compliance with AG report■ Enhance the enterprise risk management model

Sources of Revenue and Rationale for the Fee Increase -Cont.

Evidence Informed Strategy	We use evidence to inform decision-making
What we're going to do	The BAO will invest in data gathering processes, resources, and analytics that enable cost-effective and timely evidence-based decisions.
How we're going to do it	<ul style="list-style-type: none">■ Adopt a model of data-driven predictive analytics for oversight■ Align Board, Management and sector reporting to trends that are evidence-informed■ Refine the internal report card that links the risk framework with the regulatory mandate■ Perform data cleansing exercises to prepare for data migration and to increase accuracy of analytics■ Draft and implement policies related to annual submissions (reporting) by licensees■ Enforce regulatory requirements related to annual submissions■ Engage with third parties for information sharing■ Provide education to ensure licensee financial compliance■ Segment licensees for effective oversight■ Refine financial reporting framework■ Harness communications CRM analytics to support Strategic Plan and increase outreach and stakeholder engagement■ Implement Dynamics 365 CRM■ Provide functional CRM training for staff■ Leverage CRM for compliance and revenue data modeling and reporting■ Expand employee workload tracking by leveraging new CRM Implement organizational performance report card – engage auditor to assess internal operations

Sources of Revenue and Rationale for the Fee Increase -Cont.

Strong Sector Strategy	We support a strong and sustainable bereavement sector.
What we're going to do	The BAO will participate in the healthy development of the sector to ensure consumer choice and fair, safe, and supportive bereavement services for future generations of Ontario consumers.
How we're going to do it	<ul style="list-style-type: none"> ■ Enhance inspection efficiency and oversight by establishing differential inspection responses. ■ Engage proactively with the sector, government and consumers ■ Develop a consumer-friendly report card for sector performance ■ Align employee performance goals with strategic plan objectives and service standards ■ Continue to demonstrate value of the BAO and the sector by increasing outreach and expanding content ■ Formalise outreach programs and education of cemetery operators ■ Enhance professional competency requirements ■ Enforcement of continuing education requirements through random audits ■ Support Provincial government with residential school identification ■ License of cemeteries identified as a result of new burial site discoveries
Forward-Looking Strategy	We are responsive to the changing needs of consumers and the evolving requirements of the sector.
What we're going to do	The BAO will plan for the future of the sector and the future of its operations to maintain effective regulatory oversight.
How we're going to do it	<ul style="list-style-type: none"> ■ Conduct research and engage with stakeholders, including consumers, to be ready to adapt operations to respond to emerging issues and trends ■ Align BAO staff competencies with emerging issues and trends ■ Seek alternative revenue streams to reduce reliance on annual fees ■ Develop business case for fee increases ■ Succession planning for senior management ■ Ensure employee satisfaction and retention ■ Provide change management training for staff ■ Develop diversity, equity and inclusion plan <p>Develop Disconnecting from Work Policy</p>

Fees were last increased by the Board of Funeral Services effective January 2014, and by the ministry's Cemetery Regulation Unit effective July 1, 2014, for cemeteries. There have been no increases since that time, save for an increase no greater than the cost of inflation imposed for the 2023 licence renewal year.

It is important to note that this last inflationary increase did not end our reliance on reserves, it only reduced our reliance on our reserves by approximately \$700,000. We will still be using over \$800,000 of reserves to fund our current operations in the 2022/23 fiscal year.

Sources of Revenue and Rationale for the Fee Increase -Cont.

Reserves and Contingency

As a general rule, it is prudent that an organization carry 6-12 months of their current operating expenditures as their surplus.

BDO Canada, education publication: "MANAGING SURPLUS IN YOUR NOT-FOR-PROFIT ORGANIZATION," July 14, 2022.

For example, the BAO has approximately \$6 million in annual expenditures, it should have a surplus between \$3,000,000 and \$4,500,000 accumulated. This prudent amount would allow it to carry on activities in the event of an unexpected disruption to cash flows.

The BAO's internal policy on reserve management requires the organization manage its assets in a sustainable to manner to meet its mission and mandate. The policy further requires the BAO to maintain reserves at a minimum of six months to a maximum level of 18 months operating expenditures of the previous operating budget.

BAO Policy 007: Restricted and Unrestricted Net Assets and Surplus Policy, November 2020.

These assets are part of an overall risk management strategy as they are intended to offset unforeseen future excesses of expenditures over revenues.

The BAO's reserves are currently funding our operating expenses. At the current rate, even with annual increases for inflation, the BAO will be in violation of its reserve management policy by 2024 as the contingency fund will drop to 5.6 months of operating expenses. The reserves will be completely exhausted by 2026.



Sources of Revenue and Rationale for the Fee Increase -Cont.

Current Fee Schedule by Licence Class

Licence Type	Application Fee	Existing 2023	2024 Renewal Fee *New*
Funeral Establishment	\$284	Base fee of \$227.20 + \$18.18 per death registered during the previous twelve-months	Base of \$300 + \$0 per death registered (less than 10 for the previous twelve-months); Or Base of \$0 + \$30 per death registered (10 or greater for the previous twelve-months)
Crematorium	\$568	Base fee of \$17.04 + \$13.63 per cremation conducted in the last fiscal year	Base fee of \$0 + \$30.00 per cremation conducted in the last fiscal year
Cemetery	\$568	Base fee of \$17.04 + \$13.63 per cremation conducted in the last fiscal year	Base fee of \$0 + \$30.00 per interment conducted in the last fiscal year
Individual (Funeral Directors, Sales Reps)	\$284	\$227.20	\$244.47

Types and Numbers of Licences Issued by the BAO - As Of March 31, 2022

Establishments	Number
Funeral Establishment Operator - Class 1	572
Funeral Establishment Operator - Class 2	10
Transfer Service Operator - Class 1	67
Transfer Service Operator - Class 2	32
Transfer Service Operator - Class (Restricted)	21
Cemetery Operators (2,338 organizations)	5,221
Crematorium Operators (53 organizations)	74
Alternative Disposition (Hydrolysis)	4
TOTALS	6,001

Personal Licences	Number
Funeral Director-Class 1 (embalming)	2,524
Funeral Director-Class 2 (non-embalming)	38
Funeral Preplanner	380
Sales Representative (Cemetery/Crematorium)	548
Transfer Service Sales Representative	33
TSSR Restricted	25
TOTALS	3,548

Financial Modelling

The following chart illustrates three different views of different fee increases and their impact to the BAO's Revenue & Expenses

Figure 1: Status Quo – Current Licensure Fees with Increases for Inflation Only:

3-Year Forecast of Revenue and Expenses	Forecast FY 2023*	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026
REVENUE				
Funeral Revenue	\$2,989,732	\$3,233,908	\$3,330,925	\$3,397,543
Cemetery and Crematorium Revenue	\$2,449,064	\$2,243,392	\$2,310,693	\$2,356,907
Other Revenue - Non-Operational	\$49,307	\$75,000	\$20,000	\$1,000
Total Revenues (2)	\$5,488,103	\$5,552,299	\$5,661,618	\$5,755,451
EXPENSES				
Board Compensation and Expenses	\$124,092	\$114,407	\$116,571	\$116,571
Payroll Expenses (3)	\$3,896,843	\$4,451,055	\$4,671,074	\$5,010,885
Specialized Outsourced Expenses (4). (5)	\$721,395	\$669,645	\$755,407	\$865,482
Communication and IT Expenses	\$505,965	\$645,974	\$699,645	\$689,745
Office and Other Expenses (6)	\$819,275	\$1,009,655	\$1,043,842	\$1,093,591
Total Expenses	\$6,067,569	\$6,890,736	\$7,286,539	\$7,776,275
Operating Surplus/(Deficit)	\$(579,466)	\$(1,388,437)	\$(1,624,921)	\$(2,020,824)
CAPITAL INVESTMENTS				
CRM Implementation (7)	\$756,450	\$489,410	\$550,000	-
Hardware and Equipment	\$6,739	\$105,000	-	-
Leasehold Improvements	-	-	-	-
Total Capital Expenditures (7)	\$763,189	\$594,410	\$550,000	-
Add back: Non-Cash Adjustments	\$124,348	\$263,876	\$316,997	\$305,047
Net Cash Inflow /(Outflow)	\$(1,218,308)	\$(1,668,971)	\$(1,857,924)	\$(1,715,777)
CASH RESERVES AND OPERATING CONTINGENCY				
Cash Reserves, end of year (incl. Restricted Funds)	\$4,891,457	\$3,222,487	\$1,364,563	\$(351,214)
Operating Contingency (months)	9.67	5.61	2.25	(0.54)
Operating Contingency - Target (6 months)	\$3,033,784	\$3,445,368	\$3,643,270	\$3,888,137
Operating Contingency - Target Variance \$	\$1,857,673	\$(222,882)	\$(2,278,707)	\$(4,239,351)
Operating Contingency - Target Variance %	61%	-6%	-63%	-109%

Budget Notes:

- *Unaudited Financials for FY2023 last updated September 30, 2022.
- The three year forecast reflects an annual inflationary increase of 7.6% in FY2024, 3.0% in FY2025 and 2.0% in FY2026.
- Includes full time and contract employees in addition to associated benefit and payroll tax expenses.
Additional resources budgeted in FY2023 and beyond to address Auditor General and KPMG staffing recommendations (Phase 1 & 2) including implementation of a new CRM system and administrative support roles.
FY2026 assumes further strategic additions to staffing including addition of Education and Professional Development function.
- Outside legal support reserved for specialized litigation matters that may arise in the normal course of business.
- Ministry oversight fees are reported in Specialized Outsourced Expenses and reflect a 4-year average annual increase of 30%.
- Full return to onsite field inspections beginning FY2023 with a new risk based framework.
- Contract for new CRM system awarded May 2022 for \$1.3mIn with implementation anticipated for October 2023.
Additional capital expenditure of \$105,000 in FY2024 to refresh computer hardware (laptops and monitors) across the organization. (Previous refresh in 2019, taking hardware refresh cycle to upper 5-year threshold as per IT best practice).
FY2025 assumes further strategic enhancements to CRM (Phase 2) with preliminary capital budget of \$550k.

Financial Modelling -Cont.

Figure 2: Licensure Fees Increased to \$22.36 per registered death/interment. This is the Minimum Amount Required for a Balanced Budget.

3-Year Forecast of Revenue and Expenses	Forecast FY 2023*	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026
REVENUE				
Funeral Revenue	\$2,989,732	\$3,421,561	\$3,665,151	\$3,738,454
Cemetery and Crematorium Revenue	\$2,449,064	\$3,049,670	\$3,610,562	\$3,682,773
Other Revenue - Non-Operational	\$49,307	\$80,000	\$60,000	\$50,000
Total Revenues (2)	\$5,488,103	\$6,551,232	\$7,335,714	\$7,471,228
EXPENSES				
Board Compensation and Expenses	\$124,092	\$114,407	\$116,571	\$116,571
Payroll Expenses (3)	\$3,896,843	\$4,451,055	\$4,671,074	\$5,010,885
Specialized Outsourced Expenses (4). (5)	\$721,395	\$669,645	\$755,407	\$865,482
Communication and IT Expenses	\$505,965	\$645,974	\$699,645	\$689,745
Office and Other Expenses (6)	\$819,275	\$1,009,655	\$1,043,842	\$1,093,591
Total Expenses	\$6,067,569	\$6,890,736	\$7,286,539	\$7,776,275
Operating Surplus/(Deficit)	\$(579,466)	\$(339,505)	\$49,174	\$(305,047)
CAPITAL INVESTMENTS				
CRM Implementation (7)	\$756,450	\$489,410	\$550,000	-
Hardware and Equipment	\$6,739	\$105,000	-	-
Leasehold Improvements	-	-	-	-
Total Capital Expenditures (7)	\$763,189	\$594,410	\$550,000	-
Add back: Non-Cash Adjustments	\$124,348	\$263,876	\$316,997	\$305,047
Net Cash Inflow /(Outflow)	\$(1,218,308)	\$(670,039)	\$(183,828)	\$0
CASH RESERVES AND OPERATING CONTINGENCY				
Cash Reserves, end of year (incl. Restricted Funds)	\$4,891,457	\$4,221,419	\$4,037,590	\$4,037,591
Operating Contingency (months)	9.67	7.35	6.65	6.23
Operating Contingency - Target (6 months)	\$3,033,784	\$3,445,368	\$3,643,270	\$3,888,137
Operating Contingency - Target Variance \$	\$1,857,673	\$776,051	\$3 94,321	\$149,453
Operating Contingency - Target Variance %	61%	23%	11%	4%

Budget Notes:

- *Unaudited Financials for FY2023 last updated September 30, 2022.
- The three year forecast reflects a one time fee increase to Interment and Call rates for the 2024 licensing year, equalizing the licensure rate across the sector at \$22.36 per activity.
All rates adjusted for an annual inflationary increase of 7.6% in FY2024, 3.0% in FY2025 and 2.0% in FY2026.
- Includes full time and contract employees in addition to associated benefit and payroll tax expenses.
Additional resources budgeted in FY2023 and beyond to address Auditor General and KPMG staffing recommendations (Phase 1 & 2) including implementation of a new CRM system and administrative support roles. FY2026 assumes further strategic additions to staffing including launch of Education and Professional Development function.
- Outside legal support reserved for specialized litigation matters that may arise in the normal course of business.
- Ministry oversight fees are reported in Specialized Outsourced Expenses and reflect a 4-year average annual increase of 30%.
- Full return to onsite field inspections beginning FY2023 with a new risk based framework.
- Contract for new CRM system awarded May 2022 for \$1.3mln with implementation anticipated for October 2023.
Additional capital expenditure of \$105,000 in FY2024 to refresh computer hardware (laptops and monitors) across the organization. (Previous refresh in 2019, taking hardware refresh cycle to upper 5-year threshold as per IT best practice).
FY2025 assumes further strategic enhancements to CRM (Phase 2) with preliminary capital budget of \$550k.

Financial Modelling -Cont.

Figure 3: Licensure fee Increase to \$30 per registered death/interment. Financial health and reserves restored.

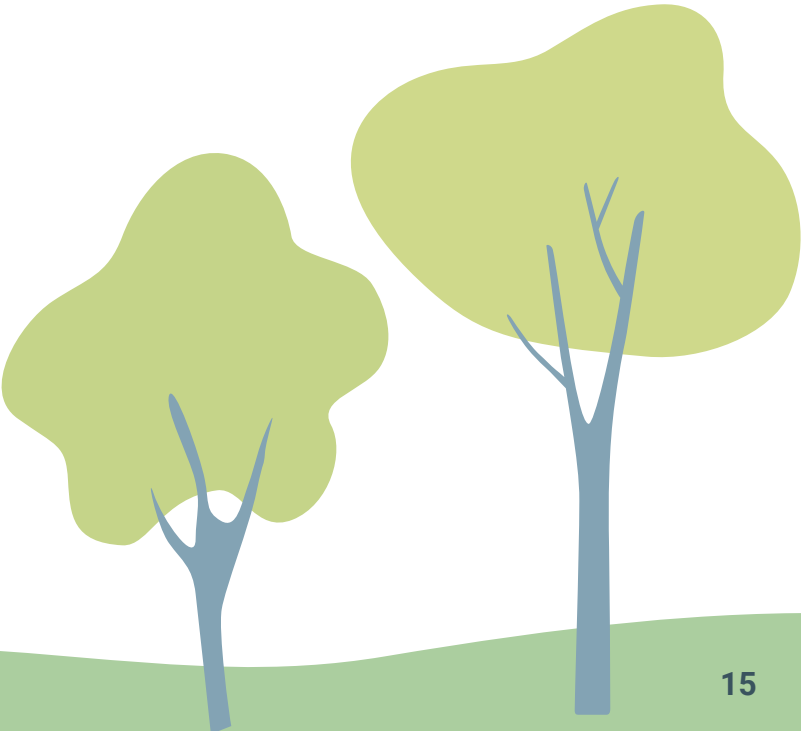
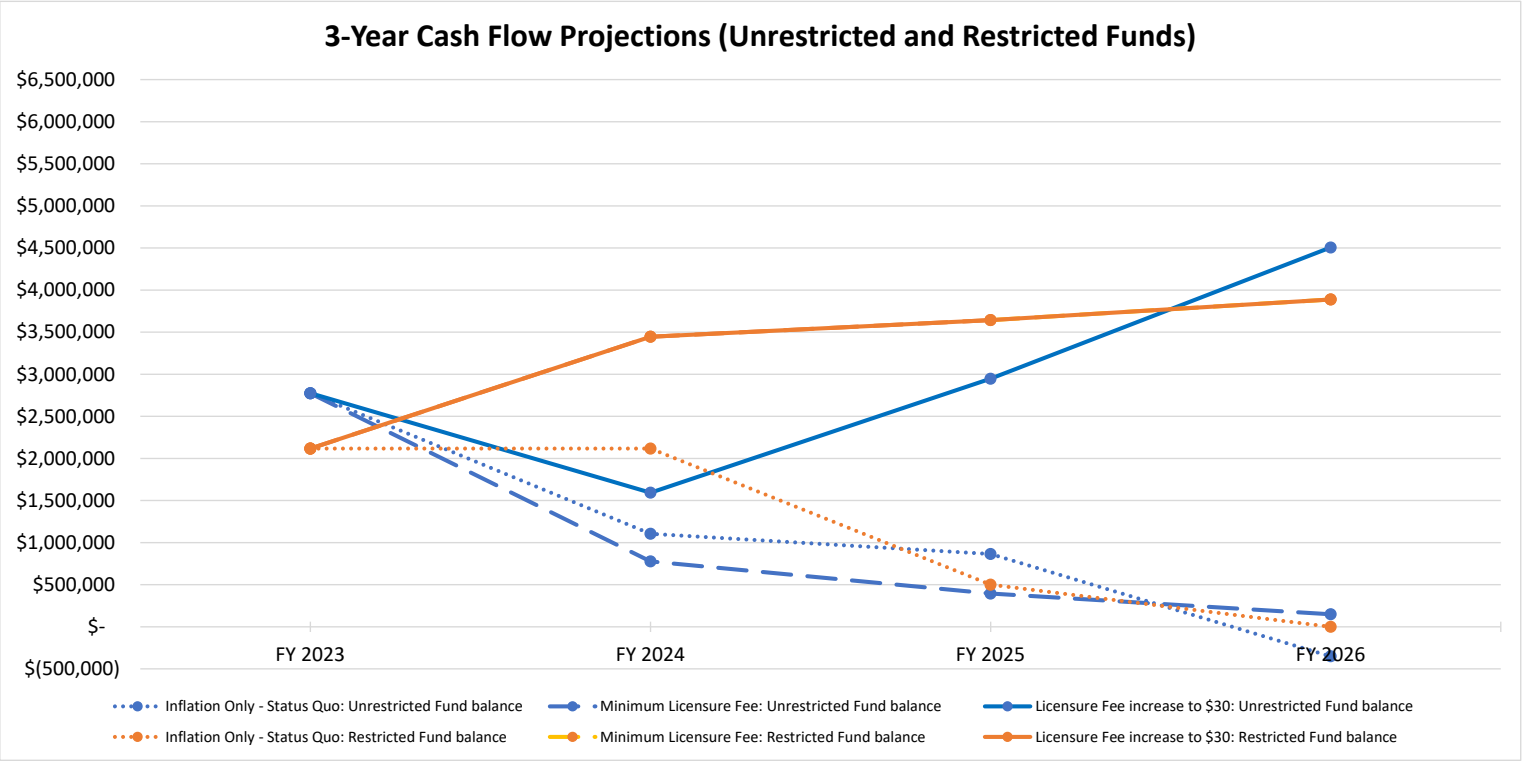
3-Year Forecast of Revenue and Expenses	Forecast FY 2023*	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026
REVENUE				
Funeral Revenue	\$2,989,732	\$3,771,040	\$4,398,187	\$4,486,151
Cemetery and Crematorium Revenue	\$2,449,064	\$3,507,109	\$4,548,052	\$4,639,013
Other Revenue - Non-Operational	\$49,307	\$90,001	\$125,000	\$150,000
Total Revenues (2)	\$5,488,103	\$7,368,150	\$9,071,239	\$9,275,163
EXPENSES				
Board Compensation and Expenses	\$124,092	\$114,407	\$116,571	\$116,571
Payroll Expenses (3)	\$3,896,843	\$4,451,055	\$4,671,074	\$5,010,885
Specialized Outsourced Expenses (4), (5)	\$721,395	\$669,645	\$755,407	\$865,482
Communication and IT Expenses	\$505,965	\$645,974	\$699,645	\$689,745
Office and Other Expenses (6)	\$819,275	\$1,009,655	\$1,043,842	\$1,093,591
Total Expenses	\$6,067,569	\$6,890,736	\$7,286,539	\$7,776,275
Operating Surplus/(Deficit)	\$(579,466)	\$477,413	\$1,784,699	\$1,498,889
CAPITAL INVESTMENTS				
CRM Implementation (7)	\$756,450	\$489,410	\$550,000	-
Hardware and Equipment	\$6,739	\$105,000	-	-
Leasehold Improvements	-	-	-	-
Total Capital Expenditures (7)	\$763,189	\$594,410	\$550,000	-
Add back: Non-Cash Adjustments	\$124,348	\$263,876	\$316,997	\$305,047
Net Cash Inflow /(Outflow)	\$(1,218,308)	\$146,880	\$1,551,697	\$1,803,936
CASH RESERVES AND OPERATING CONTINGENCY				
Cash Reserves, end of year (incl. Restricted Funds)	\$4,891,457	\$5,038,337	\$6,590,034	\$8,393,970
Operating Contingency (months)	9.67	8.77	10.85	12.95
Operating Contingency - Target (6 months)	\$3,033,784	\$3,445,368	\$3,643,270	\$3,888,137
Operating Contingency - Target Variance \$	\$1,857,673	\$1,592,969	\$2,946,764	\$4,505,832
Operating Contingency - Target Variance %	61%	46%	81%	116%

Budget Notes:

1. *Unaudited Financials for FY2023 last updated September 30, 2022.
2. The three year forecast reflects a one-time fee increase to Interment and Call rates for the 2024 licensing year. This proposed fee structure harmonizes rates in the sector to \$30 per activity and eliminates the Administrative portion of the licensing fee for all Operators and Establishments, with expectation to those reporting less than 10 deaths in the prior year. These licensees will still be required to remit an annual Administrative Fee of \$300 on a per site basis. All rates adjusted for an annual inflationary increase of 7.6% in FY2024, 3.0% in FY2025 and 2.0% in FY2026.
3. Includes full time and contract employees in addition to associated benefit and payroll tax expenses.
Additional resources budgeted in FY2023 and beyond to address Auditor General and KPMG staffing recommendations (Phase 1 & 2) including implementation of a new CRM system and administrative support roles.
FY2026 assumes further strategic additions to staffing including the launch of an Education and Professional Development function.
4. Outside legal support reserved for specialized litigation matters that may arise in the normal course of business.
5. Ministry oversight fees are reported in Specialized Outsourced Expenses and reflect a 4-year average annual increase of 30%.
6. Full return to onsite field inspections beginning FY2023 with a new risk based framework.
7. Contract for new CRM system awarded May 2022 for \$1.3mln with implementation anticipated for October 2023.
Additional capital expenditure of \$105,000 in FY2024 to refresh computer hardware (laptops and monitors) across the organization. (Previous refresh in 2019, taking hardware refresh cycle to upper 5-year threshold as per IT best practice).
FY2025 assumes further strategic enhancements to CRM (Phase 2) with preliminary capital budget of \$550k.

Financial Modelling -Cont.

Figure 4: 3-Year Cash Flow Projections – All Scenarios.



“Effective Date” for the Increase

It is proposed that the increase take effect for 2024 Licence Renewals. Since different licence classes have different expiry dates, we refer only to the renewal year. For example, some individuals chose to renew their personal licences in November for the following year. Some establishments must renew their licences within 90 days of their fiscal year-ends (fees are based on the deaths registered during the previous twelve months). Tying the increase to the licence being renewed in 2024 is simpler and negates having to prorate fees.

What the Fees Will Look Like with the Increase

LICENCE TYPE	CURRENT RENEWAL FEE	NEW RENEWAL FEE
Funeral Establishment Operator - Class 1 Funeral Establishment Operator - Class 2 Transfer Service Operator - Class 1 Transfer Service Operator - Class 2	Base fee of \$227.20 + \$18.18 per death registered during the previous twelve-months	Base of \$300 + \$0 per death registered (less than 10 for the previous twelve-months); Or Base of \$0 + \$30 per death registered (10 or greater for the previous twelve-months)
Cemetery Operator Crematorium Operator Alternative Disposition (Hydrolysis) Operator	Base fee of \$17.04 + \$13.63 per interment conducted in the last fiscal year	Base fee of \$0 + \$30.00 per interment conducted in the last fiscal year

Proposed Schedule of Key Dates

Date	Action
23 November 2022	Board Approval
13 December 2022	Submission to Minister
27 January 2023	End of 45 Day Notice to Minister – Consultation Period Begins
1 March 2023	End of Consultation Period - Summary of Comments to Minister
1 May 2023	End of 60 Day Notice Period

“Effective Date” for the Increase -Cont.

WHY SHOULD CEMETERY FEES INCREASE MORE THAN FUNERALS?

Cemeteries have historically paid a lower “per case” fee than the funeral sector. (\$12 per interment vs \$16 per call.) This may have been the result of the two sectors being regulated by two different and detached regulators (Board of Funeral Service and the Cemetery Regulation Unit.)

Since both sectors have been regulated by one entity, the BAO has been well positioned to understand the regulatory challenges and workload associated with each. Cemeteries must collect contributions from consumers toward their perpetual Care & Maintenance trust funds. In Ontario, these Care & Maintenance funds total approximately \$3 billion. Since most cemeteries are managed by volunteers with no financial expertise, they require significant monitoring by our Financial Compliance Team. After a detailed analysis into the effort required to ensure compliance by cemeteries and funeral homes, the BAO has now established that cemeteries

account for 65% of the total cost of BAO compliance activities. It makes sense that cemeteries pay their fair share of licence fees, which we are equalizing with funeral homes.

This is consistent with the fee setting criteria defined in the Administrative Agreement:

The relative fees charged for different services and licensing types shall reflect:

the comparative costs to the BAO for providing the services, the period during which a licence shall be effective, and uniformity of application regardless of geographic location.

IMPACT ON CONSUMERS

The fee increase will add to the cost of each funeral and interment that would presumably be passed-on to a consumer by the service providers. These fees are incorporated into overhead and not typically disclosed on a contract or price list, therefore they are not transparent to a consumer.

But this is by convention rather than regulatory requirement. The BAO will suggest that licensees have the option of itemizing their licence fee on a contract for services, making the fee transparent to a consumer and aligning with the Auditor General’s recommendations that the BAO do more to raise their profile and awareness with a customer, and that pricing within the sector be more transparent.

ANTICIPATED REACTION FROM SECTOR

To gauge acceptance of the fee increase, the CEO has had “informal” soft discussions with the sector via the annual conferences of the Ontario Funeral Services Association and the Ontario Association of Cemetery & Funeral Professionals, and approached key stakeholders, and the Funeral Advisory Committee of the BAO. No negative feedback has been received, and some have considered the increase to be “insignificant” in light of the average cost of a funeral in Canada being \$9,150 (1). The sentiments expressed have been neutral as there hasn’t been a significant fee increase for seven years. The sector considers licence fees as ultimately a “pass-through” expense to the consumer. The funeral sector voiced enthusiastic support for the “equalization” of fees between funeral homes and cemeteries.

It was expressed by one national funeral provider that some other jurisdictions, for example British Columbia, have higher fees. According to Consumer Protection BC, the renewal fees for a funeral establishment are \$230 base, plus \$40 per death registered, paid quarterly. Cemetery licence renewals vary by volume from \$0 to \$230. Notice is posted on the Consumer Protection BC website that the fee schedule for bereavement services will increase by 4% per year for the next three years.

1 According to Service Corporation International (Dignity Memorial Corp.)

<https://www.dignitymemorial.com/en-ca/costs/funeral>

Communications Plan For The Bereavement Sector

Following the 45-day notice to the Minister, and 30-day consultation period, all licensees will be notified 60 days in advance of the fee increase, as required by the Administrative Agreement. The increase won't take effect until the 2024 Licence Renewal Year, almost 8 months after the required 60-day notice period to the sector. That said, it is beneficial to communicate the fee increase to the sector as soon as possible, as establishment fees are based on the prior 12-month's call volume. Giving timely notice will afford the sector the ability to build the increase into their pricing 12 months before their renewal fee is due.

The dates in the plan below will be assigned when the 45 Notice period for the Minister is completed. The Notice and messaging for our licensees will be frequently repeated over the next year (2023).

Topline / Purpose

The BAO is implementing its second-ever licensing fee increase to enable it to expand and sustain its services and oversight in the public interest, as recommend by the Office of the Auditor General (AG) of Ontario.

The fee increase will be for the 2024 licensing year. Licence renewal fees for bereavement sector businesses are based on their prior 12 months of activity (number of deaths registered, cremations, scatterings, or interments.)

Goals of the fee increase

1. Grow and sustain the BAO's consumer protection role for grieving families (consumers)
2. Implement, fund and sustain recommendations of the AG
3. Inform and support licensees

Key messages

- A. This is a necessary increase to licensee fees to enable the BAO to complete recommendations of the AG report and sustain the improvements in the public interest.
- B. The required improvements, as per the AG recommendations, will greatly enhance the BAO's consumer protection initiatives while supporting the sector's compliance with provincial regulations.
- C. A new CRM technology database system is necessary to organize the BAO's growth and AG-recommended improvements, while tracking progress, licensee compliance and data analytics in a modern database.

Communications actions

Preliminary comms

- CEO/Registrar presentations to licensees in 2021 included the topics of fee increases and necessary additional staff and resources to implement recommendations of the AG Report.
- In 2022, the CEO & Registrar informally signalled to both sector associations at their AGMs that there would be another fee increase announced, in addition to the inflationary increase announced in 2021.
- The BAO's inflationary increase public announcement to licensees in November 2021 stated that "we expect there will be future increases as we expand our services to fulfill our mandate as per the provincial government's Auditor General report recommendations.... BAO Annual Report, Financial Statements 2021/22- Mentioned "consideration to its licensing fee structure" related to the BAO Business Plan (and AG Report recommendations)

Communications Plan For The Bereavement Sector

Proposed January 30, 2023 communications rollout announcing the new fee increase

- January 30, 2023 – Invitation to Consult on the Proposed Fee Increase
- February 27, 2023 – Eblast 'Notice to the Profession' informing all licensees of the licensing fee increase for the 2024 renewal year
 - Notice will be posted on our public website
 - FAQ – A frequently asked questions document will be included with the first eblast to all licensees and will be used by BAO staff
 - Fee Chart – A chart of sample fee increases across operator licence classes will be included with the first eblast
- April 26, 2023 - CEO/Registrar Update webcast to licensees
 - This will include information about the fee increase
- May 2023 - Additional bi-monthly notices to licence classes specific to them
- May, June, July, August, September – Reminder notices to licensees and in the BAO LifeLine newsletter

