

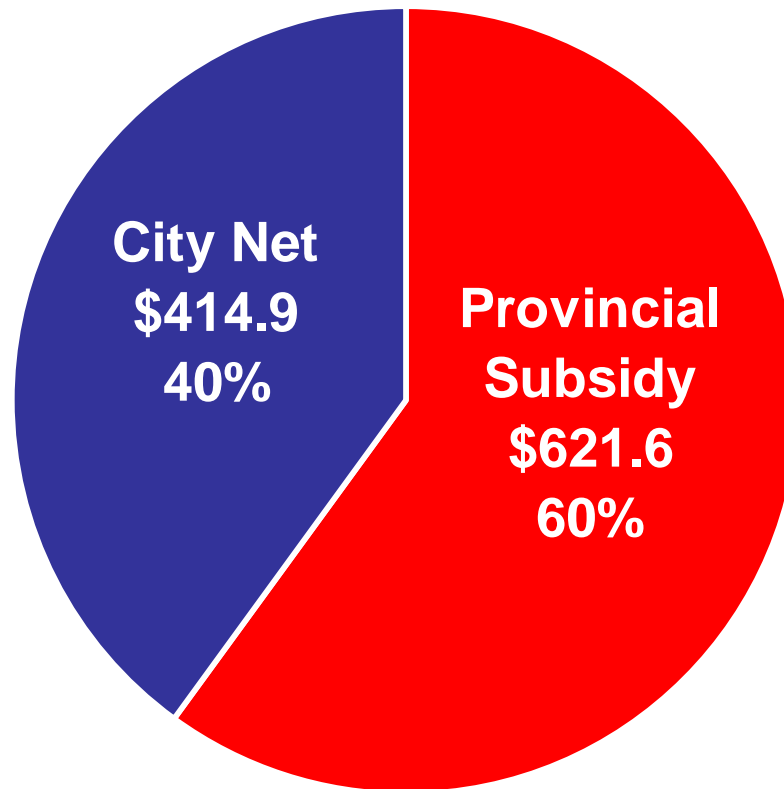
*Our Vision is a future in which all of our clients are moving
toward greater self-reliance and eventual independence.*

Toronto Social Services 2006 Operating Budget Overview

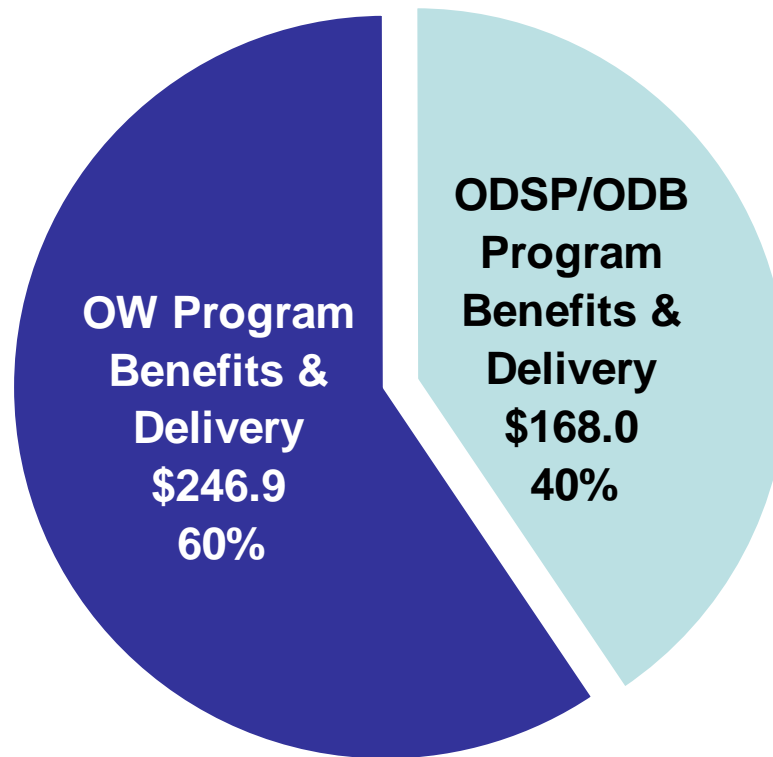
Presentation to Community Services Committee
January 12, 2006



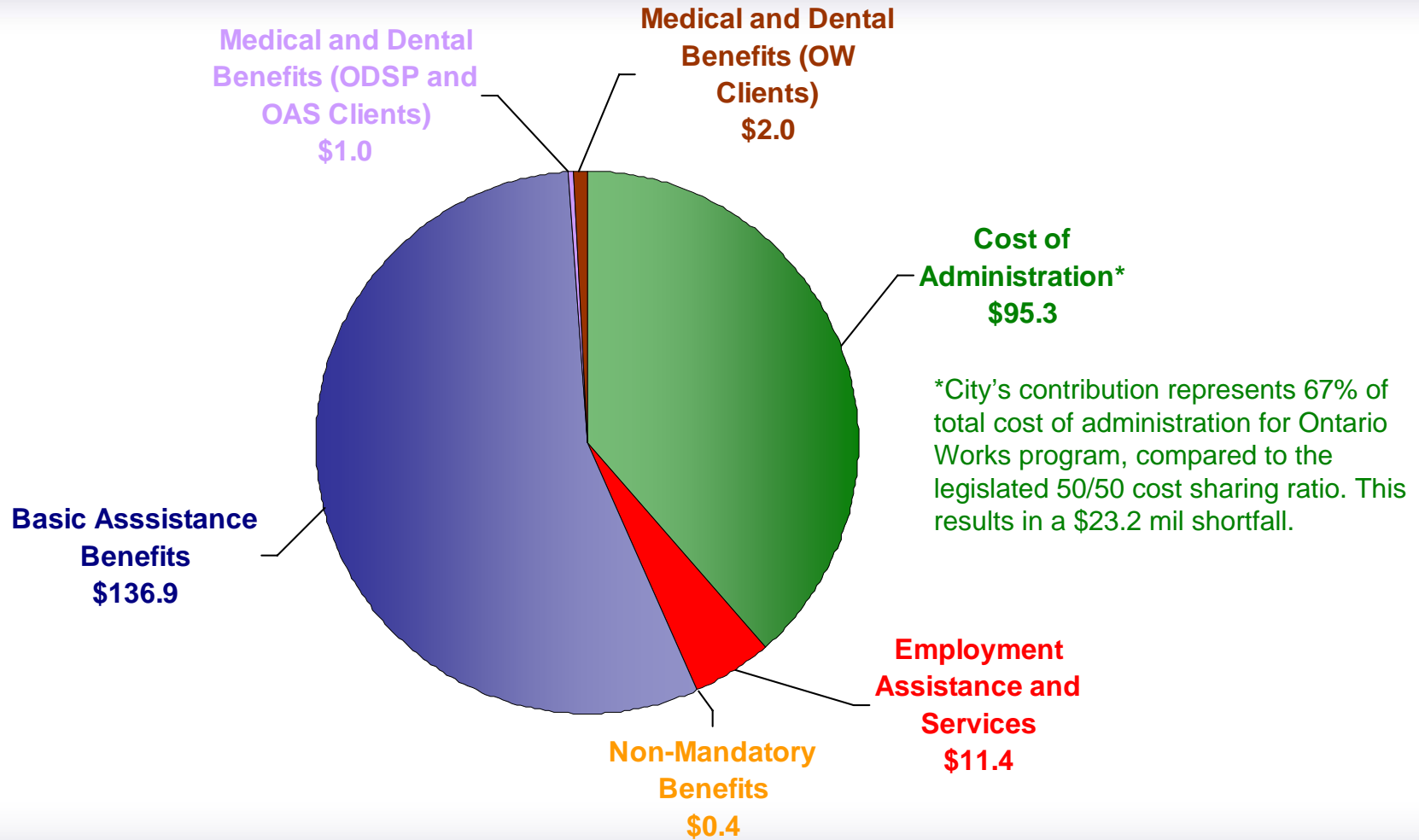
TSS 2006 Budget Request (\$1.037 billion gross)



TSS 2006 Net Budget Request (\$414.9 million)

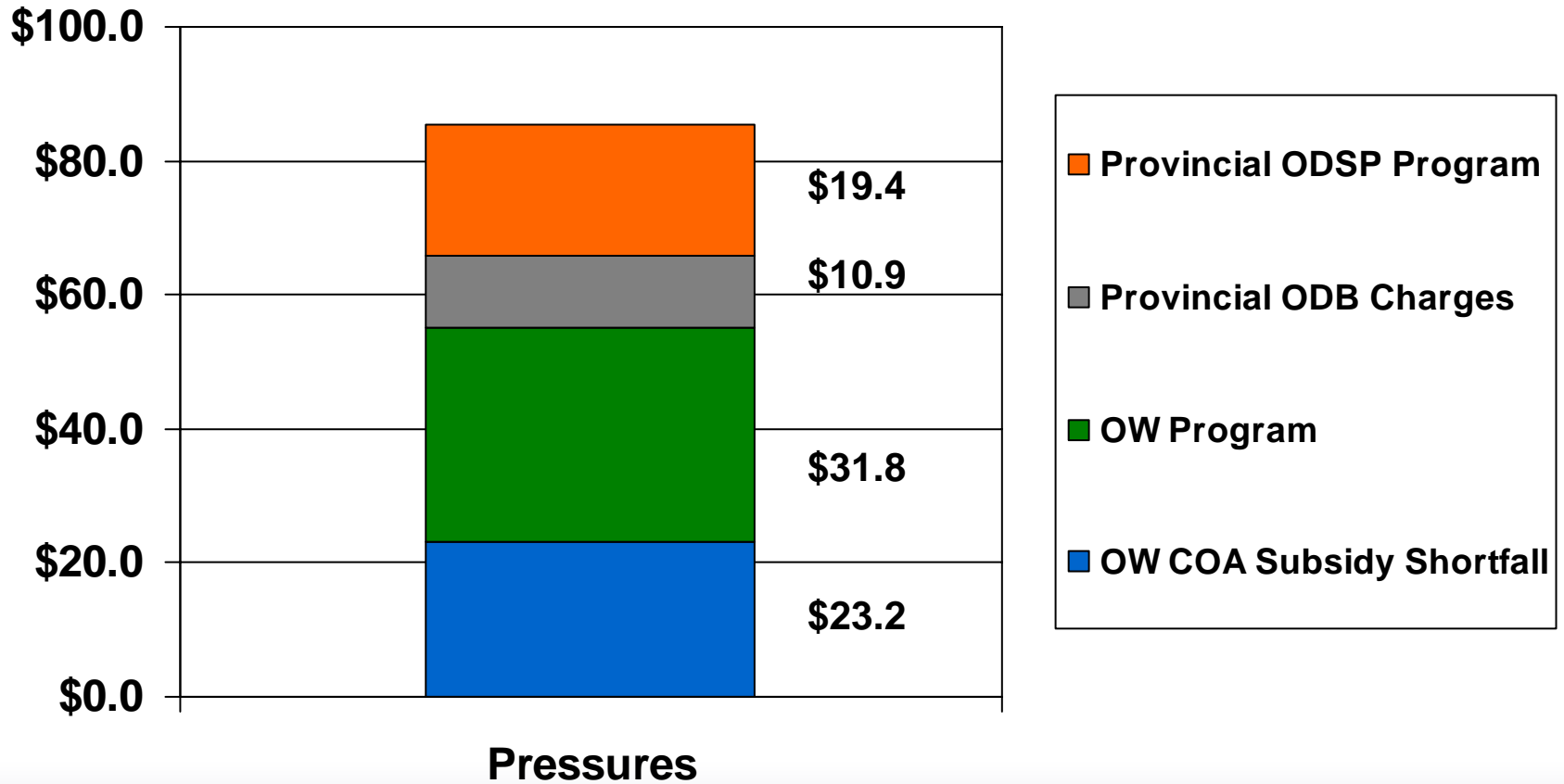


2006 Net Budget Request – OW Program Benefits & Delivery (\$246.9 million)




2006 Net Budget Request Pressures

(\$85.3 million before reserve funding)



Bottom Line

- TSS' pressures are the direct result of provincial under-funding of OW and the downloading of costs:
 - OW Cost of Administration, and;
 - Provincially run ODSP & ODB programs.




*Our Vision is a future in which all of our clients are moving
toward greater self-reliance and eventual independence.*

How Did We Get Here?

How Did We Get Here?

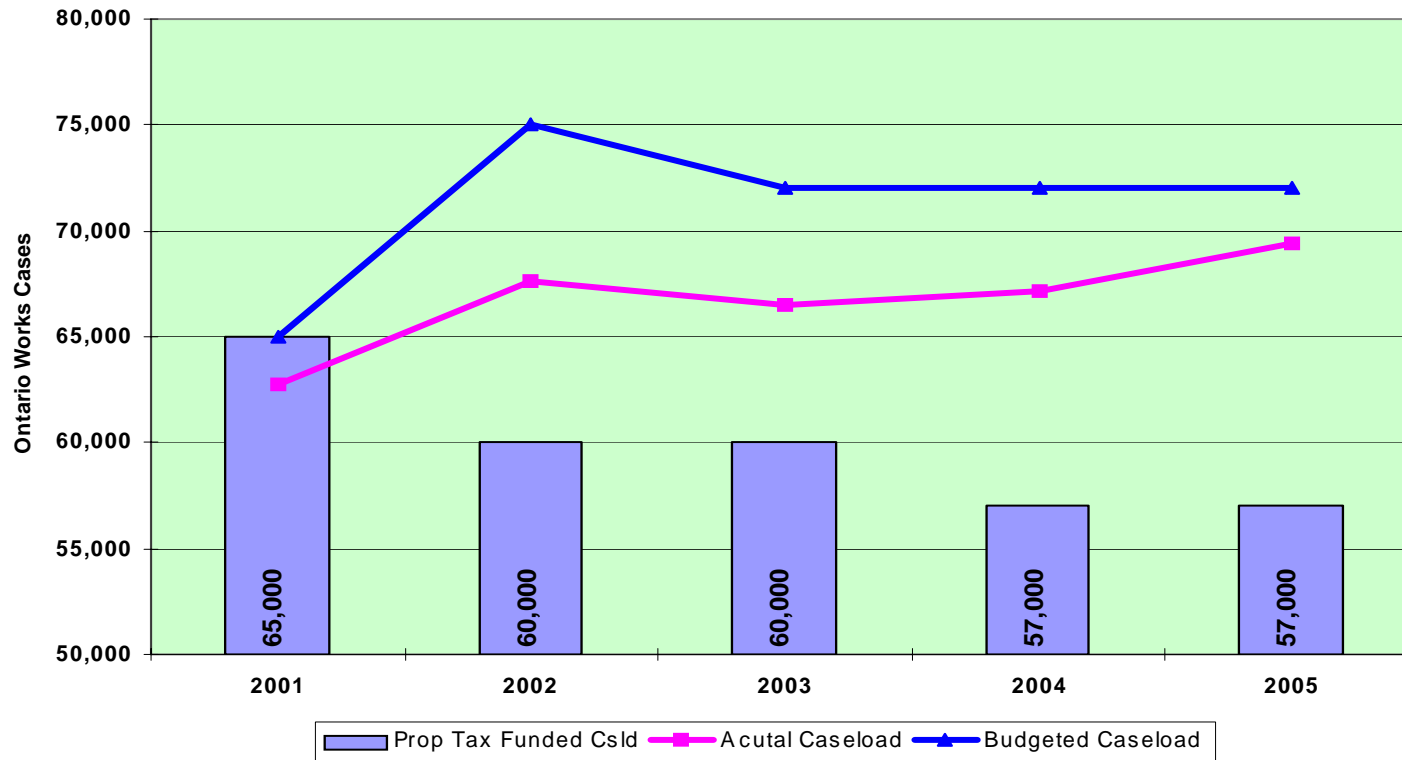
- Costs
 - Increased Provincial billings:
 - Ontario Disability Support Program (ODSP) of \$19.4 mil
 - Ontario Drug Benefits (ODB) of \$10.9 mil
- Revenues
 - Provincial cap on Cost of Administration
 - Fails to recognize inflation, collective agreements & end of pension holiday
 - Loss of \$23.2 mil
 - Council decision to fund OW caseload from reserves
 - 2006 projected impact \$31.8 mil



*Our Vision is a future in which all of our clients are moving
toward greater self-reliance and eventual independence.*

How We Managed: The Balancing Act


Balancing Act: Funding OW Cases from SAS Reserve



| OW Funding from SAS Reserve | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------|
| | 2002 | 2003 | 2004 | 2005 PA | Total |
| | Cases over 60,000 | Cases over 60,000 | Cases over 57,000 | Cases over 57,000 | |
| OW Social Assistance Program | 3.7 | 4.7 | 15.3 | 19.5 | 43.2 |

Balancing Act: Funding from One-time (Non-recurring) Revenues

| | 2002 | 2003 | 2004 | 2005 PA | Total |
|------------------------------------|------------|---------------|---------------|---------------|----------------|
| <u>Increased City Costs</u> | | | | | |
| Increased ODSP Charges | - | 1.3 | 11.6 | 15.4 | 28.3 |
| Increases in ODB Charges | 2.2 | 5.6 | 4.6 | 5.9 | 18.3 |
| Cost of Admin (COA for OW only) | 5.1 | 12.2 | 17.1 | 20.3 | 54.7 |
| Decline in GTA Pooling Revenues | - | 2.6 | 2.5 | - | 5.1 |
| TOTAL | 7.3 | 21.7 | 35.8 | 41.6 | 106.4 |
| <u>One-Time Revenues</u> | | | | | |
| Program Under-expenditures | (7.3) | - | - | - | (7.3) |
| Provincial One-Time Funding | - | (11.2) | (18.2) | - | (29.4) |
| SAS Reserve | - | - | - | (35.4) | (35.4) |
| One-time Pooling Adjustment | - | (10.5) | - | - | (10.5) |
| Corporate Surplus | - | - | (17.6) | - | (17.6) |
| TOTAL | - | (21.7) | (35.8) | (35.4) | (100.2) |
| BALANCE | Nil | Nil | Nil | 6.2 | 6.2 |



*Our Vision is a future in which all of our clients are moving
toward greater self-reliance and eventual independence.*

2006 Operating Budget

Reductions Achieved in 2005/06


- 2005 Budget Reduction Based on Projected Savings
 - \$1.7 mil
 - 49 Staff
- 2006 Projected Annualized Savings from 2005 Reduction
 - \$3.0 mil

Direction for Operating Budget

- Council direction on 2006 Operating Budget:
 - The City request that the Provincial government recognize the actual cost of emergency and community services and meet its legislated obligation to fully cost-share those services for 2006;
 - The City review with the Province opportunities for service efficiencies in the administrative and reporting requirements for cost-shared programs; and
 - Consideration be given to services reductions and/or further draws on reserves to mitigate pressures on the City's tax base.
- July 19, 2005 City Manager direction:
 - “financial pressures arising from Provincial cost-shared funding shortfall must not be funded from the property tax base”
- Council amended recommendation #3 of P&F Committee report:
 - “consideration be given to service reductions in the Provincial cost-shared programs and/or further draws on related reserves to mitigate pressures on the City's tax base”

Efficiencies and Streamlining Overview

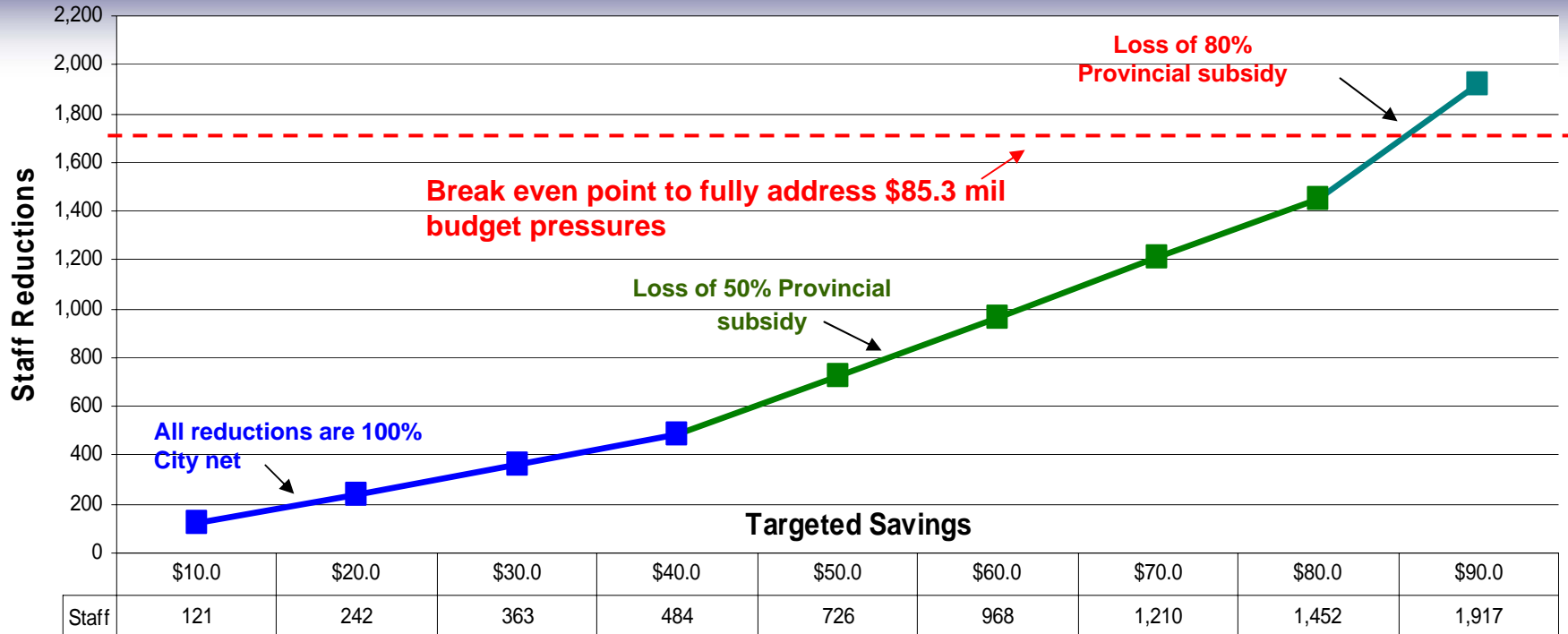
| | Program Delivery | Program Management |
|-------------------------------------|--|---|
| Program Redesign | <ul style="list-style-type: none"> • Application centre (equivalent of 1 Area Office) • Service needs interview • Purchase of service framework (individualized training + streamlined administration) • Early interventions (e.g. highly employable) • Employment Resource Centres • Post employment supports (e.g. shelter fund) | <ul style="list-style-type: none"> • Performance based EA contracts and associated tracking technologies • Maintain 70% of caseworkers on active caseload • Service standards • Community based partnerships (e.g. job fairs, EI reach-backs) |
| Efficient Business Processes | <ul style="list-style-type: none"> • Streamlined application process (eliminated duplication caused by SDMT) • Direct Bank Deposit • Dedicated financial review function • Consolidated client information package • Interview guides and checklists | <ul style="list-style-type: none"> • Business Audit function • Consolidated inactive overpayment recoveries • Consolidated family support function • Centralized appeals management • Performance/management reports |
| Technical Innovations | <ul style="list-style-type: none"> • Family support case management tool • Fraud investigation and tracking tool • Employment screening tool • Local office reporting capacity | <ul style="list-style-type: none"> • Data Mart • Intranet • Staff complement management system • Automated benefit tracking tools (e.g. funeral recoveries, manual cheques, vendor payments) |



Our Vision is a future in which all of our clients are moving toward greater self-reliance and eventual independence.

Impact of Budget Pressures

Impact of Addressing the 2006 Budget Request Pressures within TSS



NOTES: 1) Required 100% City reductions to restore 50/50 provincial/municipal cost sharing.

2) Current 50/50 cost sharing for OW cost of administration

3) Employment Assistance cost of administration 80/20 cost sharing (EA component of OW)

Targeted Savings does not include cost to implement savings.

TSS Functions & Services

2006 Potential Net Savings and Staff Impacts

| Impact | Local Delivery | | Employment Supports | | | Direct Services and Supports | | | Program Integrity and Compliance | | | |
|-------------------|----------------|--------------------|-----------------------|---------------------|-----------------------------|------------------------------|---------------|--------------------|----------------------------------|---------|----------------|-------------------------------|
| | 1 Office** | Application Centre | Direct Delivery of EA | Purchase of Service | Employment Resource Centres | Family Support | Special Needs | Child Care Brokers | Fraud Review | Appeals | Business Audit | Inactive Overpayment Recovery |
| Staff | 100 | 66 | 164 | 31 | 66 | 64 | 21 | 17 | 15 | 12 | 12 | 23 |
| Savings (\$ mil)* | \$5.0 | \$4.0 | \$2.7 | \$2.6 | \$0.7 | \$4.5 | \$1.7 | \$0.5 | \$0.7 | \$0.7 | \$0.8 | \$1.2 |

*Savings represent first year of reductions and are net of implementation costs. The total net savings to the City identified on the above table is \$25.1 mil for the first year and \$34.0 mil in subsequent years (Considers current levels of cost sharing)

**Each additional office closing will result in \$5.0 mil savings in the first year and \$9.8 mil in subsequent years with the reduction of 100 staff (includes proportionate reduction in central supports).

The Domino Effect

- **Reductions will result in risks to:**
 - Vulnerable Residents
 - The Community
 - City

Risks:

Vulnerable Residents


- Reduced access and delays in service
 - People in crisis situations may not get the services they need in the time they need them (e.g. spousal abuse, potential homeless)
- Increased pressure on vulnerable residents to navigate complex social safety net programs (e.g. mental health system, EI, WSIB, ODSP, child care)
- Reduction in critical medical benefits (e.g. \$7.0 mil (gross) in benefits like oxygen, dentures, wheelchairs, prosthetics for over 16,000 low income disabled residents)
- Reduced access to employment services and supports

Risks: Community

- **Increased pressure on other community services** (e.g. food banks, Family/youth services, Child welfare agencies, Community-providers of health and dental care)
- **Reduction in access to critical services in some of the City's poorest neighbourhoods**
- **Loss of \$12 million for 31 community-based organizations**
- **Increased risk of social exclusion** (e.g. Unemployment, Homelessness, Reduced access to education and training)

Risks: City

- Erosion of City's social infrastructure
 - Reduced capacity to meet the needs of the city's most vulnerable residents
- Financial
 - Increased program costs
 - Potential for provincial claw-backs for non-compliance with directives
 - Decline or loss of provincial revenues
- Reduced program Integrity
 - Increased potential for fraud
 - Increased interim assistance/Increased loss of appeals
 - Increased overpayments and decreased ability to recover funds



*Our Vision is a future in which all of our clients are moving
toward greater self-reliance and eventual independence.*

Provincial Review of Ontario Works' Cost of Administration Shortfall

KPMG Cost Of Administration Review

Background

- Province capped their share of the Cost of Administration for Ontario Works (OW) at 1998 levels
 - Province has refused to recognize the legislated cost to administer OW in Toronto
 - Cost sharing has shifted from legislated 50/50 to 64 City/36 provincial
- Cost of Administration shortfall in Toronto is projected to be \$23.2 mil in 2006
- In response to this issue the Ministry initiated a review of the City's cost of administration between 2001 & 2004:
 - Review was conducted by KPMG between February and May 2005

KPMG Cost Of Administration Review

Review Objectives

- Province established terms of reference that included the following objectives:
 - 1) Review the City's OW Cost of administration expenditures against the Ontario Works regulations, directives (e.g. Cost Directive 51.0) and other relevant policies and guidelines (e.g. APERS)
 - 2) Understand why costs have increased and what steps the City has taken or could have taken to contain costs.
 - 3) Determine what can be done to reduce OW Cost of Administration
- City staff were part of the review's Steering Committee

KPMG Cost Of Administration Review

Summary of Findings

Overall City of Toronto's position regarding cost of administration was supported by the findings of KPMG

Specifically, KPMG found that:

- Toronto complies with all Provincial regulations, directives and policies regarding Cost of Administration
- The City's delivery of OW is balanced and defensible
- Increases in Cost of Administration between 2001 and 2004 were reasonable
- Toronto's administration cost per case is significantly less (about 15%) than the average of the other GTA municipalities
- Further savings will come at the expense of service delivery

KPMG Cost Of Administration Review

Findings on Effectiveness and Efficiency

KPMG also examined relevant policies, procedures and records to assess the effectiveness and efficiency of OW Administration in Toronto including:

- 1) Organizational Structure – staffing models, numbers and types of staff and remuneration;
- 2) Delivery Structure – number of offices, rental structure;
- 3) Use of technology and related supports;
- 4) Cost Management Environment – availability and adequacy of information and analysis for cost management's use of this information.

KPMG Cost Of Administration Review

Effectiveness and Efficiency Findings

➤ **Financial Control Processes:**

“KPMG identified the following elements of the City’s expenditure control process, all of which provide evidence of an appropriate control environment.”

➤ **Staffing Costs:**

“Based on this analysis and discussions with the City staff regarding compensation policies and procedures, these numbers appear reasonable.”

➤ **Compared to Other Municipalities**

“Based on the data available, Toronto’s overall costs per case, and salary and benefit costs per FTE are generally in line with other CMSMs.”

➤ **Access to Services:**

“With respect to its business practices, the City operates its real estate in a commercially reasonable manner. Offices are located appropriately close to historically active catchment areas for OW participants.”

➤ **Information Technology:**

“The caseload volume drives the need for the City to invest in technology to avoid manual data manipulation that is required as a result of the inadequacies of the SDMT system”

“....., KPMG noted that the IT environment at the City of Toronto appears to be well managed.”

➤ **Cost Management:**

“....., internal control processes and in particular, detailed budgeting, expenditure approvals, performance monitoring and follow-up are in place and appear to be working effectively.”

Ontario Municipal Benchmarking Initiative:

Chart 1- Average Social Services Administration Cost per Case (Monthly)

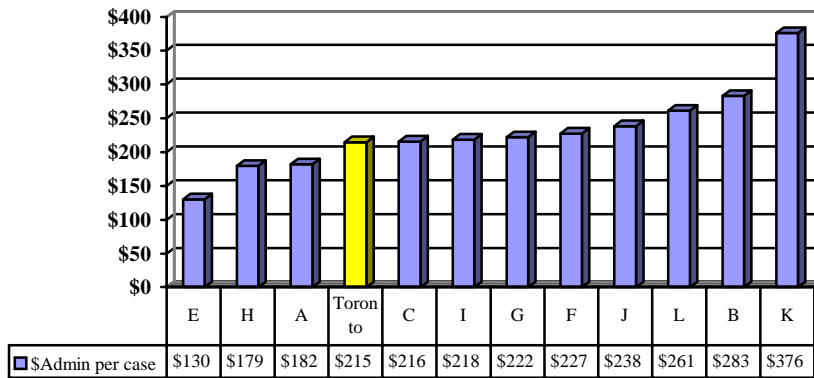


Chart 2- Monthly Social Services Case Load per FTE

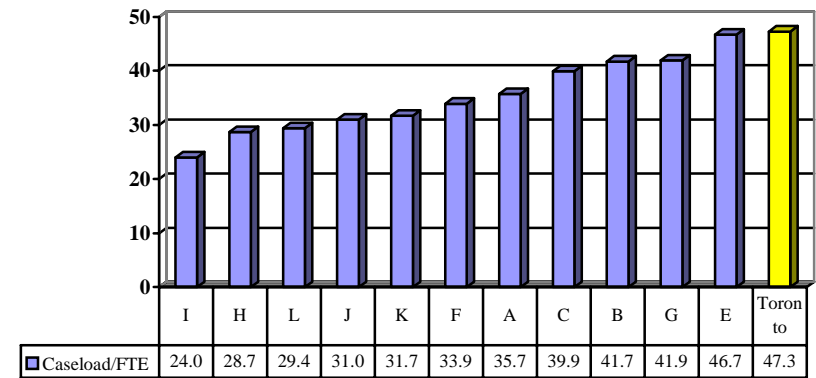


Chart 3- Average Monthly Benefit Cost per Case

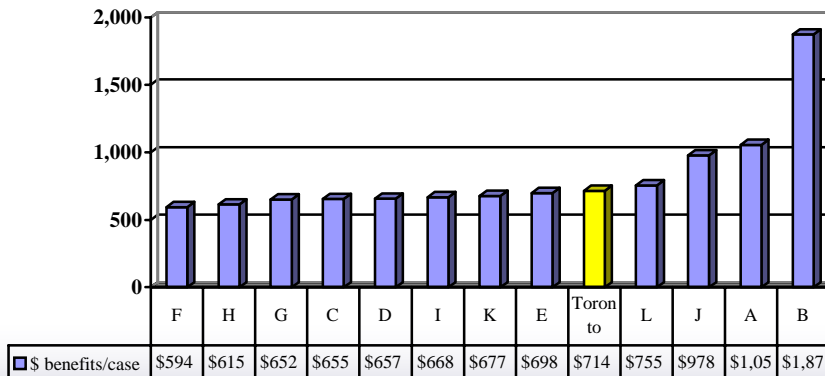
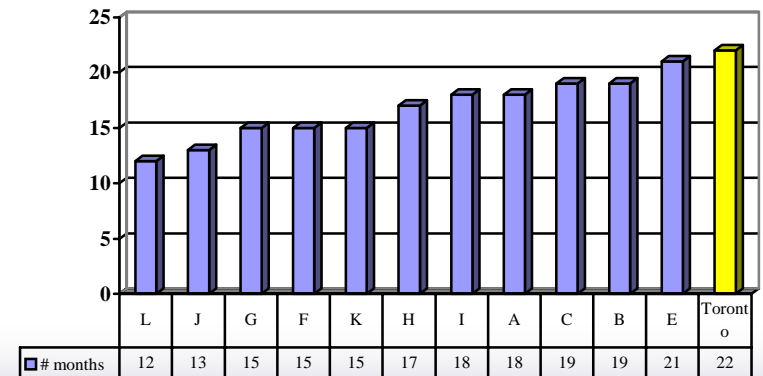


Chart 4- Average Time on Social Assistance (Months)



Cost Of Administration Review

Staffing Costs & Comparisons

- KPMG's finding that Toronto's COA is 15% below the GTA means that we would need to add over 270 staff to be comparable with the other GTA municipalities
- OMBI data allows it to be broken down further:

| GTA Municipality | Additional Staff Required by Toronto |
|------------------|--------------------------------------|
| A | 220 |
| B | 265 |
| C | 350 |
| D | 900 |

- Both KPMG and OMBI show Toronto's costs including staffing are reasonable and comparable to other municipalities across the province

TSS 2006 Proposed Base Budget

| \$millions | Net Expenses |
|--|---------------------|
| Over Target | 85.3 |
| Analyst recommended Reserve Funding | 33.2 |
| Analyst recommended 2006 Budget | 277.5 |
| Over Target | 52.0 |