
2006 BUDGET BRIEFING NOTE: Reductions to Meet 2% Target

Issue/Background:

At its meeting held on January 20, 2006, the Administration Committee “requested the Executive Director of Human Resources to report to the Budget Advisory Committee meeting on January 27, 2006, with options to meet the two percent target, such options to include alternative options to fund external legal costs currently paid by Human Resources, in the amount of approximately \$400,000”. To date, the Human Resources Division has committed to delete four (4) positions for a total savings of \$457,000.

Key Points:

Attaining a Budget Target of 2%

General Non-Salary Reductions – \$245,000

1. Reduction of \$245,000 from the non salary budget. Most of these savings cannot be achieved if the Human Resource Division’s legal costs remain unfunded. It is estimated that these legal costs will be approximately \$200,000 in 2006.

Discontinuing Organizational Effectiveness Services - \$683,000

2. Discontinuing organization effectiveness/training and development services provided by the Human Resource Division Business Units will result in the termination of seven (7) highly specialized professionals with savings of \$683,000. All current training and development work provided to Divisions for training to improve productivity, ensure legislative compliance, and enhance performance would cease.

These 7 individuals play an integral role with Divisions to implement key Council/Corporate priorities. The Human Resource Division understands that its role in assisting implementation of the following new undertakings is critical to the success of the City of Toronto’s transformation to a new order of government:

- Implementing the training recommendations as identified in the Bellamy Report, by the Auditor General, and through other executive recommendations.
- Assisting in achieving efficiencies and enhancements through continuous improvement initiatives with the priority being Health and Safety
- Implementing the 3-1-1 “People Plan”
- Developing and supporting implementation of the Toronto Public Service initiatives

The cost to outsource this work is estimated to be at least three times the cost of internally provided services.

Outside Legal Costs:

- External legal counsel is retained to handle employment law matters requiring specific expertise not available in house, capacity issues and matters where there is a conflict.
- It is estimated that, in 2005, the Human Resources Division will have incurred approximately \$360,000 in external legal costs. The Division has no budget for these legal costs.
- The Human Resources Division expects that, in 2006, approximately \$200,000 in costs related to Human Resource Division generated files will be incurred. Due to the nature of these files, it is not practical to bring this work in house.
- In 2005, to manage these 2005 legal costs, the Human Resources Division gapped salary, minimized divisional staff development and reduced operating expenses. The resulting lack of staff resources impacted on service delivery timeliness in the areas of staffing, union/management relations, compensation, health and safety.
- Funding sources for these legal costs need to be identified to enable Human Resources to meet its budget target and corporate priorities.
- It is recommended that the Divisions should be responsible for funding the costs of the services required consistent with other files requiring the use of external legal counsel.

Prepared by: Jenni Pickering, Manager, Financial and Administrative Services

For further information contact: Brigitte Hohn, Executive Director, Human Resources
bhohn@toronto.ca

Circulated to: Budget Advisory Committee

Date: January 26, 2006