



City Budget 2011

Toronto Employment & Social Services Operating Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Operating Budget pays the day-to-day operating costs for City services.

2011 Operating Budget

2011 OPERATING BUDGET ANALYST BRIEFING NOTES BUDGET COMMITTEE JANUARY 10, 2011

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PART I: RECOMMENDATIONS

2011 Recommended Operating Budget

(In \$000s)

	2010		2011 Recomm'd Operating Budget			Change - 2011 Recommended Operating Budget v. 2010 Appvd. Budget		FY Incremental Outlook	
	2010 Appvd. Budget	2010 Projected Actual	2011 Rec. Base	2011 Rec. New/Enhanced	2011 Rec. Budget			2012	2013
	\$	\$	\$	\$	\$			%	\$
GROSS EXP.	1,358,116.7	1,190,838.6	1,207,484.2	0.0	1,207,484.2	(150,632.4)	(11.1)	2,174.7	1,133.4
REVENUE	1,087,518.6	941,659.6	1,007,262.7	0.0	1,007,262.7	(80,255.9)	(7.4)	(12,993.9)	6,862.9
NET EXP.	270,598.1	249,179.0	200,221.6	0.0	200,221.6	(70,376.5)	(26.0)	15,168.6	(5,729.5)
Approved Positions	2,357.0	2,249.0	2,289.0	0.0	2,289.0	(68.0)	(2.9)	(3.0)	
NET BUDGET TARGET			204,820.7		204,820.7				
\$ Over / (Under) Net Budget Target			(4,599.1)		(4,599.1)				
% Over / (Under) Net Budget Target			-2.2%		-2.2%				
PROGRAM TARGET (% / \$)				-5.0%	(15,963.9)				
RECOMMENDED REDUCTIONS					(20,563.0)				
\$ Over / (Under) Program Target					4,599.1				
Program Target % Achieved					-7.6%				

RECOMMENDATIONS

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2011 Recommended Operating Budget for Toronto Employment and Social Services of \$1,207.484 million gross and \$200.222 million net, comprised of the following services:

	Gross (\$000s)	Net (\$000s)
<u>Service(s):</u>		
Financial Assistance	1,108,606.7	188,311.9
Employment Services	81,883.3	10,945.9
Social Supports	16,994.2	963.8
Total Program Budget	<u>1,207,484.2</u>	<u>200,221.6</u>

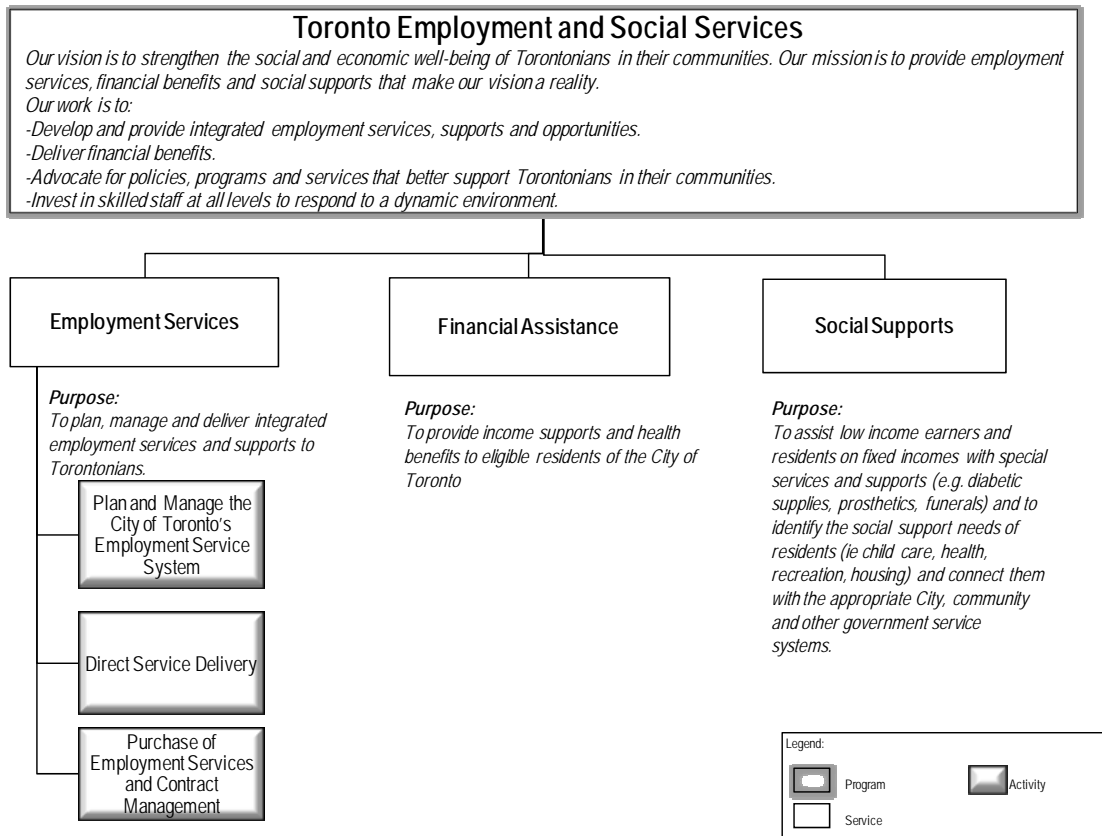
2. Operating savings of \$0.516 million per year resulting from approval of the TESS Office Relocation capital project be contributed to Reserve Funds as follows:

- a. \$0.516 million per year be contributed to the Social Assistance Stabilization Reserve Fund from 2012 to 2017; and,
- b. \$0.516 million per year be contributed to the Land Acquisition Reserve Fund from 2018 to 2030.

PART II: 2011 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles

- Toronto Employment & Social Services delivers three main services, Financial Assistance, Employment Services, and Social Supports, as detailed in the following Program Map:



Service Customer

Employment Services

- Low income Toronto Residents
- Unemployed & under-employed Toronto Residents
- Ontario Works (OW) Program Recipients and Adult Dependents
- Ontario Disability Support Program (ODSP) Program Recipients and Adult Dependents
- Community Agencies and Networks
- Employers
- Provincial Ministries (Ministry of Community & Social Services, Ministry of Training, Colleges and Universities, Ministry of Citizenship and Immigration)
- Service Canada
- Other City divisions / Agencies

Financial Assistance

- Ontario Works (OW) Program Participants and Dependents
- Ontario Disability Support Program (ODSP) Program Participants and Dependents
- Ministry of Community & Social Services

Social Supports

- Low-Income Residents, including seniors and youth
- Ontario Works (OW) Program Participants and Dependents
- Ontario Disability Support Program (ODSP) Program Participants and Dependents
- Ministry of Community & Social Services
- Other City divisions / Agencies
- Community Agencies

Service Types

Service	Activity	Type
Employment Services	Plan and Manage the City of Toronto's Employment Service System	Career Planning
		Job Search Assistance
		Referrals
		Workshops/ Job fairs
	Direct Service Delivery	Employment Related Expenses (ERE)
		Extended Employment Health Benefits
		Learning, Earning & Parenting
		Skills Training
	Purchase of Employment Services and Contract Management	Not-for-Profit and Private Sector Employer Incentives
		Job Placement Services
		Job Retention Services
		Skill Training/Upgrading
		Self-employment programs
Career Preparation		
Financial Assistance		Basic Living Allowance
		Shelter Allowance
		Medical Benefits
		Other Benefits
Social Supports		Hardship Fund
		Integrated Case Management
		Toronto Wish Foundation
		Kids @ Computers scholarship programs

Service Objectives

- The following are the Employment Services' service objectives established for 2011:
 - Under the authority of the OWA, assist unemployed and underemployed city residents to prepare for and obtain sustainable employment; and
 - To effectively plan and manage the City's employment services system.
- Financial Assistance Services' 2011 service objectives are as follows:
 - Manage the delivery of the Ontario Works (OW) program in Toronto in accordance with legislative and regulatory authority under the Ontario Works Act, as well as Provincial policy directives, and business practices;
 - Ensure residents are fully informed of the services available to them and they receive all the benefits to which they are entitled under the Ontario Works Act.
 - Continue to develop and implement simpler and more efficient processes through which residents can access OW and TESS can administer financial assistance;
 - Determine and monitor ongoing eligibility, make determinations pertaining to the refusal, reduction or cancellation of assistance and provide a formal notice and review process for participants to address issues related to their eligibility; and,
 - Advocate for benefit adequacy and for increased OW program discretion to meet the needs of city residents.
- Social Supports Services have identified the following service objectives for 2011:
 - Enable residents to access key social supports to allow them to maintain or improve their quality of life;
 - Develop and implement integrated case management practices and processes with City partners (Children's Services, PF&R, Public Health); and
 - Advocate for increased availability of and access to key social supports.

2011 Service Deliverables

- The 2011 Recommended Operating Budget of \$200.222 million net provide funding to:
 - ✓ Managing an average monthly caseload of 101,000;
 - ✓ Providing consultation and support to approximately 182,000 client visits at Employment Centres across the City;
 - ✓ Sponsoring and conducting job and agency fairs for OW clients across the City to help connect over 20,000 clients with potential employers;

- ✓ Developing Employment Hubs as focal points for local labour force planning, training tailored to the local communities, and local employer engagement to identify current and emerging labour force needs; and,
- ✓ Enhancing access to ODSP for homeless/vulnerable people, connecting the homeless with ongoing medical support, and linking homeless people to other service providers through the Homeless to ODSP Project Engagement (HOPE).

PART III: Recommended Base Budget

2011 Recommended Base Budget (In \$000s)

(In \$000s)	2010 Appvd. Budget	2011 Recommended Base	Change 2011 Recommended Base v. 2010 Appvd. Budget		FY Incremental Outlook	
					2012	2013
	\$	\$	\$	%	\$	\$
GROSS EXP.	1,358,116.7	1,207,484.2	(150,632.4)	(11.1)	2,174.7	1,133.4
REVENUE	1,087,518.6	1,007,262.7	(80,255.9)	(7.4)	(12,993.9)	6,862.9
NET EXP.	270,598.1	200,221.6	(70,376.5)	(26.0)	15,168.6	(5,729.5)
Approved Positions	2,357.0	2,289.0	(68.0)	(2.9)	(3.0)	0.0

TARGET COMPARISON	2011 Target	2011 Rec. Budget	2011 Rec. Budget vs. 2011 Target
NET BUDGET	204,820.7	200,221.6	(4,599.1)
PROGRAM REDUCTION (\$)	(15,963.9)	(20,563.0)	(4,599.1)
PROGRAM REDUCTION (%)	(5.0)	(7.6)	(2.6)

*Note: Please refer to "2011 Recommended Service Change Summary" for details on program reductions

2011 Recommended Base Budget

- The 2011 Recommended Base Budget of \$1,207.484 million gross, \$200.222 million net is \$70.377 million or 26% below Toronto Employment & Social Services' 2010 net Approved Operating Budget of \$270.598 million.
- The 2011 Recommended Base Budget of \$200.222 million net includes recommended Program budget reductions of \$20.563 million consist of \$12.288 million of base budget reductions, \$0.705 million of service efficiencies, and \$7.032 million of revenue change. The 2010 recommended budget reduction of \$20.563 million is \$4.599 million or 2.6% above the 5% reduction target of \$15.964 million. *(Please refer to 2011 Recommended Service Change Summary on P.10 for further information).*
- Approval of the 2011 Recommended Base Budget will result in the Program's total approved complement decreasing from 2,357.0 to 2,289.0 approved positions due to the reduction in the OW average monthly caseload from 105,000 to 101,000 (48 vacant temporary caseload contingent staff) and the implementation of Process Improvement Initiatives with an anticipated saving of \$1.410 million gross and \$0.705 million net for reduction of the equivalent to 20 temporary positions. Approval of the 2011 Operating Budget reflects the following change from the 2010 approved complement on the following page:

2011 Recommended Staff Complement Base Budget Summary

Change	Approved Positions
2010 Approved Positions	2,357.0
2010 In-year Adjustment	
2011 Temporary Positions - Capital Project Delivery	
2011 Operating Impact of Completed Capital Projects	
2011 Service Change Adjustments	(68.0)
2011 Recommended Positions	2,289.0

2011 Recommended Service Change Summary

(In \$000s)

Description	2011 Recommended Service Changes				Net Incremental Impact			
	Position Change	Gross Exp.	Net Exp.	% Change over 2010 Budget	2012		2013	
	#	\$	\$	#	\$	# Pos	\$	# Pos
Base Budget Changes:								
Base Changes primarily from reduction in caseload and adjustment to case costs	(48.0)	(69,964.5)	(12,287.8)	-4.5%				
Absorb Economic Factors and Furniture Replacement		(575.5)	(287.8)	-0.1%				
Reductions from Expenditure Realignment		(500.0)	(250.0)	-0.1%				
Sub-Total Base Budget Changes	(48.0)	(71,040.0)	(12,825.6)	-4.7%	0.0	0.0	0.0	0.0
Service Efficiencies:								
Process Improvement Initiatives	(20.0)	(1,410.0)	(705.0)	-0.3%				
Revenue Adjustments:								
SAS Reserve Fund		0.0	(7,032.5)	-2.6%	7,032.5			
Minor Service Impact:								
Major Service Impact:								
Sub-Total Service Changes	(20.0)	(1,410.0)	(7,737.5)	-2.9%	7,032.5	0.0	0.0	0.0
Total Changes	(68.0)	(72,450.0)	(20,563.0)	-7.6%	7,032.5	0.0	0.0	0.0

2011 Recommended Service Changes

- Through its service network, TESS provides services including job search, skills training, financial assistance to individuals and their families, access to childcare, housing, and health support, to over 250,000 individuals or approximately 1 in 9 residents in Toronto annually. The projected average monthly caseload for 2010 is expected to be 96,000, 9,000 cases below the 2010 budgeted caseload of 105,000. In 2011, the recommended average monthly caseload is 101,000 cases.

Base Changes

Reduction in Caseload and Case Costs

- The 2011 Recommended Operating Budget includes a base budget reduction of \$69.965 million gross, \$12.288 million net, or 4.5%, primarily to reflect caseload and case cost (more singles vs. families) trends experienced in 2010. Approval of the recommended caseload change will result in a reduction of 48.0 vacant temporary caseload contingent positions (contingent positions are only staffed when warranted by the caseload) with no impact on 2011 service levels.

Absorb Non-Labour Economic Factors and Furniture and Fixture Replacement Costs

- The 2011 Recommended Operating Budget also includes a base budget reduction of \$0.576 million gross and \$0.288 million net, as TESS will absorb the non-labour inflationary increases and furniture and fixture replacement requirement through on-going monitoring of expenditures.

Reduction to Reflect Actual Experience

- TESS has completed an in-depth review of actual expenditures in conjunction with Financial Planning, and has identified reductions in expenditures such as overtime, external consulting, and external training totaling \$0.500 million gross and \$0.250 million net to reflect actual expenditure requirement. This recommended reduction will not impact TESS' 2011 service levels.

Service Efficiencies

Process Improvement Initiatives

- TESS identified cost savings through efficiencies gained in the areas where manual work is now automated and elimination of certain activities and processes through its information technology development projects. Approval of the recommended efficiency will result in a reduction of 20.0 temporary positions (to be achieved through attrition) with no impact on 2011 service levels.

Revenue Adjustments

Contribution from Social Assistance Stabilization (SAS) Reserve Fund

- The recommended revenue adjustment of \$7.033 million in 2011 represents a withdrawal from the Social Assistance Stabilization (SAS) Reserve Fund to contribute towards achieving the overall Program's budget reduction target. After the recommended withdrawal of \$7.033 million in 2011, the remaining balance of \$3.817 million will be used to partially fund the TESS Office Relocation capital project identified in the TESS' 2011 Capital Budget. (Please see Capital Budget Analyst's Notes for TESS' 2011 to 2020 Capital Budget and Plan).

2012 and 2013 Outlook

Approval of the 2011 Recommended Base Budget for Toronto Employment & Social Services will result in 2012 incremental costs of \$15.169 million and 2013 incremental savings of \$5.730 million. TESS' staff complement will be reduced by 3.0 TESS' staff positions in 2012. Future years' net savings/costs are primarily attributed to the following:

- The unfavorable 2012 Outlook of \$15.169 million includes the upload of an additional 8.0% of the City's share of OW Benefit costs of \$14.371 million, offset by the OMPF claw-back of \$20.800 million; the reversal of the one-time 2011 recommended contribution of \$7.033 million from the SAS Reserve Fund (including the \$0.250 million funding for French Language Services); 2011 progression pay and step increases of \$0.187 million; the increase in the number of working days of \$0.256 million; the 1.0% OMERS rate increase of \$0.660 million; offset by \$0.167 million resulting from the elimination of 3 temporary positions required to manage recessionary pressures and \$0.770 million of funding contribution for TESS' capital projects (subject to approval of the 2011 Capital Budget).
- The favourable 2013 Outlook of \$5.730 million is mainly attributable to the upload of an additional 15.0% of City's share of the OW Benefit Costs of \$26.949 million, offset by the OMPF claw-back of \$20.800 million and the 0.9% OMERS rate increase of \$0.595 million in 2013.
- The 2012/2013 Outlooks exclude any potential changes in the OW caseload and any potential OW rate increase. These factors will be reviewed and presented to Budget Committee in 2012 and 2013.

PART V: ISSUES FOR DISCUSSION

2011 and Future Year Issues

The following table further details the costs of the Ontario Works (OW) and Ontario Disability Support Program (ODSP) from 2009 through 2011:

		2009 Actual	2010 Budget	2010 Projected Actual *	2011 Budget
ONTARIO WORKS (OW) (\$ millions net)					
Caseload (avg mthly)		88,506	105,000	96,000	101,000
Cost of Administration (COA) - TESS	GROSS	155.0	200.0	196.1	208.1
Cost of Administration (COA) - Other Divisions	GROSS	16.0	18.5	18.5	18.3
Cost of Administration (COA) - Total	GROSS	171.0	218.5	214.6	226.4
Subsidy Required (COA) 50%	NET	85.5	109.3	107.3	113.2
Subsidy Paid by Province	NET	58.5	109.3	107.3	113.2
COA Shortfall	NET	27.0	-	-	-
Cost of Administration (COA) - TESS	Net	104.5	100.0	98.1	104.0
OW Program Benefits (Including EA)	GROSS	835.6	1,080.6	917.1	999.4
OW Program Benefits (Including EA)	Net	179.5	198.7	171.8	180.3
TOTAL - OW		284.0	298.7	269.9	284.4
Ontario Disability Support Program (ODSP) & Ontario Drug Benefit (ODB) Program					
		2009 Actual	2010 Budget	2010 PA	2011 Budget
ODSP Caseload (avg mthly)		57,000	60,000	60,680	-
ODSP - Benefits (Fully uploaded in 2011)	NET	143.9	77.5	77.6	-
TOTAL - ODSP/ODB		143.9	77.5	77.6	-
Other Funding					
		2009 Actual	2010 Budget	2010 PA	2011 Budget
Reserve Funds Draws (SAS, OW, CIBS)		1.4	7.8	0.5	7.1
GTA Pooling / OMPF		118.2	97.8	97.8	77.0
TOTAL - Other Funding		119.6	105.6	98.3	84.1
Net Expenses - TESS		308.3	270.6	249.2	200.2

* 2010 Projected Actual is based on the Q3 2010 operating budget variance report.

Increase in Ontario Works

The 2011 Recommended Operating Budget includes a reduction of 4,000 cases in OW average monthly caseload from 105,000 to 101,000. The recommended monthly average caseload of 101,000 cases for 2011 is based on a corporate finance model that focuses on unemployment rates in Toronto, which is forecasted to be in the range of 9.5% to 11.0% in 2011. This unemployment rate is formulated after considering the current economic factors, and other factors such as historical trends and analysis of case mix and trends, and a review of policy changes likely to impact caseloads have also been considered by TESS in forecasting an average monthly caseload.

TESS is projecting an average monthly caseload of 96,000 for 2010, 9,000 cases below the 2010 approved caseload of 105,000.

Upload of ODSP/ODB and OW Benefits

In August 2007, the Province announced that it would assume responsibility for funding ODSP/ODB benefits and ODSP administration costs in a phased approach over the 2008 to 2011 time period. In the Fall of 2008, the Province announced it would assume responsibility for funding Ontario Works benefits costs in a phased approach over the 2010 to 2018 time period.

The 2011 Recommended Operating Budget includes a full upload of ODSP Benefits costs of \$77.5 million. However, the Province also has confirmed through the “Provincial–Municipal Fiscal and Service Delivery Review” report in Fall 2008 stating that:

“... OMPF remains responsive to changes in municipal circumstances, such as upload of the ODB, and ODSP and OW Benefits.... The social programs’ grants will be adjusted to reflect the reduction in municipal costs for these programs as the uploads are phased in.”

Thus, the Province will reduce its OMPF subsidy by \$20.8 million in 2011, which minimizes the full savings to be realized from the uploading of ODSP and OW costs. The OMPF claw-back will be \$20.8 million per year from 2012 to 2013 and \$6.8 million per year from 2014 to 2018.

The incremental savings resulting from the ODSP cost upload is \$56.7 million net and the incremental savings resulting from OW Benefit cost upload is \$5.4 million net in 2011.

The financial impacts to TESS from 2008 to 2018 are summarized as follows:

	City Cost Share Before Uploading %	2008 (\$M)	2009 (\$M)	2010 (\$M)	2011 (\$M)	2012 (\$M)	2013 (\$M)	2014 (\$M)	2015 (\$M)	2016 (\$M)	2017 (\$M)	2018 (\$M)
Ontario Drug Benefits	20%	(39.1)	0%									
Ontario Disability Support Program (Administration Costs)	50%		(20.0)	0%								
Ontario Disability Support Program (Benefits Costs)	20%			(77.5)	(77.5)							
Ontario Works Benefit Upload (Benefits Costs)	20%			(5.8)	(5.4)	(14.4)	(26.9)	(25.1)	(25.1)	(25.1)	(26.9)	(25.1)
Savings from Upload		(39.1)	(20.0)	(83.3)	(82.9)	(14.4)	(26.9)	(25.1)	(25.1)	(25.1)	(26.9)	(25.1)
OMPF Clawback		0	19.7	20.8	20.8	20.8	20.8	6.8	6.9	6.8	6.9	6.8
Incremental Savings		(39.1)	(0.3)	(62.5)	(62.1)	6.4	(6.1)	(18.3)	(18.2)	(18.3)	(20.0)	(18.3)

Cost of Administration

The OW Cost of Administration (COA) subsidy from the Province is calculated on the basis of the legislated cost-sharing of 50/50. Since 2001, the Province capped their subsidy to the City, which created a COA subsidy funding shortfall that has been managed through Provincial one time incentive funding and property tax funding.

In 2010, the Province communicated to the City that it would honour its legislative cost-sharing portion (50%) of the Cost of Administration commencing in 2010 and the 2010 Approved Operating Budget reflected the receipt of these Provincial funds. The City has recently received confirmation by the Province that the Province will provide additional subsidy to reach full 50/50 COA cost-sharing, or a \$53.7 million subsidy estimated during the 2010 budget process, is forthcoming. The 2011 Recommended Operating Budget reflects full funding of 50% share on permanent basis for COA of \$113.2 million.

Depletion of City's Social Assistance Stabilization (SAS) 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 the SAS Reserve Fund was in 2009 of \$2.4 million, although caseload was below this threshold level through much of the decade.

During the 2002 budget process, City Council approved a limit to the level of property tax funding to be used towards the Ontario Works average monthly caseload to a maximum of 60,000 cases, with any additional caseload to be funded from the SAS Reserve Fund. This funding strategy continued into 2003. However, in 2004, Council approved that the maximum baseline be reduced to 57,000 cases and this strategy continued into 2010.

The 2010 Approved Budget included a budgeted withdrawal of \$7.335 million from the SAS Reserve Fund, which would have depleted the Reserve Fund had the caseload reached the budgeted average monthly caseload of 105,000 cases. The actual caseload and case costs are projected to be under spent in 2010, the budgeted withdrawal from the SAS Reserve Fund will not be required in 2010. Thus, it is possible to utilize \$7.033 million in SAS Reserve Fund for 2011 to mitigate caseload cost.

Below is a table summarizing SAS reserve fund activity from 2005 to 2011. As the reserve fund will almost be depleted in 2011, there will be no source (other than the tax base or savings from future cost uploads) to fund Toronto Employment and Social Services budget pressures in the future.

SOCIAL ASSISTANCE STABILIZATION RESERVE FUND ACTIVITY FROM 2005 TO 2011							
	2005	2006	2007	2008	2009	Projected Actual 2010	Budget 2011
Beginning Balance	83,570,735	57,277,489	32,665,676	8,271,408	7,433,610	9,226,186	10,849,186
Add:							
Contributions from Operating Surplus					2,433,000	2,958,000	
Reduce 07 Budget draw: 06 GTA Pooling Recon.			3,597,700				
Investment income/Proj. income	4,023,654	2,941,085	1,766,433				
Total additions	4,023,654	2,941,085	5,364,133	-	2,433,000	2,958,000	-
Less:							
Ontario Works Caseload (from baseline to actual average monthly caseload)	14,521,900	1,889,644	25,701,457		-		6,782,492
French Services						500,000	250,000
TESS Office Relocation - Moving Costs							113,250
TESS Office Relocation - one-time retrofit and purchase of furniture/fixtures							2,992,000
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						
Contributions to balance 2006/2007 Budget		25,302,100	3,500,000				
After School Recreation and Care Program *	-	361,154	556,944	837,798	640,424	835,000	475,680
Total withdrawals	30,316,900	27,552,898	29,758,401	837,798	640,424	1,335,000	10,613,422
Ending Balance	57,277,489	32,665,676	8,271,408	7,433,610	9,226,186	10,849,186	235,764

* \$3.7 million is to be drawn from 2006 to 2011.

TESS' 2011 Recommended Capital Project includes a recommended withdrawal of \$3.105 million from the SAS Reserve Fund to provide funding for the one-time retrofit/purchase of furniture and fixtures (\$2.992 million) and moving expenses (\$0.113 million) for the TESS Office Relocation Capital Project.

The existing lease payments, including operating costs of \$1.032 million gross and \$0.516 million net will no longer be required if the purchase/relocation capital project is approved by Council. Thus, the operating cost savings of \$0.516 million net can be re-invested towards the purchase/retrofit of the new location and the purchase of furniture and fixtures.

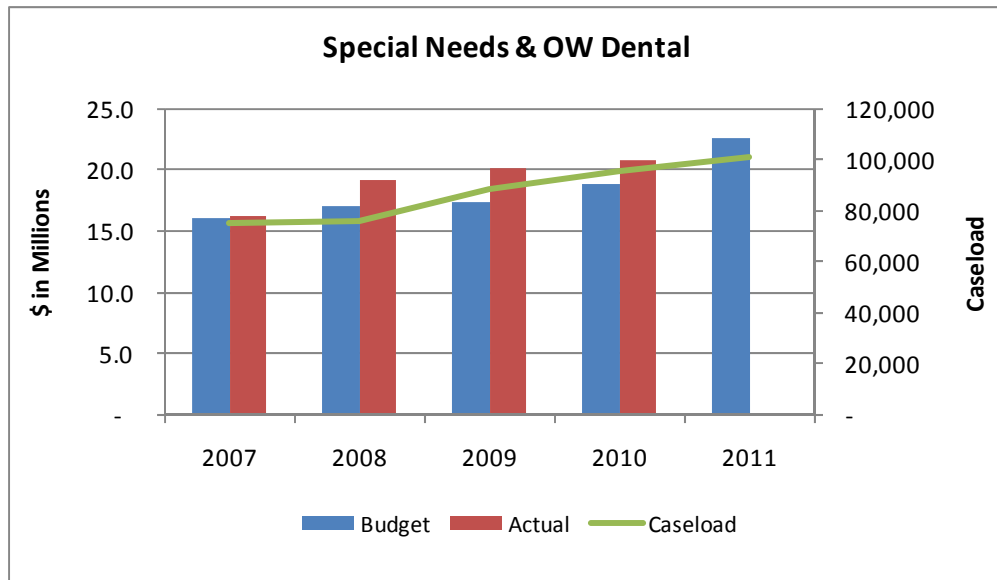
As retrofit costs and the purchase of furniture and fixtures for the new office space is recommended to be funded from the SAS Reserve Fund, it is therefore recommended that the resulting operating savings of \$0.516 million net per year be directed to repay the SAS Reserve Fund for the full \$3.105 million from 2012 to 2017.

Increase in Special Needs and OW Dental Program Costs

Special Needs and OW Dental Programs provide eligible OW clients with the following benefits:

- Medical Benefit costs such as diabetic supplies, hearing aids and alerting systems, incontinence supplies, surgical supplies and dressings, orthotics, compression garments and prosthetic devices;
- Newborn child allowances for up to \$260 for the purchase of a crib and \$100 for the purchase of other required items such as clothing;
- Dental/dentures including dental for dependant children; and,
- Funeral costs.

This provincially mandated program will be cost-shared 81.2% by the Province and 18.8% by the City in 2011. The 2011 Recommended Operating Budget includes additional funding of \$3.696 million gross and \$0.717 million net to address the escalating demands for these services due to the increase in caseload. The following chart summarizes the gross expenses for Special Needs and OW Dental versus OW caseload for 2007 to 2011.



The programs' costs have increased significantly from \$16.2 million experienced in 2007 to \$20.9 million projected in 2010 due primarily to the significant OW average monthly caseload increase (from 75,000 cases in 2007 to the projected 96,000 cases in 2010). Thus, the 2011 Recommended Operating Budget provides an additional funding of \$0.717 million to manage the increased caseload.

Reduction in Special Diet Allowance Costs

This provincially mandated program, which helps people pay for extra food costs related to specific medical conditions, increased significantly from \$3.9 million gross experienced in October 2008 to \$7.1 million gross by December 2009.

In response to the Auditor General of Ontario report that recommended the government review the Special Diet Allowance to limit its possible abuse, the Province introduced additional eligibility criteria for both clients and medical practitioners in 2010 (such as a signed attestation by clients that all information provided is correct). Since then, the actual rate of expenditures has slowed compared to budget, with gross expenditures projected to be approximately \$10 million under the 2010 approved Budget of \$75 million. Therefore, the 2011 Recommended Operating Budget includes a reduction of \$5.0 million gross and \$0.970 million net in expenditures to reflect the actual utilization of the Special Diet Allowance experienced in 2010.

The Province is revising the Special Diet Schedule of conditions eligible to an allowance, removing conditions found to not require a special diet allowance, requiring that recipients consent to the release of relevant medical information to support their application, and putting much stronger tracking methods in place (so that questionable trends can be identified earlier, and appropriate action can be taken). The revised Special Diet schedule will take effect April 1, 2011 and OW clients who are eligible to

receive the Special Diet Allowance under the revised schedule will need to re-apply for the Special Diet benefits under the new program.

Appendix 1 2010 Performance

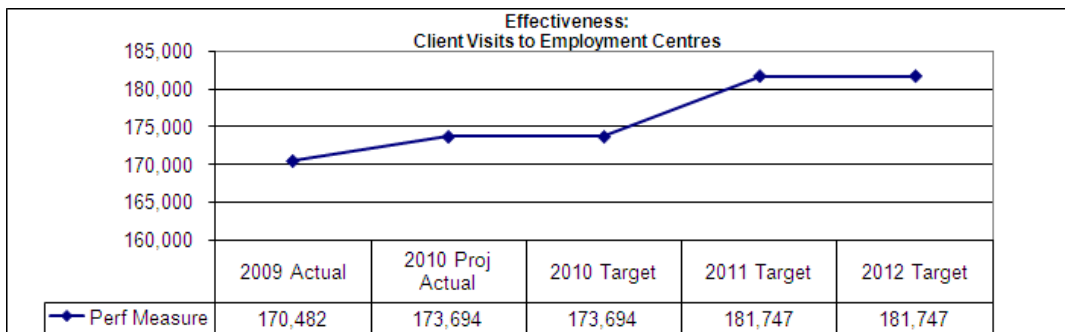
2010 Key Accomplishments:

In 2010, TESS accomplished the following:

- ✓ Assisted approximately 27,500 people to obtain employment;
- ✓ Managed an Ontario Works average monthly caseload of 96,000;
- ✓ Assessed approximately 71,200 residents for financial assistance and provided over 161,000 individual OW cases with employment/financial assistance under the Ontario Works Act;
- ✓ Supported 28,500 social assistance recipients to attend education/upgrading programs;
- ✓ Sponsored and conducted 58 job fairs that connect 11,500 residents with potential employers;
- ✓ Provided service to approximately 52,700 residents at Employment Centres and supported approximately 631,000 in persons visits by Torontonians at TESS' facilities across the City; and,
- ✓ Processed 17,600 on-line applications for Ontario Works through Web Access to Your Services (WAYS).

2010 Performance

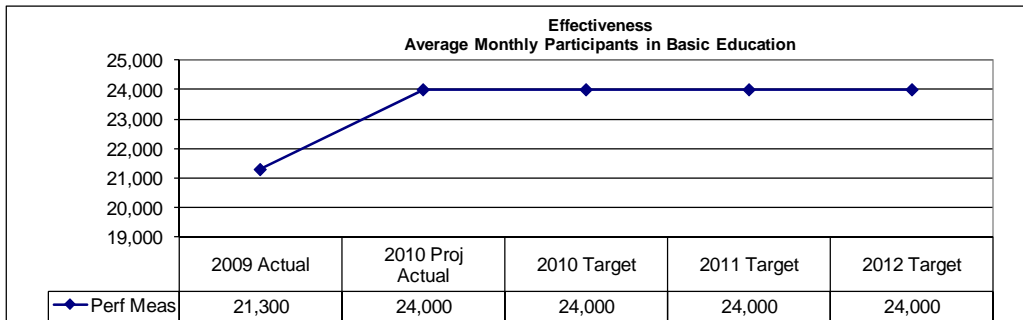
Effectiveness Measure: Client Visits to Employment Centres:



The trend in EC's service level is associated with OW caseload trend.

- Each of TESS' 15 offices has an Employment Centre to assist OW clients' searching for employment.
- Employment Resource Centre provides the unemployed/under-employed Torontonians with tools such as computers, internet, telephones and faxes to research for employments, and staff is also available at the Employment Centres to provide additional assistance when needed.

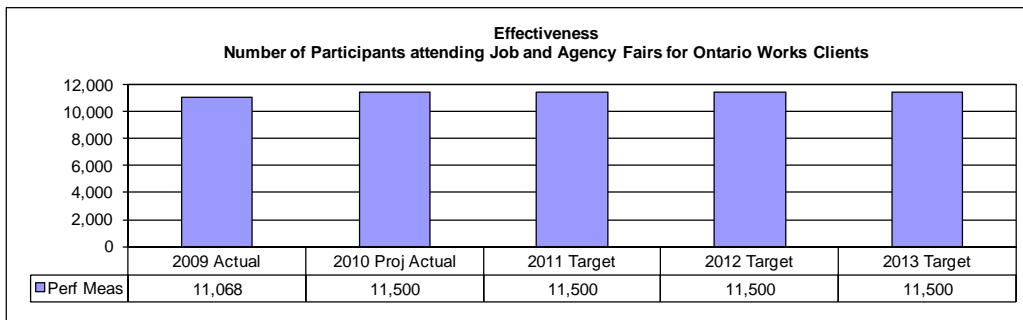
Effectiveness Measure: Average Monthly Participants in Basic Education:



TESS continues to encourage clients to upgrade their education.

- More than 40% of OW clients have not completed high school. A basic precondition for finding sustainable work for many of these clients is completion of Grade 12 or equivalencies. TESS has made maximizing the number of clients participating in basic education a service priority.

Effectiveness Measure: Number of OW Clients Attending Job and Agency Fairs:

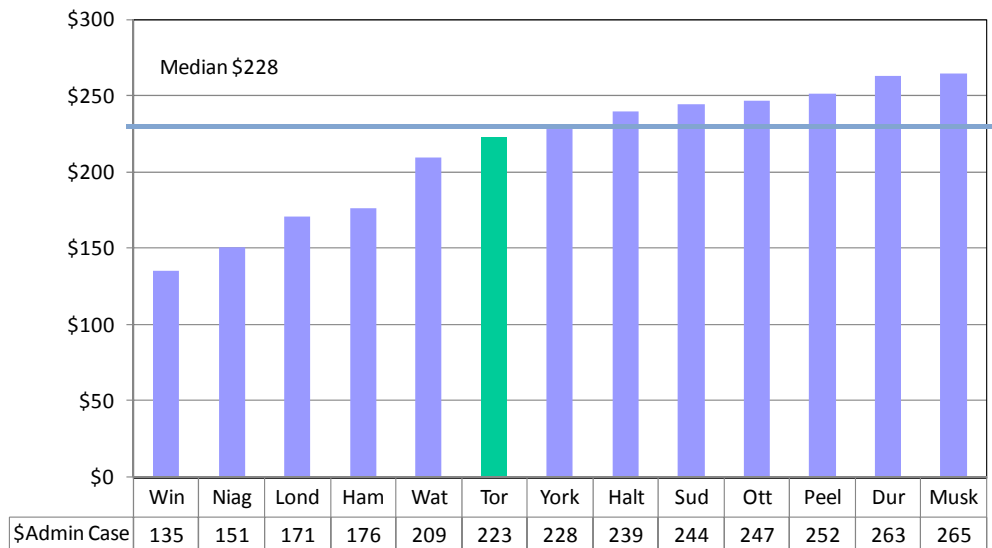


Job and Agency Fairs increase opportunities for OW clients to obtain employment.

- TESS sponsors and conducts job and agency fairs for OW clients across the city which helps to connect OW clients with potential employers.

Comparison of Toronto's administrative cost per social assistance case to other municipalities as shown in the Ontario Municipal Benchmarking Initiative (OMBI):

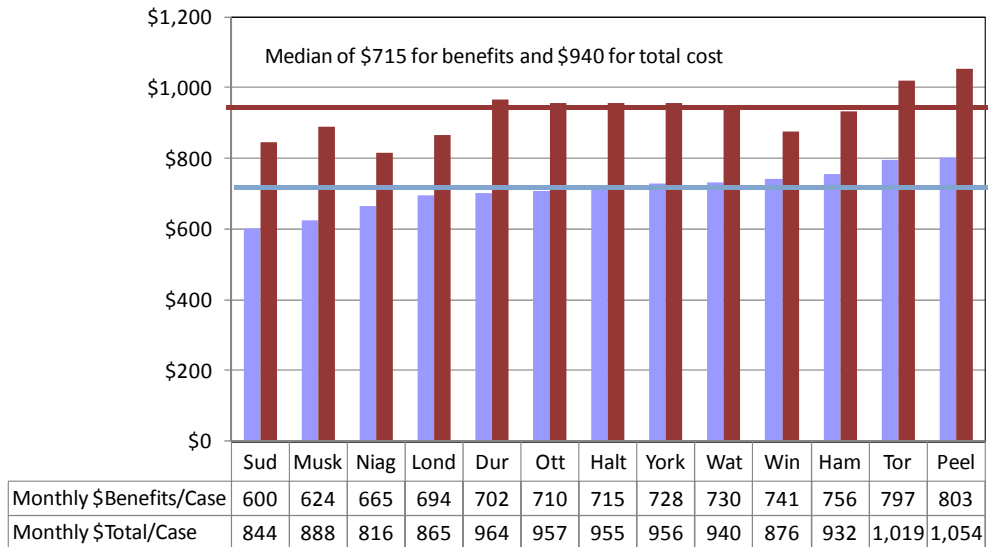
Chart 20.12 – OMBI 2009
Average Monthly Administrative Cost per Social Assistance Case (Efficiency)



- The administration costs in supporting a social assistance case represent costs to deliver and administer the programs, which includes working with clients to determine their most effective employment option(s), as well as quality assurance, fraud prevention and control activities. The above chart compares the 2009 monthly administration cost per case in Toronto to other municipalities as an indicator of efficiency. Toronto ranks 6th of 13 municipalities (2nd quartile), in terms of having the lowest administrative costs per case and is the lowest of the GTA municipalities.
- Key factors that can influence administration costs in municipalities include different models of service delivery, the service provided, demographics, client employability and available community supports.
- The primary factor behind Toronto's lower administration costs is that case workers in Toronto carry a higher caseload in relation to other municipalities. In 2009, Toronto's ratio was just under 44 cases per full time employee versus the average of the OMBI municipalities of 39 cases per full time employee.

Comparison of Toronto's average monthly benefit cost and total cost per social assistance case to other municipalities as shown in the Ontario Municipal Benchmarking Initiative (OMBI).

Chart 20.14 – OMBI 2009
Average Total Cost (Administration & Benefits) per Social Assistance Case



- Monthly benefits include all client payments for social assistance and employment programs. When these benefits costs (78% of total costs in Toronto) are combined with the administration costs discussed earlier, they represent the total cost per social assistance case.
- The above chart compares the 2009 monthly benefit and total cost per social assistance case to other municipalities. Toronto ranks 12th of 13 municipalities (4th quartile) on benefit cost per social assistance case. The primary factor behind Toronto's higher benefit costs is higher shelter/housing costs in Toronto. Thus, a greater percentage of OW clients in Toronto are at the maximum of the shelter component of their benefits when compared to other municipalities.
- For total social assistance costs (administration and benefits) per case, Toronto ranks 12th of 13 municipalities (4th quartile) due to a combination of lower administrative costs and higher benefit costs.

2010 Budget Variance Analysis

2010 Budget Variance Review
(In\$000s)

(In \$000s)	2008 Actuals	2009 Actuals	2010 Approved Budget	2010 Projected Actuals*	2010 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	\$	%
GROSS EXP.	1,005,105.8	1,134,511.9	1,358,116.7	1,190,838.6	(167,278.1)	(12.3)
REVENUES	747,863.3	826,170.5	1,087,518.6	941,659.6	(145,859.0)	(13.4)
NET EXP.	257,242.5	308,341.4	270,598.1	249,179.0	(21,419.1)	(7.9)
Approved Positions	1,982.0	2,148.0	2,357.0	2,249.0	(108.0)	(4.6)

* Based on the Q3 2010 Operating Budget Variance Report.

2010 Experience

- Toronto Employment & Social Services' year-end favorable variance (based on Q3 2010 Operating Budget Variance Report) is projected to be \$21.419 million or 7.9% below the 2010 Approved Operating Budget of \$270.598 million, primarily due to lower Ontario Works (OW) social assistance costs and Cost of Administration as summarized in the following table:

2010 Projected Year-End Variances	Net Variances (\$ millions)	Comments
✓(1) <i>Ontario Works:</i>		
Caseload Impact	(15.9)	The 2010 average monthly caseload is projected to be 96,000, 9,000 cases below budget. Combined with a higher proportion of singles vs. families, compared to the 2010 budget, a projected savings of \$15.9 million is anticipated by year-end.
Cost of Administration	(3.9)	The projected under expenditures from cost of administration is mainly due to the lower caseload and the savings of \$1.4 million resulting from lease negotiations (free monthly rents and lower renovation costs)
Special Diet	(2.0)	Actual rate of expenditures on Special Diet has decreased compared to budget mainly due to the additional eligibility criteria for both clients and medical practitioners introduced by the Province in early 2010.
	(21.8)	
✓(2) Special Needs & OW Dental	0.3	2010 projected expenditures are higher than budget due to an increase in the number of requests for medically based items for OW and ODSP clients
✓(3) ODSP:	0.1	Higher projected ODSP benefit costs due to an increase in caseload. As previously announced, ODSP program costs will be fully uploaded by the Province by 2011.
Total Variance	(21.4)	

Impact of 2010 Operating Variance on the 2011 Recommended Budget

- Despite the favorable variance projected for 2010, it is anticipated that the following 2010 cost pressures will continue into 2011:
 - **OW Rate Increase:** In the March 2010 budget, the Province announced a rate increase of 1% for OW clients effective December 1, 2010, with 100% Provincially funding for the month of December only. The 2011 Recommended Operating Budget includes an additional \$1.654 million net for OW in City funding to manage this budget pressure.
 - **Special Need and OW Dental Costs Increase:** This provincially mandated program provides medical benefits (i.e. diabetic supplies, hearing aids, prosthetic devices), newborn child allowances, dental/dentures, dental for dependent children and funerals to OW and ODSP clients. The program's cost and caseload has increased significantly from 75,000 cases in 2007 to the projected 96,000 cases in 2010. The 2011 Recommended Operating Budget includes an additional \$3.696 million gross and \$0.717 million net to manage this budget pressure.

The following 2010 cost savings are expected to continue into 2011:

- **Ontario Works Caseload Reduction:** TESS is projecting an average monthly caseload of 96,000 for 2010, 9,000 cases below the 2010 approved caseload of 105,000 cases, resulting in a projected net under expenditure of \$15.9 million. The 2011 recommended average monthly caseload is 101,000 cases, 4,000 cases lower than the 2010 approved budgeted caseload.

Thus, the 2011 Recommended Operating Budget includes a reduction of 48.0 temporary caseload contingent staff and \$25.906 million gross and \$5.464 million net in expenditures to reflect the decrease in the OW caseload.

- *Ontario Works Benefit Cost Reduction:* The Ontario Work's caseload is comprised of four categories: singles, single parent families, two parent families, and couples with no children. The 2010 Approved budget was developed with the assumption that caseload increase would be concentrated in the family categories. However, through 2010, single cases increased slightly to 64.3% of the total caseload while the family categories remained constant. Thus, the 2011 Recommended Operating Budget includes a reduction of \$35.000 million gross, \$6.790 million net to reflect the actual OW benefit costs/case mix experienced in 2010.
- *Special Diet Allowance Reduction:* This provincially mandated program helps OW clients pay for extra food costs related to specific medical conditions. Since the Province introduced new eligibility criteria and measures in 2010, the actual rate of expenditures has slowed compared to the budget, with gross expenditures projected to be approximately \$10 million under the 2010 Approved Operating Budget of \$75 million. Thus, the 2011 Recommended Operating Budget includes a reduction of \$5.0 million gross and \$0.970 million net in expenditures to reflect the actual utilization of the Special Diet Allowance experienced in 2010.

Appendix 2

2011 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

Program Summary by Expenditure Category

(In \$000s)

Category of Expense	2008	2009	2010	2010	2011	2011 Change from		2012	2013
	Actual	Actual	Budget	Projected Actual	Recommended Budget	2010 Approved Budget		Outlook	Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	155,076.4	155,301.0	191,486.5	189,474.0	189,832.5	(1,654.0)	(0.9%)	191,707.2	193,140.6
Materials and Supplies	10,774.1	13,317.9	12,616.1	12,616.1	14,618.9	2,002.8	15.9%	14,618.9	14,618.9
Equipment	299.8	953.8	462.9	462.9	505.9	43.0	9.3%	505.9	505.9
Services & Rents	29,584.7	32,780.3	60,397.7	60,397.7	66,885.7	6,488.0	10.7%	66,885.7	66,885.7
Contributions to Capital	1,700.0	1,700.0	1,700.0	1,700.0	60.0	(1,640.0)	(96.5%)	360.0	60.0
Contributions to Reserve/Res Funds	8,660.5	23,087.5	19,629.4	19,629.4	20,498.4	869.0	4.4%	20,498.4	20,498.4
Other Expenditures	780,273.0	873,162.4	1,047,324.4	881,393.9	888,422.4	(158,902.0)	(15.2%)	888,422.4	888,422.4
Interdivisional Charges	18,737.4	34,209.0	24,499.7	25,164.6	26,660.4	2,160.7	8.8%	26,660.4	26,660.4
TOTAL GROSS EXPENDITURES	1,005,105.9	1,134,511.9	1,358,116.7	1,190,838.6	1,207,484.2	(150,632.5)	(11.1%)	1,209,658.9	1,210,792.3
Interdivisional Recoveries									
Provincial Subsidies	593,125.7	683,029.8	934,883.5	810,257.4	878,113.9	(56,769.6)	(6.1%)	892,952.5	920,615.4
Federal Subsidies									
Other Subsidies	139,086.0	118,241.5	97,779.5	97,779.5	76,979.5	(20,800.0)	(21.3%)	56,179.5	35,379.5
User Fees & Donations		(0.2)							
Transfers from Capital Fund	250.1	258.4	546.1	546.1	556.5	10.4	1.9%	556.5	556.5
Contribution from Reserve Funds	2,121.2	10,886.8	40,084.5	17,750.0	36,612.7	(3,471.8)	(8.7%)	29,580.2	29,580.2
Contribution from Reserve									
Sundry Revenues	13,280.4	13,754.1	14,225.0	15,326.6	15,000.0	775.0	5.4%	15,000.0	15,000.0
TOTAL REVENUE	747,863.3	826,170.4	1,087,518.6	941,659.6	1,007,262.6	(80,256.0)	(7.4%)	994,268.7	1,001,131.6
TOTAL NET EXPENDITURES	257,242.5	308,341.5	270,598.1	249,179.0	200,221.6	(70,376.5)	(26.0%)	215,390.2	209,660.7
APPROVED POSITIONS	1,982.0	2,148.0	2,357.0	2,249.0	2,289.0	(68.0)	(2.9%)	2,286.0	2,286.0

2011 Key Cost Drivers

Salaries and Benefits:

- The Ontario Works (OW) average monthly caseload has increased substantially from 75,708 cases in 2008 to 96,000 projected by December 2010. In order to manage the significant increase in caseload, funding requirement for additional caseworkers, supervisors, administration staff, and additional office locations were identified and approved during the previous years' budget processes. As illustrated in the above table, expenditures such as salaries and benefits (including COLA, progression pay and step increases, and fringe benefits changes), materials and supplies, equipment, services and rents, and other expenditure have increased in the past three years to reflect the OW caseload increase experienced from 2008 to 2010.

- The reduction in salary and benefit costs in 2011 is mainly due to the reduction of 68 positions to reflect the recommended budgeted average monthly caseload of 101,000 cases in 2011 and the implementation of the Process Improvement Initiatives totaling \$4.669 million gross and \$2.335 million net. The savings are partially offset by Cost of Living Adjustment (COLA), progression pay and Step increases of \$1.869 million.

Provincial/ Other Subsidies:

- The increase in Provincial subsidies from 2008 to 2011 reflects the increase in social assistance and financial assistance benefit costs due to caseload and legislated rate increases experienced from 2007 to 2010.
- A reduction in Provincial/Other subsidies in 2011 is mainly due to the claw-back of Ontario Municipal Partnership Fund (OMPF) announced by the Province as the upload of Ontario Drug Benefits, Ontario Disability Support Program (Administration and Benefit costs) and Ontario Works Benefit costs began in 2008. A reduction of \$20.8 million in OMPF subsidy is included in the 2011 Recommended Operating Budget.

Contribution to Capital:

- The contribution to capital of \$1.700 million per year from 2008 to 2010 represents TESS' capital funding requirement included in TESS' Approved Capital Budgets from 2008 to 2010. The Information Technology projects included in TESS' Approved Capital Budgets were 100% funded by the Province.
- The 2011 reduction in the contribution to capital primarily reflects adjustments TESS has made to focus on capital projects that can be completed over the next few years, based on the project's readiness to proceed experienced in previous years.

Contribution from Reserve Funds:

- The increase in contribution from reserve experienced from 2008 to 2010 is primarily due to the one-time reserve withdrawals from the Social Assistance Stabilization (SAS) Reserve fund to partially offset the budget pressures resulting from the OW caseload, and withdrawals from the National Child Benefits Supplement Reserve fund to finance initiatives such as Investing in Families and Investing in Neighborhoods, resulting in contribution from Reserve Funds increasing by \$34.495 million from 2008 to 2010.

Appendix 3

Summary of 2011 Recommended Service Changes

Appendix 5

Inflows / Outflows to / from Reserves & Reserve Funds

Program Specific Reserve/Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2011*	2012	2013
			\$	\$	\$
Social Assistance Stabilization Reserve Fund	XQ1054	Peojected Beginning Balance	10,849.2	235.8	751.8
		Proposed			
		Withdrawals (-)	(10,613.4)	-	-
		Contributions (+)	-	516.0	516.0
SAS Reserve Fund (XQ1054) BALANCE AT YEAR-END			235.8	751.8	1,267.8

* Projected Balance (uncommitted) as of December 2010

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund	Description	2011*	2012	2013
			\$	\$	\$
National Child Benefits Supplement Reserve Fund	XR2102	Peojected Beginning Balance	23,064.8	12,516.8	419.8
		Proposed			
		Withdrawals (-)	(26,767.0)	(26,937.0)	(12,669.8)
		Contributions (+)	16,219.0	14,840.0	12,250.0
National Child Benefits Supplement Reserve Fund (XR2102) BALANCE AT YEAR-END			12,516.8	419.8	(0.0)

* Projected Balance as of December 2010

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund	Description	2011*	2012	2013
			\$	\$	\$
Kids at Computer Scholarship Reserve Fund	XR2104	Peojected Beginning Balance	9,263.5	10,044.1	7,344.1
		Proposed			
		Withdrawals (-)	(2,700.0)	(2,700.0)	(2,700.0)
		Contributions (+)	3,480.6		
Kids at Computer Scholarship Project Reserve Fund (XR2104) BALANCE AT YEAR-END			10,044.1	7,344.1	4,644.1

* Projected Balance as of December 2010

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of December 2010 \$	Proposed Withdrawals (-) / Contributions (+)		
			2011	2012	2013
			\$	\$	\$
Sick Leave Reserve Fund	XR1007	14,388.0	263.6	263.6	263.6
Insurance Reserve Fund	XR1010	41,065.4	535.2	535.2	535.2
Total Reserve / Reserve Fund Draws / Contributions			798.8	798.8	798.8