

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET OVERVIEW

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Contacts: Alan Cohen, Manager, Financial Planning Division
Tel: (416) 397-3740
Tim Lam, Senior Financial Planning Analyst
Tel: (416) 397-4225

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2008 OPERATING BUDGET**Executive Summary**

- The projected year-end net expenditure of \$253.707 million is \$14.0 million or 5.2% below the 2007 Approved Operating Budget of \$267.707 million. The net expenditures are below budget mainly due to the impact of Ontario Works (OW) case mix (higher proportion of singles compared to families in the caseload (\$14.3 million), lower Cost of Administration associated with Ontario Works (\$6.1 million), and cost containment measures implemented in 2007 (\$0.3 million). This favourable variance is partially offset by an additional 1,000 cases (projected year-end caseload of 76,000 vs. 2007 Approved Budget of 75,000) for Ontario Works (\$1.6 million), and the over-expenditure anticipated for Ontario Disability Support Program (ODSP) as the projected year-end ODSP caseload is 1,200 above the 2007 Approved Budget of 50,000 (\$5.0 million).
 - 2007 cost pressures expected to impact 2008 include the 2% rate increase for Ontario Works (OW) and ODSP clients effective December 1st, 2007 (\$6.0 million), and a projected increase in the OW and ODSP caseload of 4,000 and 3,500 cases respectively (\$16.8 million).
- The 3-Year Operating Budget supports Toronto Social Services (TSS) strategic priority to assist their clients to achieve greater self-reliance and eventual independence by ensuring the existence and effectiveness of a service and support system within the community, supporting clients as they pursue opportunities and programs that will enable them to become more self-sufficient, and advocating on behalf of those in the community who are most vulnerable and least able to obtain supports on their own.
 - The major challenge for 2008 and beyond is to maintain effective and responsive community services in the face of the download of uncontrollable ODSP costs by the Province and the cap on the Provincial OW Cost of Administration subsidy.
- The 2008 Recommended Operating Budget represents a \$12.267 million or 4.6% increase over the Program's 2007 Approved Operating Budget and target of \$267.707 million.

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recomm'd Operating Budget			Change - 2008 Recommended Operating Budget from 2007 Appvd. Budget		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Projected Actual	2008 Recomm'd Base	2008 Rec.New /Enhanced	2008 Rec. Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	1,071,375.9	1,009,854.8	1,079,457.6	491.9	1,079,949.5	8,573.6	0.8	(20,540.9)	(65,000.0)
REVENUE	803,669.0	756,147.9	799,483.3	491.9	799,975.2	(3,693.8)	(0.5)	(5,297.7)	
NET EXP.	267,706.9	253,706.9	279,974.3	0.0	279,974.3	12,267.4	4.6	(15,243.2)	(65,000.0)
Approved Positions	1,950.0	1,950.0	2,000.0	6.0	2,006.0	56.0	2.9	0.0	0.0
TARGET			267,706.9		267,706.9				
\$ Over / (Under) Program Target			12,267.4		12,267.4				
% Over / (Under) Program Target			4.6%		4.6%				

- The 2008 Recommended Operating Budget of \$279.974 million net consists of base funding and new/enhanced service priorities of \$0.492 million gross, which are funded by provincial subsidies.
 - The 2009 Outlook net decrease of \$15.243 million or 5.7% includes the impact of the reversal of the 2008 leap year costs, the reversal of 2008 draw from the SAS Reserve Fund of \$5.198 million and \$0.1 million from the OW Reserve Fund, and an upload of the ODSP administration costs based on existing Provincial announcement. The 2010 Outlook of \$65.0 million represents the reduction of the City share of ODSP Benefits from 20% to 10%.
- The 2008 Recommended Base Budget is \$12.267 million or 4.6% over the 2007 Approved Budget mainly due to the following 2008 key cost drivers, which are partially offset by the full Ontario Drug Benefits program (ODB) upload of \$39.1 million effective January 1st, 2008:
 - increases in Cost of Administration (COA) expenditures associated with Ontario Works, of which the Province has failed to fund its obligated share and created a shortfall of \$35.0 million (\$5.7 million above the shortfall in 2007);
 - increase in estimated average monthly OW caseload from 75,000 to 79,000, along with the impact of the legislated 2% rate increase for OW clients, and 48 temporary positions (contingent to increase in caseload) totaling at \$6.242 million; and,
 - higher ODSP cost of \$14.05 million due to a rate increase of 2% announced by the Province in the March 2007 budget and an extra 3,500 ODSP cases projected in 2008 based on historical trends.
- The recommended new/enhanced service priorities total \$0.492 million for the Woodbine Entertainment Redevelopment project (including 6 temporary positions, 100% funded by the Province) with no incremental impact on future years, to create local employment opportunities in a variety of sectors including construction, retail, hotel, and to provide training and supports to

OW clients to improve their prospects for sustainable employment. This new/enhanced service priority supports City Initiatives in Priority Neighbourhoods to improve the lives of the vulnerable in Toronto.

- The Social Assistance Stabilization (SAS) Reserve Fund is a funding mechanism established by Council in 1998 to protect the City against the property tax impact of future caseload increases. OW program benefits for cases over 57,000 would be funded from the SAS Reserved Fund as adopted by Council since 2002. The \$6.962 million balance in the SAS Reserve Fund (projected balance as of December 31, 2007) will be fully depleted in 2008, as \$1.746 million is reserved for Children's Services, and result in a budget pressure of \$5.198 million in 2009.
- TSS provides employment assistance and financial assistance to help the most vulnerable in the community to pursue opportunities and to become more self-sufficient, and also contributes to the overall health and well being of a significant proportion of City residents. Some examples of the services/programs offer by TSS in 2008 include:
 - Processes 79,000 monthly average caseload for OW;
 - Provides approximately 100,000 clients with consultation and supports through TSS' employment resources centres;
 - Sponsors and conducts job and agency fares for OW clients across the city to help connect over 8,000 clients with potential employers; and,
 - Assists clients to maintain or obtain housing.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Toronto Social Services of \$1,079.950 million gross and \$279.974 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Program Support	12,702.7	6,485.0
Social Assistance	1,067,246.8	273,489.3
Total Program Budget	<u>1,079,949.5</u>	<u>279,974.3</u>

2. the General Manager of Social Services report to Budget Committee at the 2008 Operating Budget wrap-up meeting on actual year-to-date Ontario Works monthly caseload with possible revisions to the 2008 recommended average monthly caseload estimate of 79,000.
3. the Province immediately upload the full cost of \$150.0 million of Ontario Disability Support Program included in the 2008 Recommended Operating Budget, as the ODSP is a provincial responsibility.
4. the Province honour its legislative requirements and be responsible for 50% of the Cost of Administration of Ontario Works.

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	986,342.9	1,071,375.9	1,009,854.8	(61,521.1)	(5.7)
REVENUES	708,465.9	803,669.0	756,147.9	(47,521.1)	(5.9)
NET EXP.	277,877.0	267,706.9	253,706.9	(14,000.0)	(5.2)
Approved Positions	1,943.0	1,950.0	1,950.0	0.0	0.0

Source: *Projected Actuals based on the September 30, 2007 Variance Report.

2007 Experience

The projected year-end net expenditure of \$253.707 million is \$14.0 million or 5.2% below the 2007 Approved Operating Budget of \$267.707 million. The reasons for the favourable variance are summarized in the following table:

2007 Projected Year-End Variances	Net Variances (\$ millions)	Comments
(1) <i>Ontario Works:</i>		
Caseload increase	1.6	2007 projected caseload is 1,000 cases higher than the 2007 Approved Budget of 75,000.
Case-Mix	(14.3)	Higher proportion of single cases than family cases in 2007.
Cost of Administration	(6.1)	Savings attribute to lower COA with single cases, delay in projects and other efficiencies.
	(18.8)	
(2) <i>Hardship Fund</i>	0.2	2007 projected expenditure is higher due to increase hardship needs to assist for medical supplies such as hearing aids and dentures.
(3) <i>ODB/ODSP:</i>		
Caseload and rate increase	5.0	Based on year-to-date trends, ODSP/ODB costs are projected to be \$5.0 million or 1,200 cases over the 2007 Approved Budget of \$175.0 million (50,000 cases).
(4) <i>2007 Cost Containment Savings</i>	(0.3)	See 2007 Cost Containment Savings section for details on page 5.
(5) <i>GTA Pooling:</i>		
2006 GTA Pooling Reconciliation	(3.6)	The Province completed the reconciliation of GTA pooling for 2006 in June 2007 resulting in an additional \$3.598 million in GTA pooling revenue. The additional funding will be contributed to the SAS Reserve Fund to offset Budget pressures in 2008.
Contribution to SAS Reserve Fund	3.6	
Total Variance	<u>(14.0)</u>	

2007 Cost Containment Savings

As reported in the September 30, 2007 Variance Report (see table below), TSS expects to achieve cost containment savings of \$0.339 million in 2007 through the measures itemized in the table below, and annualized savings of \$0.588 million in 2008 through continuous improvement from operating efficiencies.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings: Hiring freeze for Vacant Positions	(23.8)	-	One-time
Sub-total:	(23.8)	-	
Service Level Adjustments: Deferral of office renovations	(175.5)	-	One-time
Sub-total:	(175.5)	-	
Discretionary Savings: Elimination of consulting contracts Reduction of conferences Reduction in equipment and furniture replacement Reduction of supplies and other misc expenses	(75.0) (6.0) (27.7) (31.1)	(160.0) - (71.9) (355.7)	Cost absorbs through operating efficiencies One-time Cost absorbs through operating efficiencies Cost absorbs through operating efficiencies
Sub-total:	(139.8)	(587.6)	
TOTAL COST CONTAINMENT	(339.1)	(587.6)	

Impact of 2007 Operating Variance on the 2008 Recommended Budget

Three cost containment measures are recommended to continue into 2008 as noted above, and it is anticipated that the following 2007 cost pressures will continue into 2008:

- **OW/ODSP Rate Increase:** The 2007 Ontario Provincial Budget provided for a rate increase of 2% for OW and ODSP clients effective December 1, 2007. The Province funded 100% of the rate increase for the month of December only, thereby creating a budget pressure in 2008 estimated at \$6.0 million net (\$2.6 million for OW and \$3.4 million for ODSP).
- **ODSP Caseload Increase:** ODSP caseload increased significantly from an average monthly caseload of 47,900 in June 2006 to 51,200 in June 2007, an increase of 6.89% over a 12 months period. The increase in caseload, along with the impact of rate increase and administration costs, results in a projected 2007 cost pressure of \$5.0 million. The average monthly caseload is estimated to increase by additional 3,500 cases to 53,500 cases in 2008, resulting in an additional \$5.9 million cost pressure. (*see Service Delivery – Challenges and Issues*)

The following table summarizes the cost pressures of ODSP:

2008 ODSP Summary		
	Cases	Net Expenditure (\$ millions)
2007 Approved Budget	50,000	136.0
2007 Projected Actual Caseload Increase	1,200	3.1
2008 Projected Cost per Case		1.6
Further increase in 2008 Budget (includes benefits costs)	2,300	4.9
2008 Caseload Impact	53,500	145.6
2008 Rate Increase - 2%		3.4
2008 Administration and Benefits		1.0
2008 Recommended Budget - ODSP	53,500	150.0
Increase from 2007 Approved Budget	3,500	14.0

- **OW Caseload Increase:** OW caseload increased from an average monthly caseload of 75,000 to 76,000 in 2007. Based on historical trends, analysis of caseload dynamics, economic forecasts related to Toronto's labor market, the recommended average monthly caseload will increase to 79,000 in 2008. The increase in caseload together with the 2% rate increase and the caseload contingent temporary positions results in a budget pressure of \$6.242 million in 2008.
- **Special Diet Allowance Increase:** this provincially mandated program, which provides financial assistance to OW clients who have special diet needs due to medical reasons, has increased significantly from approximately \$2.0 million experienced in January 2007 to \$2.7 million experienced in September 2007 and is expected to increase to \$3.0 million by December 2007. This increase is primarily due to the fact that more eligible individuals became aware of this entitlement.
- **GTA Pooling:** The Province has confirmed the 2006 GTA Pooling of \$107.798 million resulting an additional \$3.598 million over the 2006 estimate. This additional funding is received and will be contributed to the SAS Reserve Fund to be used in 2008 to offset budget pressures.

Section B: 2008 Operating Budget Overview

3-Year Operating Budget Overview

TSS will continue to assist OW clients, as well as unemployed and under-employed residents of the City of Toronto, to achieve greater self-reliance and eventual independence by ensuring the existence and effectiveness of a service and support system within the community, supporting clients as they pursue opportunities and programs that will enable them to become more self-sufficient, and advocating on behalf of those in the community who are most vulnerable and least able to obtain supports on their own.

Ontario Works (OW) is a mandatory province-wide program delivered by TSS under the Ontario Works Act and Regulations. OW provides employment assistance and financial support for individuals who are in financial need.

Employment Assistance (EA) provides opportunities for clients to engage in a variety of activities which lead to jobs or increase their employment prospects. EA activities include job search, education and training, paid and unpaid job placements, access to other programs that enhance job readiness, and job retention supports.

Financial Assistance includes funds to cover food, shelter, clothing and other household items, a monthly drug benefits card to cover the cost of prescribed medications, assistance with employment-related expenses and child care costs, and other benefits such as winter clothing, back-to-school allowances, dental services for children, eyeglasses and medical transportation.

The 3-Year Operating Budget supports the strategic priority of TSS to:

- continue to implement the recommendations from the City's Action Plan for social assistance, "Systems of Survival, Systems of Support", which includes advocating for adequate OW assistance rates, and other changes to improve the lives of the vulnerable in Toronto;
- continue to support City Initiatives in Priority Neighbourhoods with projects such as Partnership to Advance Youth Employment (PAYE) and City Revitalization with projects such as Woodbine Redevelopment and Regent Park;
- create the Employment Plan for Employment Service Delivery in Toronto and continue to support innovative efforts to increase employment opportunities for vulnerable residents through the Investing in Neighbourhoods project.
- concentrate on local office initiatives to support the Action Plan and employment service delivery such as: improving Employment Resource Centres services and supports, developing better connections with local employers, and providing supports in priority communities such as Regent Park;
- continue to remove barriers and develop tools and supports to improve service delivery efficiency by streamlining administrative tasks and investing in technology projects to reduce workload; and,

- advocate, through the provincial program delivery review announced in August 2006, for funding arrangements and levels that fairly reflect the costs of meeting provincial mandatory requirements and of delivering the OW program in a large urban centre;

TSS provides employment assistance and financial assistance to help the most vulnerable in the community to pursue opportunities and to become more self-sufficient, and also contributes to the overall health and well being (social, physical, and mental) of a significant proportion of City residents (120,000 individual cases received assistance in 2007, totaling approximately 230,000 people, nearly 1 in 11 residents).

TSS 2008 Recommended Operating Budget provides funding for the following services:

- processes 79,000 monthly average caseload for OW;
- provides approximately 100,000 clients with consultation and supports through TSS' employment resources centres;
- sponsors and conducts job and agency fares for OW clients across the city to help connect over 8,000 clients with potential employers;
- assists clients to maintain or obtain housing;
- maintains a web-based resource guide that links to services and resources to assist over 25,000 clients to find and keep jobs and provide clients with information about a wide range of community services available in the city;
- provides clients with direct access to federally sponsored training and other employment supports through an integrated employment service delivery model; and,
- works with partners such as the Canadian Immigration Commission, the Ministry of Citizenship and Immigration, and the Toronto Immigrant Employment Council, to identify the specific workplace language needs of skilled immigrants.

In August 2007, the Province announced that the government will resume the responsibility for funding ODSP/ODB Benefits and ODSP administration costs over four years. The financial impacts to TSS for the next four years are summarized as follows:

	Current City Cost Shares	2008 (\$M)	2009 (\$M)	2010 (\$M)	2011 (\$M)
Ontario Drug Benefits		(39.1)			
	20% → 0%				
Ontario Disability Support Program			(20.0)		
(Administration Costs)	50% → 0%				
Ontario Disability Support Program				(65.0)	(65.0)
(Benefits Costs)	20% → 10% → 0%				
Aggregate Saving		(39.1)	(59.1)	(124.1)	(189.1)

Challenges and Issues

TSS continues to face a number of challenges such as the uncontrollable ODSP cost downloaded by the Province and the cap on its subsidy for the COA of the OW program.

The key issues for TSS is to continue to maintain effective and responsive community services in the face of insufficient provincial subsidies and increasing expectations and demand for service. The Program has thus far managed to maintain the current service level through realizing incentive funding from the Province, and implementing best practice technology solutions to enhance efficiency in service delivery.

TSS continues to explore other feasible efficiency initiatives including procedure reviews and pursuance of best practice on services delivery and program management to mitigate cost pressures. The 2008 Recommended Operating Budget includes efficiencies totaling \$0.588 million and TSS will continue to explore all feasible initiatives to improve efficiency in future years.

The Social Assistance Stabilization (SAS) Reserve Fund is a funding mechanism established by Council in 1998 to protect the City against the property tax impact of future caseload increases. OW program benefits for cases over 57,000 would be funded from the SAS Reserved Fund as adopted by Council since 2002. The reversal of the reserve funding withdrawals budgeted in 2007 results in a \$27.602 million cost pressure in 2008 (2007 funding consists of \$25.702 million from the SAS reserve fund and \$1.9 million from the Ontario Works reserve fund). The 2008 Recommended Operating Budget continues this funding strategy; 2008 is the last year that this strategy can continue as the reserve fund will be fully depleted by the end of 2008. (see Page 19 for further discussion)

Over the years, TSS has experienced a significant increase in caseload. In particular, the 2008 OW average monthly caseload of 79,000 cases is 4,000 cases above the 2007 Approved Budget. The caseload forecast was established using historical trends and analysis of caseload dynamics, economic forecasts related to Toronto's labor market, and a review of policy changes likely to impact caseloads. The 2007 year-end average monthly caseload is projected at 76,000 cases, 1,000 cases higher than the 2007 Approved Budget. Hiring of the 48 temporary staff budgeted for 2008 is contingent on the actual caseload reaching budgeted levels. The increase in caseload together with the 2% rate increase and the caseload contingent temporary positions represents a budget pressure of \$6.242 million in 2008.

The cost of administration of the Ontario Works program (COA) is 50/50 cost-shared with the Provincial government based on the Ontario Works Act and Regulations. However, the Province has capped the amount it contributes to OW COA at \$55.5 million, and in 2008, the Province will cover only 30.66% of the actual costs, resulting in a provincial cost-sharing shortfall of \$35.0 million, a significant budget pressure for the City. The 2005 KPMG review of TSS COA, commissioned by the Province, confirmed the City's position on the legitimacy of its' OW administration costs, but the provincial cap remains. As Council approved the City to seek legal consultation and to potentially enter into a lawsuit with the Province, the City is reviewing options to pursue compliance from the Province to honour its 50/50 COA funding obligation.

ODSP is a program delivered by the Province, which the municipalities must share the cost under the OW Act. Based on the volume increase in ODSP caseload of 3,500 and a legislative ODSP rate increase of 2% effective December 1st, 2007, the uncontrollable ODSP costs downloaded by the Province results in a cost pressure of \$14.1 million in 2008 or 10.33% over the 2007 Approved Budget. Since ODSP is a provincial responsibility, the Province must immediately upload the cost of \$150.0 million included in the 2008 Recommended Operating Budget.

Strategic Priorities

The 2008 Recommended Operating Budget for TSS directly advances the following strategic priorities outlined in Council's policy agenda:

- ***Invest \$13 Million in Toronto's 13 Priority Neighbourhoods Over the Next Four Years.***

TSS will focus on local office initiatives to support the Action Plan and employment service delivery such as improving Employment Resource Centres (ERCs) services and supports, developing better connections with local employers; completing the Investing in Neighbourhoods project; and, continuing to support initiatives in priority communities such as Regent Park.

TSS will also create an employment plan for employment services delivery in the City to support innovative efforts to increase employment opportunities for vulnerable residents and partner with Advance Youth Employment (PAYE), a joint private sector and city initiative, aim to increase economic opportunities for youth from the priority communities.

- ***A Prosperous Toronto for a Prosperous Canada***

TSS continues to advocate for funding arrangements that fairly reflect the costs of meeting the provincial mandatory requirements and delivering the OW program in a large urban centre. TSS will also continue to implement the recommendations from the City's Action Plan for social assistance, "Systems of Survival, Systems of Support", with the adequate OW assistance rates and other changes to improve the lives of vulnerable people in Toronto.

- ***Efficiency and Accountability at City Hall***

TSS continues to remove barriers and develop tools and supports to improve service delivery through streamlining administrative tasks, speeding up technology projects to reduce workload, and providing on-line access to the OW program.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

(In \$000s)	2007 Appvd. Budget	2008 Recommended Base	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook	
					2009	2010
	\$	\$	\$	%	\$	\$
GROSS EXP.	1,071,375.9	1,079,457.6	8,081.7	0.8	(20,540.9)	(65,000.0)
REVENUE	803,669.0	799,483.3	(4,185.7)	(0.5)	(5,297.7)	
NET EXP.	267,706.9	279,974.3	12,267.4	4.6	(15,243.2)	(65,000.0)
Approved Positions	1,950.0	2,000.0	50.0	2.6		
NET TARGET		267,706.9			0.0	0.0
\$ Over / (Under) Program Target		12,267.4			(15,243.2)	(65,000.0)
% Over / (Under) Program Target		4.6%			-5.7%	-24.3%

2008 Recommended Base Budget

The 2008 Recommended Base Budget of \$279.974 million represents a \$12.267 million or 4.6% increase over the 2007 Approved Budget. This 4.6% increase is mainly due to the reversal of the 2007 draw of \$25.702 million from the SAS Reserve Fund, the increase in caseloads, as well as a 2.0% legislative rate increase, for OW and ODSP of \$6.242 million and \$14.050 million respectively, which are partially offset by savings from the ODB upload and cost containment measures. In particular, the 2008 Recommended Operating Budget is based on an average monthly OW caseload of 79,000 cases (4,000 cases above 2007 Approved Budget) and includes the impact from a rate increase of 2% for OW and ODSP clients as per the provincial budget. The Revenues have decreased mainly due to the reversal of the 2007 draws from the SAS and OW Reserve Funds, offset partially by the 2008 draws from the reserve funds.

An additional 48 temporary positions are recommended as the average monthly budgeted caseload is anticipated to increase by 4,000 cases from 75,000 to 79,000. Hiring of these staff are contingent on the actual caseload reaching budgeted levels. The increase in caseload and additional positions represents a budget pressure of \$6.242 million in 2008.

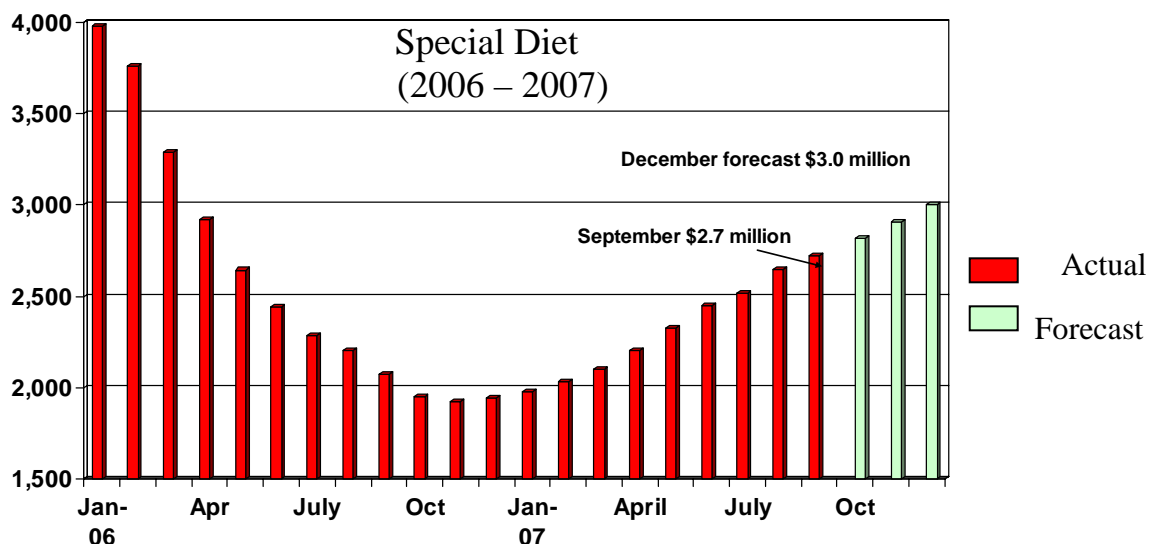
To address requirements within Employment Assistance, 2 additional temporary positions are recommended to support the Partnership to Advance Youth Employment program (PAYE): a joint initiative between private employers and the City of Toronto (\$ 0.167 million Gross with 50% funded through incentive funding) that responds to the City of Toronto's Safe Communities, Strong Neighbourhoods Strategy. This initiative provides youth with access to employment, education, training, mentorship, and engagement opportunities through partnerships with other orders of

government, the community, and the private corporate sector. PAYE plans to host 3 Community Focused Recruitment Initiatives in 2008, with goals of reaching out to 6 or 7 additional neighbourhoods, providing access to employment opportunities for 375 to 400 youth.

2008 Key Cost Drivers and Reduction Strategies

Key cost drivers for TSS include:

- Cost pressures arising from the reversal of an one-time draw of \$27.602 million from the SAS and OW Reserve Funds budgeted in 2007;
- Uncontrollable increases in provincial billing for the ODSP programs of \$14.1 million to \$150.0 million or 10.33% over the 2007 Approved Budget;
- OW cost pressures from the increase in the Ontario Works average monthly caseload from 75,000 to 79,000 based on historical trends, analysis of caseload dynamics, economic forecasts related to Toronto's labor market, and a legislated 2% rate increase for OW clients effective December 1, 2007 (\$6.242 million);
- COA Provincial Subsidy Shortfall of \$35.0 million, resulting from the Provincial cap on funding, up from a short fall of \$29.3 million in the 2007 Approved Budget. In the past, the City has made use of aggressive position gapping, significant staff reductions, property taxes, and withdrawals from SAS Reserve Fund for cases over 57,000 to manage pressures within the OW program and its administration. For 2008, additional service or administrative cuts cannot be achieved without violating program guidelines or losing cost-shared funding from the Province. The increase in the shortfall of \$5.7 million is mainly due to COLA, merit and step, the leap year impact, plus the additional 48 staff associated to the OW caseload increase.
- Based on year-to-date trends, Special Diet, a program that provides financial assistance to OW clients who have special diet needs due to medical reasons, is estimated to increase by \$10.0 million to \$40.0 million in 2008. This provincially mandated program is cost-shared 80% by the Province and 20% by the City. The monthly cost has increased significantly from approximately \$2.0 million experienced in January 2007 to \$2.7 million experienced in September 2007, and is expected to increase to \$3.0 million by December 2007. The following table highlights the trends in Special Diet.



The downward trend experienced in 2006 was a result of the regulatory change by the Province in November 2005 to restrict the medical conditions that require a special diet and that approved medical professionals were required to state the medical condition to confirm eligibility for the Special Diet Allowance. However, as more individuals become aware of this entitlement, the down trend reversed in January 2007.

To partially offset the 2008 budget pressures, the 2008 Recommended Operating Budget incorporates cost containment measures totaling \$0.588 million through continuous improvement from operating efficiencies.

TSS will also continue to explore other feasible efficiency initiatives including procedure reviews, pursuance of best practice on services delivery, and program management to mitigate cost pressures.

2009 and 2010 Outlook: Net Incremental Impact

The 2009 Outlook includes the reversals of both the one-time 'Leap Year' costs of \$0.541 million and the 2008 recommended draws of \$5.298 million from the SAS and OW reserve funds. The reserve funds will be fully depleted by the end of 2008. The 2009 Outlook also includes the upload of the full ODSP administrative cost (\$20.0 million).

The 2010 Outlook includes the upload of the provincial share of the ODSP Benefit costs from 80% to 90% (\$65.0 million).

The 2009/2010 Outlooks exclude any change in OW/ODSP caseload or any potential OW/ODSP rate increases. Thus, the total incremental amounts for the 2009/2010 Outlooks are (\$15.243 million) and (\$65.000 million) respectively.

Section D: 2008 Recommended Service Priorities

Table 4: Summary of 2008 New / Enhanced Service Priorities (In \$000s)

Description	2008 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2009	2010
	\$	\$		\$	\$
(a) Enhanced Services Priorities - Council Approved:					
(b) Enhanced Services Priorities - Program Initiated:					
Sub-Total Enhanced Services Priorities	0.0	0.0	0.0	0.0	0.0
(a) New Services Priorities - Council Approved:					
(b) New Services Priorities - Program Initiated:					
Woodbine Entertainment Development	491.9	0.0	6.0		
Sub-Total New Service Priorities	491.9	0.0	6.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities	491.9	0.0	6.0	0.0	0.0

2008 Recommended Service Priorities

Recommended New Services – Program Initiated:

Woodbine Entertainment Redevelopment: (\$0.491 million gross; \$0 net; 100% funded from the Province)

The Woodbine Entertainment Redevelopment, a project to develop an entertainment complex and tourism attraction located within the Rexdale Employment District, is a joint venture between Woodbine Entertainment Group and another private company. Over the next five years, this project is expected to generate an additional 9,200 jobs for city residents, of which 500 jobs are projected for OW clients. The employer, Woodbine Entertainment Development, has committed to local hiring, which will be negotiated through the Economic Development Division and delivered by the City-led Employment Strategy to ensure opportunity and increased prosperity for social assistance recipients and local residents. Employment opportunities will be in a variety of sectors including construction, retail, and hotel. The \$0.492 million one-time funding for this new initiative will fund 6 temporary staff to provide necessary training and supports to OW clients to improve their prospects for obtaining and sustaining approximately 500 jobs from this project. The continuation of this project in future years is subject to receipt of the provincial subsidy.

Section E: Issues for Discussion

2008 Operating Budget Issues

The following table summarizes the historical costs of OW, ODSP, and ODB, along with the funding sources from 2004 to 2008. The table also summarizes the outlooks from 2009 to 2011 to illustrate the impacts of the ODSP upload beginning in 2009.

TSS Financial Overview

	2004 Actual	2005 Actual	2006 Actual	2007 Projected	2008 Budget	2009 Outlook	2010 Outlook	2011 Outlook
OW - Benefits	609,908.1	646,527.1	678,240.7	678,278.5	761,731.3	760,031.3	757,381.3	757,381.3
OW - COA	131,317.3	134,230.6	138,457.8	151,576.3	168,218.2	168,937.0	168,937.0	168,937.0
Sub-total OW	741,225.3	780,757.7	816,698.5	829,854.8	929,949.5	928,968.3	926,318.3	926,318.3
ODSP	122,133.3	125,637.7	132,129.5	140,950.0	150,000.0	130,000.0	65,000.0	-
ODB	31,781.0	34,387.6	37,514.9	39,050.0	-	-	-	-
Sub-total ODSP/ODB	153,914.3	160,025.4	169,644.4	180,000.0	150,000.0	130,000.0	65,000.0	-
Gross Expenses	895,139.6	940,783.1	986,342.9	1,009,854.8	1,079,949.5	1,058,968.3	991,318.3	926,318.3
Provincial Subsidies	534,210.9	548,458.4	567,895.6	570,095.4	641,320.0	641,320.0	641,320.0	641,320.0
GTA Pooling and OMPF-GTA Pooling Subsidy	89,688.0	101,749.4	107,603.9	110,289.9	110,289.9	110,289.9	110,289.9	110,289.9
Base OMPF Revenue	-	-	-	26,617.6	26,617.6	26,617.6	26,617.6	26,617.6
Sundry Revenues	13,074.8	10,331.7	11,418.6	12,793.5	12,100.0	12,100.0	12,100.0	12,100.0
Kids@Computers/NCBS Reserve Funds	3,321.5	541.4	14,697.0	8,750.0	4,350.0	2,650.0	-	-
Total Third Party Funding	640,295.3	661,081.0	701,615.1	728,546.4	794,677.5	792,977.5	790,327.5	790,327.5
SAS/OW Reserve Funds	17,528.0	37,532.3	6,850.8	27,601.5	5,297.7	-	-	-
Property Tax Funding	237,316.3	242,169.9	277,877.0	253,706.9	279,974.3	265,990.8	200,990.8	135,990.8
Total City Funding	258,165.9	280,243.5	299,424.9	290,058.4	289,622.0	268,640.8	200,990.8	135,990.8
Positions	1,953.0	1,904.0	1,943.0	1,950.0	2,006.0	2,000.0	2,000.0	2,000.0
% increase in property taxes over previous year	-	2%	15%	-9%	10%	-	-	-
% decrease in property taxes over previous year	-	-	-	-	-	(5%)	(24%)	(32%)

As illustrated in the above table, the costs of OW, ODSP, and ODB have increased substantially over the past four years. While the costs have been partially subsidized by the Province, property taxes and one-time draws from reserve funds remain significant funding sources for the programs that are essentially the responsibility of the Province. Also, the Province has refused to honour its legislative portion (50%) of the Cost of Administration. To offset ongoing budget pressures, it is recommended that the Province immediately upload the cost of \$150.0 million of ODSP and honour its legislative portion (50%) of the COA of Ontario Works.

2008 Operating Budget

Social Services

The following table further details the costs of the Ontario Works and ODSP/ODB programs from 2005 through 2008:

		2005 Actual	2006 Actual	2007 Budget	2008 Budget
ONTARIO WORKS (OW) (\$ millions net)					
Caseload (avg mthly)		69,345	71,626	75,000	79,000
Beneficiaries (avg mthly)		132,178	134,467	135,400	140,000
Cost of Administration (COA) - TSS	GROSS	129.9	133.9	152.5	163.0
Cost of Administration (COA) - Other Divisions	GROSS	15.0	15.2	17.1	18.0
Cost of Administration (COA) - Total	GROSS	144.8	149.1	169.6	181.0
Subsidy Required (COA) 50%	NET	72.4	74.6	84.7	90.5
Subsidy Paid by Province	NET	53.7	55.4	55.4	55.5
COA Shortfall	NET	18.7	19.1	29.3	35.0
Cost of Administration (COA) - TSS	Net	82.4	86.1	105.6	116.5
OW Program Benefits (Including EA)	GROSS	650.9	682.8	743.8	766.8
OW Program Benefits (Including EA)	Net	139.1	136.6	151.7	155.7
GTA Pooling Revenue		57.2	61.7	68.1	77.9
TOTAL - OW		164.3	161.0	189.1	194.2
Ontario Disability Support Program (ODSP) & Ontario Drug Benefit (ODB) Program					
		2005 Actual	2006 Actual	2007 Budget	2008 Budget
ODSP Caseload (avg mthly)		46,997	48,407	50,000	53,500
Beneficiaries (avg mthly)		62,253	64,251	67,000	71,690
ODSP - Admin (<i>City 50% Share</i>)	NET	20.4	20.0	20.5	20.0
ODSP - Benefits (<i>City 20% Share</i>)	NET	105.2	112.1	115.5	130.0
ODB (incl. Mandatory Benefits) (<i>City 20% Share</i>)	NET	34.4	37.5	39.1	-
GTA Pooling Revenue		44.5	45.9	42.2	32.4
TOTAL - ODSP/ODB		115.5	123.7	132.8	117.6
Other Funding					
		2005 Actual	2006 Actual	2007 Budget	2008 Budget
Reserve Funds Draws		37.5	6.9	27.6	5.3
OMPF - Base				26.6	26.6
TOTAL - Other Funding		37.5	6.9	54.2	31.9
Net Expenses - TSS		242.3	277.9	267.7	279.9

Increase in Caseload

The 2008 Recommended Operating Budget includes an increase of 4,000 in OW average monthly caseload from 75,000 to 79,000. The recommended monthly average caseload for 2008 is based on a model that focuses on unemployment rates. The caseload estimate is therefore established using historical trends and analysis of caseload dynamics, economic forecasts related to Toronto's labor market, and a review of policy changes likely to impact caseloads. As caseload trends may change before finalization of the 2008 Operating Budget, it is recommended that the General Manager of Social Services report to Budget Committee during the 2008 Operating Budget wrap-up meeting on

actual Ontario Works caseload data and possible revisions to the 2008 average monthly caseload budget.

Cost of Administration Shortfall

The OW Cost of Administration (COA) subsidy from the Province is calculated on the basis of receiving the legislated cost-sharing of 50/50. However, as in previous years, the Province has capped their subsidy to the City. This subsidy has not supported 50 percent of OW program administration costs since 2001 and has created a funding shortfall that has been managed through one-time and incentive funding and property taxes. The 2008 Recommended Operating Budget includes a significant funding shortfall estimated at \$35.0 million. The City continues to press the Province to honour the legislated cost sharing agreement and contribute the full 50% of the OW COA.

Ontario Disability Support Program Pressures

Under the OW Act, municipalities must cost-share the ODSP (\$150.0 million) delivered by the Province. Over the past few years, there has been significant cost increases beyond previous Municipal and Provincial forecasts for the program. These increased costs are not controllable and are billed by the Province to the City. The following table summarizes the trends in ODSP:

	Actual								Projected Actual	Budget
	1999 (\$M)	2000 (\$M)	2001 (\$M)	2002 (\$M)	2003 (\$M)	2004 (\$M)	2005 (\$M)	2006 (\$M)	2007 (\$M)	2008 (\$M)
ODSP Benefits	94.1	96.5	93.7	91.3	97.3	99.7	105.2	112.1	120.5	130.0
ODSP Admin	16.3	17.8	14.9	18.8	17.1	22.4	20.4	20.0	20.5	20.0
ODSP Costs	110.4	114.3	108.6	110.1	114.4	122.1	125.6	132.1	141.0	150.0

The costs are estimated to increase to \$150.0 million in 2008, \$14.05 million, or 10.33 % over the 2007 Approved Budget, primarily due to a 2% rate increase and a projected caseload increase of 3,500 in the 2008 Operating Budget. Although the Province announced in August 2007 that a phased upload of ODSP will begin in 2009, the ODSP cost remains a significant budget pressure for the City in 2008, especially for a program that is essentially a provincial responsibility. Thus, it is recommended that the Province immediately upload the full cost of ODSP in 2008.

Depletion of City's Social Assistance Stabilization Reserve Funds

The **SAS Reserve Fund** was established by Council at its meeting on April, 29 and 30, 1998 to protect the City against the property tax impact of future caseload increases. Initially, the reserve fund was anticipated to receive the savings resulting from the social assistance average monthly caseload dropping below 88,000. The last contribution to SAS Reserve Fund was in 2001 although caseload has consistently remained below this threshold.

During the 2002 budget process, City Council recommended to limit the tax levy funding of the Ontario Works average monthly caseload to a maximum baseline of 60,000 cases. This funding strategy continued into 2003. However, in 2004, Council recommended the maximum baseline be reduced to 57,000 cases and this strategy continued into 2005 and 2006. The reversal of the reserve funding withdrawals budgeted in 2007 results in a \$27.602 million cost pressure in 2008 (2007 funding consists of \$25.702 million from the SAS reserve fund and \$1.9 million from the Ontario Works reserve fund).

The 2008 Recommended Operating Budget continues this funding strategy; however, by withdrawing \$5.198 million from the SAS reserve fund, the reserve fund will be fully depleted. Below is a table summarizing the SAS reserve fund activity from 1998 to 2008. As the reserve fund will be depleted in 2008, there will be no source (other than the tax base or savings from future uploads) to fund Social Services budget pressures in the future.

SOCIAL ASSISTANCE STABILIZATION RESERVE FUND ACTIVITY SINCE INCEPTION											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	Projected 2007	Recommended 2008
Beginning Balance	0	16,232,399	34,186,659	60,891,405	81,117,039	81,656,360	94,422,920	83,570,735	57,277,489	32,665,676	6,961,876
Add: Contributions from Operating Surplus	16,232,399	18,000,000	20,499,600	7,900,000							
1998 GTA Pooling Reconciliation Adjustment			7,127,271								
1999 GTA Pooling Reconciliation Adjustment				8,941,213							
2000 GTA Pooling Reconciliation Adjustment						12,669,098					
Reduce 07 Budget draw: 06 GTA Pooling Recon.										3,597,700	
Investment income/Proj. income		92,373	2,077,875	3,384,421	4,241,773	4,986,662	4,477,320	4,023,654	2,941,085	1,500,000	
Total additions	16,232,399	18,092,373	29,704,746	20,225,634	4,241,773	17,655,760	4,477,320	4,023,654	2,941,085	5,097,700	-
Less: Ontario Works Caseload (from baseline to actual average monthly caseload)					3,702,452	4,664,200	13,117,500	14,521,900	1,889,644	25,701,500	5,197,700
Other Operating Draw		138,113									-
Transfer to Day Care Pilot Project			3,000,000								
Child care spaces - 20% City share						225,000	-				
GTA Pooling shortfall - 2002/03 Final Reconciliation Adjustment							2,212,005				
Additional draw for ODSP Benefits and Administration and ODB Program budget pressure								15,125,000			
BAC recommendation re Child Care Pilot Proj.								370,000			
P&F recommendation re Child Care Pilot Proj. Additional draw subject to contribution from Atkinson Foundation								300,000			
Corporate draw to balance 2007 Budget									25,302,100	3,500,000	
After School Recreation and Care Program *								-	361,154	1,600,000	1,745,846
Total withdrawals	-	138,113	3,000,000	-	3,702,452	4,889,200	15,329,505	30,316,900	27,552,898	30,801,500	6,943,546
Ending Balance	16,232,399	34,186,659	60,891,405	81,117,039	81,656,360	94,422,920	83,570,735	57,277,489	32,665,676	6,961,876	18,330

* \$3.3 million is to be drawn in 2007 & 2008.

The **Ontario Works Reserve Fund** is an obligatory reserve and is the regular funding source for the Employment Assistance component of the OW Program. A withdrawal of \$1.9 million was approved in 2007 to cover the City portion of costs required to maintain existing levels of service within the program. The 2007 projected year-end balance is estimated at \$0.1 million. The recommended withdrawal of \$0.1 million to partially fund the Employment Assistance program will deplete this reserve.

The depletion of the both the SAS Reserve Fund and the OW Reserve Fund will result in a budget pressure of \$5.297 million in 2009.

Ontario Municipal Partnership Fund / GTA Pooling

	2007	2008	2009	2010	2011	2012	2013
GTA pooling contribution *	92.9	77.5	62.0	46.5	31.0	15.5	-
OMPF contribution	17.4	32.8	48.3	63.8	79.3	94.8	110.3
Total Contribution	110.3	110.3	110.3	110.3	110.3	110.3	110.3
* Phase-out of GTA Pooling offset by increased OMPF.							

In March 2007, the Province announced that the GTA pooling subsidy to municipalities will be phased out by 2013. In order to ensure an adequate level of subsidy is available to the municipalities currently receiving financial assistance through GTA pooling, the Province announced that any reduction in GTA Pooling will be offset by an equivalent increase in funding from the Ontario Municipal Partnership Fund (OMPF). The Province has provided an extra \$17.4 million through OMPF to offset for phase-out of GTA pooling contributions in 2007. With GTA pooling contributions scheduled to be reduced to \$77.5 million in 2008, the Province will further increase the OMPF subsidy by \$15.4 million to \$32.8 million in 2008.

Appendix 1

**Summary of Recommended Base Budget Changes
From 2007 Approved Budget**

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
2007 Council Approved Operating Budget	1,950.0	1,071,336.1	777,051.4	294,284.7	0.0	0.0
In-year approvals and technical adjustments						
OMPF Allocation			26,617.6	(26,617.6)		
Corporate adjustments		39.8		39.8		
2007 Approved Operating Budget	1,950.0	1,071,375.9	803,669.0	267,706.9	0.0	0.0
Prior year impacts		(5,383.4)	(34,051.5)	28,668.1		
Zero base items		(368.0)	(184.0)	(184.0)		
Economic factors		5,229.1		5,229.1		
Adjusted Base Budget	1,950.0	1,070,853.6	769,433.5	301,420.1	0.0	0.0
Other base changes	50.0	9,191.6	24,752.1	(15,560.5)	(20,540.9)	(65,000.0)
Base revenue changes						
Recommended Base Adjustments:						
Service efficiencies		(587.6)		(587.6)		
Revenue adjustments			5,297.7	(5,297.7)	5,297.7	
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	50.0	8,604.0	30,049.8	(21,445.8)	(15,243.2)	(65,000.0)
2008 Recommended Base Budget	2,000.0	1,079,457.6	799,483.3	279,974.3	(15,243.2)	(65,000.0)
2008 Program Operating Target	N/A	N/A	N/A	267,706.9		
% Over (Under) Program Target				4.6%		
% Over (Under) 2006 Appvd. Budget				4.6%		

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2008 Recommended New/Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds
(In \$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Balance as of September 2007 \$	Proposed Withdrawals (-) / Contributions (+)		
				2008 \$	2009 \$	2010 \$
Kids at Computers Scholarship Project	XR2104	SS-B006	8,556.9	(2,650.0)	(2,650.0)	(2,650.0)
National Child Benefits Supplement	XR2102	SS-B005	8,818.7	(1,700.0)		
Social Assistance Stabilization Reserve Fund	XR1054	SS-Z003	5,216.0	(5,198.0)		
Ontario Works Reserve Fund	XR2101	SS-Z003	100.0	(100.0)		
Sick Pay Reserve	XR1007		59,892.8	263.6		
Insurance Reserve	XR1010		20,270.7	437.1		
Total Reserve / Reserve Fund Draws / Contributions				(8,947.3)	(2,650.0)	(2,650.0)