

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 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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2007 OPERATING BUDGET

Executive Summary

- The 2006 preliminary year-end net expenditure of \$277.877 million is at the 2006 Approved Operating Budget level. The gross expenditure of \$986.343 million is \$51.144 million under budget due to the impact of a lower Ontario Works (OW) caseload (2006 average monthly caseload of 71,626 versus 2006 Budget of 75,000) and lower program delivery costs due to savings from efficiencies and cost containment measures. Correspondingly, the preliminary year-end revenue is \$51.144 million lower than budget due to lower caseload, which results in lower subsidy claims. The reduction in revenue is partially offset by prior year’s GTA Pooling revenue of \$3.4 million.
 - 2006 cost pressures expected to impact 2007 include the December 2006 2% rate increase for OW and Ontario Disability Support Program (ODSP), a projected 3,000 increase in the OW caseload arising from program changes and merit/COLA for staff, partially offset by an anticipated increase in GTA pooling revenue of \$7.3 million.
- The 3-Year Operating Budget supports Toronto Social Services (TSS) strategic direction to assist their clients to achieve greater self-reliance and eventual independence by ensuring a service and support system exists within the community and operates effectively to assist those in need, by supporting them as they fulfill their obligations to pursue opportunities and programs that will enable them to become more self-sufficient, and by advocating on behalf of those who are most vulnerable and least able to obtain supports on their own.
 - The major challenge for 2007 and beyond will be to maintain effective and responsive community services in the face of the download of uncontrollable ODSP/Ontario Drug Benefits (ODB) costs by the Province and the cap on the provincial OW Cost of Administration subsidy.
- The 2007 Recommended Operating Budget represents an \$18.073 million or 6.5% increase over the 2006 Approved Operating Budget and the 2007 target of \$277.877 million.

Table 1: 2007 Recommended Budget

	2006		2007 Recomm'd Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	1,037,486.7	986,342.9	1,091,900.5	3,503.0	1,095,403.5	57,916.8	5.6	6,041.9	(598.1)
REVENUE	759,609.7	708,465.9	795,950.3	3,503.0	799,453.3	39,843.6	5.2	(31,200.0)	0.0
NET EXP.	277,877.0	277,877.0	295,950.2	0.0	295,950.2	18,073.2	6.5	37,241.9	(598.1)
Approved Positions	1,943.0	1,943.0	1,973.0	7.0	1,980.0	37.0	1.9		
TARGET			277,877.0		277,877.0				
\$ Over / (Under) Program Target			18,073.2		18,073.2				
% Over / (Under) Program Target			6.5%		6.5%				

- The 2007 Recommended Operating Budget of \$295.950 million net consists of base funding and new/enhanced service priorities of \$3.503 million gross, which is funded by provincial subsidies.
 - The 2008 Outlook net increase of \$37.242 million or 13.4% includes ongoing cost of living adjustment (COLA), merit and step increases, an additional one day in 2008 and the reversal of the 2007 draw in 2008 of \$29.3 million from the SAS Reserve Fund and \$1.9 million from the OW Reserve Fund. The 2009 Outlook represents a reversal of the leap year impact from 2008. The outlook for 2009 does not include a provision for COLA, merits and steps, as the increases are subject to future negotiations.
- The 2007 Recommended Budget is \$18.073 million or 6.5% over the 2006 Approved Budget. 2007 key cost drivers consist of an increase in average monthly OW caseload from 75,000 to 77,500, along with the impact of the legislated 2% rate increase for OW clients and increase in staff costs (contingent to increase in caseload) totaling at \$9.2 million, higher ODSP and Ontario Drug Benefits (ODB) costs of \$7.0 million, and ongoing Cost of Living Adjustment (COLA), merits and step increase of \$7.4 million. The increased costs are partially offset by the higher GTA pooling revenue estimates of \$7.3 million.
- The 2007 Recommended Budget provides service priorities supporting the Mayor's Platform including:
 - continuous efforts to strengthen at-risk neighbourhoods with programs such as the Strong Neighbourhoods Task Force and the Jobs for Youth program; and,
 - provide administrative and policy support to the Board of Trade's Youth One campaign for at risk youth. Support the formation of, and implementation of the partnership to advance youth employment to increase the economic opportunities for youth from the priority communities.
- The recommended new/enhanced service priorities total \$3.503 million (including 7 temporary positions, 100% funded by the Province) with no incremental impact on future years, to create employment opportunities in priority communities, improve the overall health and resiliency of single parent families currently receiving social assistance, and additional positions (3 temporary positions) to support the IT capital projects.
- 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 \$32.666 million balance in the SAS Reserve Fund (as of December 31, 2006) is short by \$8.2 million to continue fully funding the excess caseload over 57,000 for 2007. The SAS Reserve Fund will be *depleted* after 2007.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Toronto Social Services of \$1,095.404 million gross and \$295.950 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000's)</u>	<u>Net (\$000's)</u>
Program Support	11,876.0	5,807.7
Social Assistant	<u>1,083,527.5</u>	<u>290,142.5</u>
Total Program Budget	<u>1,095,403.5</u>	<u>295,950.2</u>

2. the General Manager of Social Services report to Budget Committee during the 2007 Operating Budget wrap-up meeting on actual year-to-date Ontario Works monthly caseload with possible revisions to the 2007 recommended average monthly caseload estimate of 77,500.
3. as the Ontario Disability Support Program and the Ontario Drug Benefits are a provincial responsibility, the Province immediately upload the cost of \$175.0 million (\$133.3 million net of GTA Pooling revenue) included in the 2007 Recommended Operating Budget.

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	% Unspent
GROSS EXP.	940,783.1	1,037,486.7	986,342.9	51,143.8	4.9
REVENUES	698,613.1	759,609.7	708,465.9	51,143.8	6.7
NET EXP.	242,170.0	277,877.0	277,877.0	0.0	0.0
Approved Positions	1,904.0	1,943.0	1,943.0	0.0	0.0

* Projected Actuals based on the Preliminary Year-End Operating Variance Report.

2006 Experience

The preliminary year-end gross expenditures of \$986.343 million is \$51.144 million under budget primarily due to the impact of a lower average monthly OW caseload, which generated savings of \$44.667 million and lower program delivery costs due to savings from efficiencies and cost containment measures implemented during 2006 totaling \$9.278 million. After factoring in related lower than budget Provincial OW caseload subsidies, the preliminary year-end net over-expenditure for the OW program, cost of administration (COA) of OW, ODSP and ODB is \$3.6 million prior to reserve draws. This year-end net over expenditure is funded by budgeted draws from TSS reserve funds.

The year-end average monthly caseload is at 71,626 cases or 3,374 cases lower than budget. Social assistance costs for cases over 57,000 were funded from the SAS Reserve Fund, consistent with the funding mechanism adopted by Council since 2002. Given the lower caseload, combined with prior year GTA pooling revenue (see below), the 2006 draw from the SAS Reserve Fund to fund caseload was \$9.4 million, \$16.2 million less than the budgeted draw of \$25.6 million.

The year-end SAS Reserve Fund balance is \$32.7 million, down from \$57.3 million at the beginning of the year due to TSS withdraws for the OW, ODSP and ODB programs as well as \$25.3 million by the City to balance the overall 2006 Approved Operating Budget. As \$3.3 million of the year-end balance is committed for Children’s Service (Toronto Child Care Services Plan adopted by City Council at its’ July 25, 26 and 27, 2006 meeting), there is only \$29.3 million available to fund OW cases over 57,000 in 2007. To adequately fund these cases, a draw of \$37.5 million would be required, thereby creating a budget pressure of \$8.2 million in 2007 and \$29.3 million in 2008.

The year-end OW Reserve Fund balance is \$2.1 million, after a withdrawal of \$4.9 million approved in 2006 to cover the City portion of costs required to maintain existing levels of services within the program. OW Reserve Fund is an obligatory reserve and is a regular funding source for the Employment Assistance component of the OW Program. For 2007, a draw of \$1.9 million from the OW Reserve Fund is recommended to partially offset the budget pressure.

The combined 2006 budget for ODSP and the ODB Programs is \$168.0 million compared to the 2005 budget of \$152.8 million. The preliminary year-end actual cost is \$169.9 million, \$1.6 million over budget. This overage was funded by a draw from the SAS Reserve Fund.

In addition, the Province has completed the reconciliation of GTA pooling for 2005 early in 2006. The City received an additional \$3.4 million in GTA pooling revenue which was utilized to reduce the budgeted draw from the SAS reserve fund. Final certification of 2006 GTA Pooling revenue is expected by spring/summer of 2007.

Impact of 2006 Operating Variance on 2007 Recommended Budget

It is expected that the following 2006 cost pressures will continue into 2007:

- **OW/ODSP Rate Increase:** The 2006 Ontario Provincial Budget provided for a rate increase of 2% for OW and ODSP clients effective December 1, 2006. The Province will fund 100% of the rate increase for the month of December only, thereby creating a budget pressure in 2007 estimated at \$6.0 million net.
- **Ontario Disability Support Payments:** Regulatory changes effective April 1, 2006 require non-disabled spouses of ODSP clients that do not have care-giving responsibilities to be transferred to the OW program to engage in employment services. At this time, the operational and financial impacts of the announced changes are not yet clear. While TSS is awaiting further information from the Province to determine the full impact of these prescribed changes, an additional 3,000 cases have been included in the 2007 Recommended Operating Budget.
- **Reserve Draws:** The 2006 Budget included \$33.2 million in reserve draws mainly to fund the 18,000 Ontario Work cases budgeted above 57,000 average monthly cases. In 2007, the reserve funding is reversed resulting in a base pressure of \$33.2 million. However, included in the 2007 Recommended Operating Budget are new draws of \$29.3 million and \$1.9 million from the SAS Reserve Fund and OW Reserve Fund respectively, which will exhaust the reserve and result in a pressure in 2008 of \$31.2 million.
- **GTA Pooling:** the Province has completed the reconciliation of GTA pooling for 2005. This has resulted in the City receiving an additional \$3.4 million in GTA pooling revenue. For 2006, the Province has projected \$109.3 million as GTA pooling payments, which is \$5.2 million in excess of the GTA pooling budget of \$104.2 million. This \$5.2 million has not been recognized as revenue pending final certification in spring/summer of 2007 in the event that a significant variance occurs. Also, based on the latest estimates from the Province on assessments and OW, ODSP and ODB expenditures, the 2007 GTA pooling revenue has been increased to \$111.5 million.

Section B: Operating Budget Overview

3-Year Operating Budget Overview

On an ongoing basis, TSS will continue 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 fulfill their obligations to 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 allowance, dental services for children, eyeglasses and medical transportation.

The 3-Year Operating Budget supports the strategic direction 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;
- 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;
- 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;
- 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,
- create the Employment Plan for Employment Services Delivery in Toronto and continue to support innovative efforts to increase employment opportunities for vulnerable residents through new/enhanced services recommended such as focusing on the Investing in Families and Neighbourhoods projects and the Family Support program.

Service Delivery – Challenges and Issues

TSS provides employment assistance and financial assistance to help the most vulnerable in the community to fulfill their obligations 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 2006, totaling approximately 240,000 people, nearly 1 in 10 residents). Some examples of the services/programs offered by TSS include:

- processes 77,500 monthly average caseload for OW;
- provides approximately 100,000 clients with consultation and supports through TSS' employment resources centres;
- sponsors and conducts organize job and agency fares for OW clients across the city to help connect 8,400 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, along 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.

TSS continues to face a number of challenges such as the uncontrollable ODSP/ ODB costs 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 maintaining effective and responsive community services in the face of declining 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. However, this has presented an on-going challenge to meet the expectations with existing budget resources.

TSS continues to explore other feasible efficiency initiatives including procedure reviews and pursuance of best practice on services delivery and program management to achieve the 0% target in 2008 and 2009. The 2007 Recommended Budget includes efficiencies totaling \$1.55 million and TSS will continue to explore all feasible initiatives to improve efficiency in future years. However, given the growth in ODSP/ODB costs, the provincial OW COA cap and the depletion of both the SAS Reserve Fund and OW Reserve Fund, a 0% target for 2008 and 2009 cannot be achieved without impacting the core service program delivery and overall public service.

Over the years, TSS has experienced significant increase in caseload. In particular, the 2007 OW average monthly caseload funded in the 2007 Recommended Budget is at 77,500 cases, 2,500 cases above the 2006 Approved Budget. This increase is mainly attributable to the regulatory changes effective April 1, 2006 require non-disabled spouses of ODSP clients that do not have care-giving responsibilities to be transferred to the OW program to engage in employment services. The operational and financial impacts of the announced changes are not yet clear. The 2007 Recommended Budget includes an additional 3,000 cases as a result of this legislative change. Other economic factors such as historical trends, analysis of caseload dynamics, and economic forecasts related to Toronto's labour market also contributed to the increase in caseload. The 2006 Ontario Provincial budget

provided for a rate increase of 2% for OW and ODSP clients effective December 1st, 2006, creating a budget pressure in 2007 estimated at \$6.0 million net.

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, and in 2007, the Province will cover only 32.7% of the actual costs, resulting in a provincial cost-sharing shortfall of \$29.3 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.

ODSP and ODB are programs delivered by the Province, which the municipalities must share the cost under the OW Act. In both program areas, there has been significant cost growth (from \$133.5 million in 2002 to \$175.0 million in 2007) due to increases in benefit rates, caseload, and rising drug costs, which has increased well beyond both municipal and provincial forecasts and historical trends. These are uncontrollable costs downloaded by the Province.

Mayor's Mandate

The 2007 Recommended Operating Budget includes the following initiatives supporting the Mayor's Platform.

- Making a Safe City Safer

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 Families and Neighbourhoods projects; 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, through the provincial program delivery review announced in August 2006, 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: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change		FY Incremental Outlook	
			2007 Recommended Base v. 2006 Appvd. Budget		2008	2009
	\$	\$	\$	%	\$	\$
GROSS EXP.	1,037,486.7	1,091,900.5	54,413.8	5.2	6,041.9	(598.1)
REVENUE	759,609.7	795,950.3	36,340.6	4.8	(31,200.0)	
NET EXP.	277,877.0	295,950.2	18,073.2	6.5	37,241.9	(598.1)
Approved Positions	1,943.0	1,973.0	30.0	1.5		
NET TARGET		277,877.0			0.0	0.0
\$ Over / (Under) Program Target		18,073.2			37,241.9	(598.1)
% Over / (Under) Program Target		6.5%			13.4%	-0.2%

2007 Recommended Base Budget

The 2007 Recommended Base Budget of \$295.950 million represents a 6.5% increase over the 2006 Approved Budget while maintaining 2006 service levels. The 2007 Recommended Budget is based on an average monthly OW caseload of 77,500 cases, reflecting an increase of 2,500 cases over 2006 plus a rate increase of 2% for OW and ODSP clients that results in a pressure of \$7.1 million. The combined 2006 Approved Budget for ODSP and ODB is \$168.0 million compared to the 2005 Approved Budget of \$152.8 million. Year-end actual costs in 2006 are \$169.6 million, \$1.6 million over budget. Costs are expected to increase to \$175.0 million in 2007, \$7.0 million or 4.2% over the 2006 Approved Budget before adjusted for GTA Pooling. The \$175 million, or 133.3 million net of GTA Pooling revenue in 2007, is funded by the City from property taxes.

An additional 30 temporary positions (\$2.1 million) for 2007 are required as the average monthly budgeted caseload is anticipated to increase by 2,500 from 75,000 to 77,500. Regulatory changes effective April 1, 2006 require non-disabled spouses of ODSP clients that do not have care-giving responsibilities to be transferred to the OW program to engage in employment services. A projected 3,000 OW cases have been budgeted for this change. Hiring of these staff will be contingent on the actual caseload reaching budgeted levels.

The 2007 Recommended Budget reflects a COA shortfall of \$29.3 million, where the Province is funding only \$55.5 million instead of the \$84.8 million based on a 50/50 cost-sharing agreement with the provincial government. This shortfall is funded by property taxes.

In 2007, the reversal of the reserve draws utilized in 2006 results in \$33.2 million cost pressure (2006 draws consist of \$28.3 million from the SAS Reserve Fund and \$4.9 million from the OW Reserve

Fund). Reserve draws (\$29.3 million from the SAS Reserve Fund and \$1.9 million from the OW Reserve Fund) budgeted in 2007 will fully deplete both reserve funds by the end of 2007.

The 2007 Recommended Operating Budget also includes reductions of \$1.55 million in ongoing efficiencies from streamlining of service delivery and associated business processes and an increase of GTA pooling revenue of \$7.3 million based on 2006 experience, which is consistent with the provincial estimates.

2007 Key Cost Drivers

A summary of the key cost drivers for this Program include:

- OW cost pressures from the increase in the Ontario Works average monthly caseload from 75,000 to 77,500 (base budget of 74,500 plus 3,000 cases to reflect the ODSP spouses being referred to OW for employment services) and a legislated 2% rate increase for OW clients effective December 1, 2006 (\$7.1 million);
- COA Provincial Subsidy shortfall of \$29.3 million, resulting from the Provincial cap on funding, up from a shortfall of \$23.2 million in the 2006 budget. In the past, the City has made use of aggressive position gapping, significant staff reductions, property taxes, and withdrawals from the SAS Reserve Fund for cases over 57,000 to manage pressures within the OW program and its administration. For 2007, additional service or administrative cuts cannot be recommended without violating program guidelines or losing cost-shared dollars from the Province. The increase in the shortfall is mainly due to COLA, merit and step costs of \$7.4 million;
- Insufficient reserve funds to fully fund the OW caseload over 57,000, resulting in a budget pressure of \$8.2 million. The budgeted draw of \$31.2 million (SAS Reserve Fund \$29.3 million and OW Reserve Fund \$1.9 million) will fully deplete the reserve funds by the end of 2007; and,
- Uncontrollable increases in provincial billing for the ODSP/ODB programs of \$7.0 million to \$175.0 million or 4.2% over the 2006 Budget or \$133.3 million net of GTA Pooling.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 Outlook reflects confirmed ongoing costs for COLA, merit, plus 'Leap Year' costs for a total of \$6.0 million. The 2008 outlook also reflects the reversal of reserve funding as the reserve funds will be depleted by the end of 2007. The 2009 Outlook reflects the reversal of leap year costs.

The 2008/2009 outlooks exclude any change in OW caseload, any potential OW rate increases and any increase in downloaded ODSP/ODB costs.

Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Priority	Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2008	2009
		\$	\$	#	\$	\$
(a) Enhanced Services Priorities - Council Approved:						
1	Investing in Neighbourhoods	2,000.0	0.0			
2	Investing in Families	950.0	0.0			
(b) Enhanced Services Priorities - Program Initiated:						
Sub-Total Enhanced Services Priorities		2,950.0	0.0	0.0	0.0	0.0
(a) New Services Priorities - Council Approved:						
(b) New Services Priorities - Program Initiated:						
3	Family Support Program	292.4		4.0		
4	Web Base IT Development	260.6	0.0	3.0		
Sub-Total New Service Priorities		553.0	0.0	7.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities		3,503.0	0.0	7.0	0.0	0.0

2007 Recommended Service Priorities

Enhanced Service Priorities – Council Approved:

Council adopted the report from the General Manager, Social Services entitled “An Update on the Progress of ‘Systems of Survival, Systems of Support: An Action Plan for Social Assistance in the City of Toronto’. The report recommended that funding of up to \$3.2 million gross be drawn from the National Child Benefit Supplement (NCBS) Reserve Fund to support the ‘Investing in Neighborhoods’ and ‘Investing in Families’ initiatives, resulting in \$0 net impact to the City.

Investment in Neighborhoods

The ‘Investing in Neighborhoods’ initiative commenced in late 2006 and will run to the end of 2007. Up to \$2.2 million will be drawn from the NCBS Reserve Fund, with \$0.2 million allocated in 2006, and the balance of funds to be allocated in 2007. The goal of this initiative is to increase the employability and skill level of a group of OW clients who reside in priority communities across the City while at the same time strengthening the capacity of these neighbourhoods by supporting locally based non-profit organizations. Through this initiative, up to 100 OW clients, both parents and adult dependents, who are residents of priority communities will be placed in jobs in local community based

agencies. Lasting approximately one year, these jobs will offer skill building opportunities, direct work experience, and the chance to build networks and relationships with employers.

Investment in Families

The 'Investing in Families' initiative commenced in the latter part of 2006 and will operate through 2007 in partnership with Public Health, Parks, Forestry & Recreation and Children's Services. Up to \$1.0 million will be drawn from the Reserve Fund to fund additional temporary staff positions in Parks, Forestry & Recreation (2 Recreationists) and in Public Health (6 Public Health Nurses, 1 Nursing Supervisor (part-time) and 1 Support Assistant (part-time)). \$0.05 million was allocated in 2006, with the balance of the funds to be allocated in 2007. All financial and administrative aspects of the initiative will be managed through TSS, with costs to be included in respective programs 2007 Recommended Operating Budgets.

This initiative is designed to improve the economic, health and social status of single parent families receiving social assistance in Toronto by providing them with access to locally based pre-employment training (eg life skills workshops, job search skills), by promoting a healthy lifestyle among children of single parents, and enhance the social integration of single parent families in their communities. This initiative will start with up to 275 single parent families residing in the Jane-Finch community with at least one child over the age of six.

New Service Priorities – Program Initiated:**Family Support Program (100% funded from Provincial funds)**

The Family Support Unit assists OW applicants, participants, and their dependants in pursuing financial support from those who have a legal obligation to provide it under the Family Law Act. Court findings and case studies have proven that clients in receipt of spousal support leave the OW program sooner and recidivism is minimal. To address a rise in the volume of court applications, an increase in court attendance for outstanding arrears owing to OW clients and to provide increased court response capacity based on the Attorney General's court scheduling, 4 new temporary staff are required.

Web Base IT Development (100% funded from Provincial funds to support Capital Budget)

TSS has focused on a number of IT development initiatives that will assist in moving to a more client-centric approach to service delivery through the implementation of web-enabled interactive tools and electronic applications. A web enabled system will help to reduce barriers to service and accessibility that have been identified in TSS' business strategy and the associated IT Strategy and IT Strategy Roadmap process. Clients that choose a self service electronic approach to apply for assistance or access information will also be able to anonymously determine potential eligibility, receive information regarding similar programs and services via the web. Programs and services available to low income families within the City will also be accessible and coordinated through the web services building on existing linkages with other divisions. In order to achieve this objective, three temporary staff will be required to coordinate the initiatives as outlined in the 5-Year Capital Plan.

Issues for Discussion

2007 Operating Budget Issues

The following table summarizes Ontario Works and ODSP/ODB programs from 2005 through 2007:

		2005 Actual	2006 Actual	2007 Budget
ONTARIO WORKS (OW) (\$ millions net)				
Caseload (avg mthly) ⁽¹⁾		69,345	71,626	77,500
Beneficiaries (avg mthly)		132,178	134,467	145,500
Cost of Administration (COA) - TSS	GROSS	129.9	133.9	152.5
Cost of Administration (COA) - Other Divisions	GROSS	15.0	15.2	17.2 ⁽²⁾
Cost of Administration (COA) - Total	GROSS	144.8	149.1	169.7
Subsidy Required (COA) 50%	NET	72.4	74.6	84.8
Subsidy Paid by Province	NET	53.7	55.4	55.5
COA Shortfall	NET	18.7	19.1	29.3
Cost of Administration (COA) - TSS	Net	82.4	86.1	105.5
OW Program Benefits (Including EA)	GROSS	650.9	682.8	764.4
OW Program Benefits (Including EA)	Net	135.9	136.6	158.1 ⁽³⁾
GTA Pooling Revenue		57.2	61.7	69.8
TOTAL - OW		161.1	161.0	193.9
Ontario Disability Support Program (ODSP) & Ontario Drug Benefit (ODB) Program				
		2005 Actual	2006 Actual	2007 Budget
ODSP Caseload (avg mthly)		46,997	48,407	50,000
Beneficiaries (avg mthly)		62,253	64,251	67,000
ODSP - Admin (<i>City 50% Share</i>)	NET	20.4	20.0	20.5
ODSP - Benefits (<i>City 20% Share</i>)	NET	101.5	108.0	110.8
ODB (incl. Mandatory Benefits) (<i>City 20% Share</i>)	NET	38.1	41.6	43.7
GTA Pooling Revenue		44.5	45.9	41.7
TOTAL - ODSP/ODB		115.5 ⁽³⁾	123.7 ⁽³⁾	133.3 ⁽⁴⁾
Other Funding				
		2005 Actual	2006 Actual	2007 Budget
Reserve Funds Draws		34.3	6.9	31.2
TOTAL - Other Funding		34.3	6.9	31.2 ⁽⁵⁾
Net Expenses - TSS		242.3	277.9	296.0 ⁽⁶⁾
ONTARIO WORKS				
(1) Total individual persons served (including approx. 70,000 children in OW) under the OW program represents approx. 1 in 10 of the population of Toronto.				
COA				
(2) The City's COA subsidy shortfall impacts SDF&A and Shelter Support & Housing as well as TSS.				
OW PROGRAM BENEFITS				
(3) Excludes reserve funding.				
ODSP/ODB				
(4) City bears 50% of ODSP Admin. Costs and 20% of ODSP/ODB Benefit Costs. 2006 actual cost is \$1.6 million higher than budget and is funded by a draw on TSS reserves.				
OTHER FUNDING				
(5) The 2007 Budgeted reserve draws will exhaust the SAS and OW Reserve Funds				
2007 BUDGET PRESSURE - BASE BUDGET				
(6) The above results in a combined net pressure of \$18.2 million before reserve draws and GTA Pooling Equalization Revenues.				

Increase in Caseload

The 2007 Recommended Operating Budget includes an increase of 2,500 in OW average monthly caseload from 75,000 to 77,500 (base budget of 74,500 plus 3,000 cases to reflect the ODSP spouses being referred to OW for employment services). Actual caseloads in previous years indicate a rising caseload trend and economic forecasts suggests a softening in Toronto's labour market. Given there is still sufficient time to update the caseload estimates, it is recommended that the General Manager of Social Services report to Budget Committee during the 2007 Operating Budget wrap-up meeting on actual OW caseload data and possible revisions to the 2007 average monthly caseload budget.

COA Shortfall

The Ontario Works (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 2007 Recommended Operating Budget includes a significant funding shortfall estimated at \$29.3 million. The City continues to press the Province to honour and contribute the full 50% of the OW COA.

ODSP/ODB Pressures

Under the OW Act, municipalities must cost-share the ODSP (\$131.3 million) and ODB Programs (\$43.7 million) delivered by the Province. Over the past few years, there has been significant cost increases beyond previous Municipal and Provincial forecasts for both programs. These increased costs are not controllable and are billed by the Province to the City. The combined 2006 budget for these programs was \$168.0 million compared to the 2005 budget of \$152.8 million. Year-end actual costs were \$169.6 million, \$1.6 million higher than budget. The costs are expected to increase to \$175.0 million in 2007, \$7.0 million or 4.2 % over the 2006 budget. As ODSP/ODB is essentially a provincial responsibility, it is recommended that the Province immediately upload the cost of \$175.0 million (\$133.3 million net of GTA Pooling) included in the 2007 Recommended Budget.

Ontario Works Reserve Fund (OW Reserve Fund)

The OW Reserve Fund is an obligatory reserve and is the regular funding source for the Employment Assistance component of the OW Program. A withdrawal of \$4.9 million was approved in 2006 to cover the City portion of costs required to maintain existing levels of service within the program. The 2006 preliminary year-end balance is \$2.1 million. The withdrawal of \$1.9 million to partially fund the Employment Assistance program, along with a commitment of \$0.244 million to Social Development Finance & Administration recommended by Policy and Finance Committee Report 5, Clause 23, June 27, 28, and 29, 2006, will deplete the reserve by the end of 2007, which will result in a City pressure of \$1.9 million in 2008 that will have to be funded from the property tax base.

Social Assistance Stabilization Reserve Fund (SAS Reserve Fund)

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 2006. The reversal of the reserve funding withdrawals budgeted in 2006 results in a \$33.2 million cost pressure in 2007 (2006 funding consists of \$28.3 million from the SAS Reserve Fund reserve fund and \$4.9 million from the Ontario Works Reserve Fund).

The 2007 Recommended Operating Budget maintains this strategy and recommends utilizing the remaining balance of \$29.3 million to fund caseload costs. Below is a table showing the SAS Reserve Fund activity from 1998 to 2006 and the projected and budgeted withdrawals 2007. The 2007 withdrawal will deplete the reserve except for \$3.3 million committed to Children’s Services, resulting in a budget pressure in 2008. The reserve will not be available as a source 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	2007 Recommended Budget
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
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				
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	1,306,627
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	1,306,627
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	29,300,000
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		
Additional draw (3% rate increase)										
Subsidy shortfall in cost of administration										
Corporate draw to balance 2006 Budget									25,302,100	
2000 child care space expansion *									361,154	3,338,846
Total withdrawals	-	138,113	3,000,000	-	3,702,452	4,889,200	15,329,505	30,316,900	27,552,898	32,638,846
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	1,333,457
* \$3.3 million is to be drawn in 2007 & 2008										

GTA Pooling Revenue

GTA pooling is a mechanism for equalizing cost pressures associated with the provision of income redistributive programs such as social assistance benefits. GTA pooling payments are cash advanced during the year and finalized after the year-end normally by the spring/summer of the following year and any shortage or overpayment is either settled or clawed back by the Province. Since 1999, the Province has clawed back twice the excess GTA pooling payments of \$13.95 million and \$7.7 million in 2002 and 2003 respectively and paid an additional \$2.5 million and \$3.4 million in 2004 and 2005 respectively for prior years. For 2006, the Province has projected \$109.3 million in revenue, which is

\$5.3 million in higher than the GTA pooling budget of \$104.2 million. Since the 2006 GTA pooling is not expected to be finalized until June 2007, only \$104.2 million, plus \$3.4 million received from the 2005 settlement process, is recognized as revenue with the excess \$5.3 million deferred until the certification for 2006 is settled. The GTA pooling revenue is recommended at \$111.5 million for 2007 based on the 2006 projected GTA pooling revenue from the Province (\$109.4 million) adjusted by the updated equalization share, a provincial mechanism used to equalize social assistance cost pressures among the municipalities. The equalization share, a weighted average assessment of municipalities across the GTA, for Toronto for 2006 was 50.58% and the updated share for 2007 confirmed by the Province is 50.161%.

2008 and 2009 Outlook

Social Services anticipates budget pressures in 2008 and 2009, especially with the depletion of both the OW and SAS reserve funds by the end of 2007. ODSP and ODB are programs delivered by the Province and billed to the City, representing an uncontrollable cost to the City. The 2006 Ontario Provincial budget provided for a rate increase of 2% for OW and ODSP clients effective December 1st, 2006, creating a projected budget pressure of \$7.0 million in 2008 and \$7.28 million in 2009. Actual OW average monthly caseloads in previous years, along with economic forecasts suggest a softening in Toronto's labour market, indicate a rising caseload trend. The projected average monthly caseload is 77,500 and a projected budget pressure of \$37.5 million in 2008 and 2009. The 2007 Recommended Operating Budget includes a \$29.3 million draw from the SAS reserve fund to fund caseload costs. The 2007 withdraw will deplete the reserve and result in a budget pressure in of \$29.3 million in 2008.

Appendix 1

**Summary of Recommended Base Budget Changes
From 2006 Approved Budget**

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	1,940.0	1,036,869.1	759,045.5	277,823.6	0.0	0.0
In-year approvals and technical adjustments	3.0	617.6	564.2	53.4		
Corporate adjustments						
2006 Approved Operating Budget	1,943.0	1,037,486.7	759,609.7	277,877.0	0.0	0.0
Prior year impacts		(3,409.5)	(36,723.8)	33,314.3	598.1	(598.1)
Zero base items		(385.8)	(192.9)	(192.9)		
Economic factors		8,150.0	0.0	8,150.0	5,443.8	
Adjusted Base Budget	1,943.0	1,041,841.4	722,693.0	319,148.4	6,041.9	(598.1)
Other base changes	30.0	51,609.1	34,737.3	16,871.8		
Base revenue changes						
Recommended Base Adjustments:						
Service efficiencies		(1,550.0)		(1,550.0)		
Revenue adjustments			38,520.0	(38,520.0)	31,200.0	
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	30.0	50,059.1	73,257.3	(23,198.2)	31,200.0	0.0
2007 Recommended Base Budget	1,973.0	1,091,900.5	795,950.3	295,950.2	37,241.9	(598.1)
2007 Program Operating Target	N/A	N/A	N/A	277,877.0	0.0	0.0
% Over (Under) Program Target				6.5%	13.4%	-0.22%
% Over (Under) 2006 Appvd. Budget				6.5%	13.4%	-0.22%

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2007 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 December 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
				2007	2008	2009
				\$	\$	\$
Kids at Computers Scholarship Project	XR2104	SS-B006	8,262.0	(3,500.0)	(3,500.0)	(1,262.0)
National Child Benefits Supplement	XR2102	SS-N001 SS-N002	9,459.9	(2,000.0) (950.0)		
Social Assistance Stabilization Reserve Fund	XR1054	SS-Z004	32,665.7	(29,300.0)		
Ontario Works Reserve Fund	XR2101	SS-Z005	2,149.1	(1,900.0)		
Sick Pay Reserve	XR1007		67,266.0	263.6		
Insurance Reserve	XR1010		17,456.0	397.3		
Total Reserve / Reserve Fund Draws / Contributions				(36,989.1)	(3,500.0)	(1,262.0)