

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

PART I: 2009 OPERATING BUDGET

Executive Summary	2
Recommendations.....	6

PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

Service Challenges and Opportunities	8
Service Objectives	9
Priority Actions.....	11

PART III: 2008 BUDGET VARIANCE ANALYSIS

2008 Experience	13
Impact of 2008 Operating Variance on the 2009 Recommended Budget	14

PART IV: 2009 RECOMMENDED BASE BUDGET

2009 Recommended Base Budget	16
2009 Key Cost Drivers and Reduction Strategies.....	17

PART V: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2009 Recommended New/Enhanced Service Priority Actions.....	19
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PART VI: ISSUES FOR DISCUSSION

2009 Budget Issues	21
Issues Referred to the 2009 Operating Budget Process	N/A

Appendix A: 2009 Recommended Base Budget Changes vs. 2008 Approved Budget	28
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Appendix B: Summary of Service Level Adjustments.....	29
--	----

Appendix C: Summary of 2009 Recommended New/Enhanced Service Priority Actions.....	30
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Appendix D: Program Summary by Expenditure Category	31
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Appendix E: Inflows/Outflows to/from Reserves and Reserve Funds.....	32
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Executive Summary

- Toronto Employment & Social Services (TESS) provides employment services, financial benefits and social supports to strengthen the social and economic well-being of Torontonians in their communities. The services and activities provided by TESS include developing and providing integrated employment services and supports to clients, delivering financial benefits, and advocating for policies, programs and services that benefit the residents of the City of Toronto.
- The major challenges and pressures facing TESS for 2009 and beyond include:
 - managing the escalating caseload (90,000 cases in 2009 vs. 77,000 cases in 2008) during economic uncertainty with limited resources;
 - maintaining effective and responsive community services in the face of the download of uncontrollable Ontario Disability Support Program (ODSP) Benefit costs by the Province, the cap on the Provincial OW Cost of Administration subsidy, and additional demand for Special Diet;
 - managing the structural changes to the labour market that makes finding employment difficult due to an increasing number of temporary, contract, part-time or non-standard employment. In the absence of an integrated city-wide employment service system, vulnerable residents such as youth, immigrants and visible minorities are not able to obtain sustainable jobs; thus, resulting in declining family income and growing poverty; and,
 - uncertainty of Provincial funding given the recent clawback on Ontario Municipal Partnership Fund (OMPF), combined with the depletion of the Social Assistance Stabilization Reserve Fund, places the City at risk during economic uncertainty. (i.e. 2009 actual monthly caseload rises beyond 90,000)
- TESS' 3-Year Service Plan will address the challenges highlighted above through the following service objectives:
 - plan, manage and deliver integrated employment services and supports to unemployed and underemployed residents through projects such as the Regent Park Employment and Enterprise Hub, and Investing in Neighborhoods (IIN);
 - support community labour force development by expanding the Partnership to Advance Youth Employment (PAYE) and connect 120 youth to potential employers in 2009; and,
 - refocus the social service delivery system in Toronto to provide needed employment, social and financial services through expansion of Investing in Families, Homeless to ODSP Project Engagement (HOPE), and Streets 2 Homes initiatives.
- The 2009 Recommended Operating Budget for TESS includes the following priority actions which address the challenges, opportunities, and service objectives outlined above:

- *Delivery of Integrated Employment Services:* The 2009 Recommended Operating Budget provides funding in the amount of \$2.019 million gross (zero net) for 10 new permanent positions for the development and implementation of Integrated Employment and Enterprise Hubs to address local employment and social services’ needs. The local hubs will respond to the unique needs and differences in specific communities, act as a focal point for community based service delivery, and improve access to employment opportunities by delivering integrated employment services in priority communities and supporting employers to develop local hiring strategies;
 - Develop a multi year employment plan for the City of Toronto in conjunction with delivery partners and other orders of government;
 - Respond to the Provincial Poverty Reduction Strategy; and,
 - Incorporate appropriate recommendations of the Provincial/Municipal Fiscal Review Report in the redesign of the TESS service delivery model.
- For 2008, TESS is projecting a year-end net expenditure of \$264.513 million, which is expected to be \$11.255 million or 4.1% below the 2008 Approved Operating Budget of \$275.768 million. The net expenditures are expected to be below budget mainly due to the impact of Ontario Works (OW) case mix (higher proportion of singles compared to families in the caseload) of \$8.7 million, lower Cost of Administration associated with Ontario Works of \$0.7 million, an unbudgeted prior-year Ontario Disability Benefit rebate of \$1.0 million, and an unbudgeted Ontario Child Benefit (OCB) implementation subsidy of \$0.8 million.
 - 2008 cost pressures expected to impact 2009 include the 2% rate increase for Ontario Works (OW) and Ontario Disability Support Program (ODSP) clients effective December 1st, 2008 (\$6.3 million), and a projected increase in the OW and ODSP caseload by 13,000 cases to 90,000 cases and 2,000 cases to 55,500 cases respectively (\$32.58 million).

Table 1: 2009 Recommended Budget

	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actual	2009 Base	2009 Rec.New /Enhanced	2009 Operating Budget	\$	%	2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	1,059,943.2	1,015,506.8	1,201,003.3	2,018.6	1,203,021.9	143,078.7	13.5	(90,819.5)	(112,639.0)
REVENUE	784,175.2	750,994.0	883,160.1	2,018.6	885,178.7	101,003.5	12.9	(47,741.4)	(55,711.2)
NET EXP.	275,768.0	264,512.8	317,843.2	0.0	317,843.2	42,075.2	15.3	(43,078.1)	(56,927.8)
Approved Positions	1,982.0	1,982.0	2,138.0	10.0	2,148.0	166.0	8.4	0.0	0.0
TARGET			270,252.3		270,252.3				
\$ Over / (Under) Program Target			47,590.9		47,590.9				
% Over / (Under) Program Target			17.6%		17.6%				

- The 2009 Recommended Operating Budget for TESS of \$317.843 million net is \$42.075 million or 15.3% higher than the 2008 Approved Operating Budget, and \$47.591 million or 17.6% higher than the 2009 target mainly due to the increase of 13,000 OW cases combined with the impact of the 2.0% rate increase announced in December 2008 (\$32.873 million net), along with increase of 2,000 cases and 2.0% rate increase for ODSP (\$8.000 million net).
- The 2009 Recommended Operating Budget of \$317.843 million net consists of base funding and funding for new/enhanced service priority action of \$2.019 million gross, which is fully funded by provincial subsidies.
 - The 2010 incremental net decrease of \$43.078 million or 15.6% includes the impact of the reversal of 2009 draw from the Social Assistance Stabilization (SAS) Reserve Fund of \$8.086 million, \$1.2 million from the OW Reserve Fund, and \$0.2 million from the Client ID & Benefits Reserve Fund, and the next expected phase in the upload of the ODSP and Ontario Work Benefit costs of \$69.0 million and \$4.4 million respectively. However, the favourable outlook is partially offset a budget pressure of \$19.7 million due to the reduction in Ontario Municipal Partnership Fund (OMPF) subsidy as confirmed by Province in Fall 2008.
 - The 2011 incremental net decrease of \$56.928 million represents the upload of the ODSP Benefits (\$69.0 million) and OW Benefits costs (\$8.7 million), after being partially offset by the OMPF claw-back of \$20.8 million.
- The 2009 Recommended Base Budget is \$42.075 million or 15.3% over the 2008 Approved Budget mainly due to the following 2009 key cost drivers:
 - increase in Cost of Administration (COA) expenditures associated with Ontario Works, of which the Province has failed to fund its obligated share and resulting in a shortfall of \$43.2 million (\$9.0 million above the 2008 budgeted shortfall of \$34.2 million);
 - increase in estimated average monthly OW caseload from 77,000 to 90,000, along with the impact of the legislated 2% rate increase for OW clients, and additional 156 temporary positions (contingent to increase in caseload) totaling at \$32.873 million, which includes funding for necessary organizational, physical plant infrastructure, and associated operating costs;
 - increase in Special Diet costs of \$3.0 million due to escalating demands;
 - increase in ODSP costs of \$8.0 million due to a rate increase of 2% announced by the Province in the March 2008 Provincial Budget and an additional 2,000 cases based on trends; and,
 - elimination of the full cost of ODSP administration of \$20.0 million to be uploaded to the Province effective January 1st, 2009, offset by the reduction in OMPF subsidy of \$19.7 million.
- The 2009 Recommended Operating Budget provides for a broad range of priority actions for services and activities that advance the Mayor's Mandate and Council's policy agenda. These include:
 - ***Protecting the Most Vulnerable through Investment in Toronto's 13 Priority Neighbourhoods:***

- The Investing in Families Program (\$12.889 million gross/ \$0 net) provides integrated supports to single parents and their children living in priority neighbourhoods;
 - The Investing in Neighbourhoods Program (\$4.0 million gross/ \$0 net) helps build community capacity by enabling local agencies to provide subsidized employment opportunities in priority neighbourhoods;
 - The Partner with Advance Youth Employment (PAYE) Program (\$0.167 million gross/ \$0.084 million net) addresses youth unemployment and underemployment in priority neighbourhood;
 - Develop Integrated Employment and Enterprise Hubs (\$2.019 million gross/ \$0 net) to address local employment and social services' needs and support employers to develop local hiring strategies; and,
 - Continue to support the "25 in 5 Network - Reduce Priority by 25% in 5 Years" to ensure that poverty reduction and prosperity for all residents is a focus in Toronto.
- The Social Assistance Stabilization (SAS) Reserve Fund is a funding mechanism established by Council in 1998 to protect the City against the property tax impact of future caseload increases. OW program benefits for cases over 57,000 would be funded from the SAS Reserved Fund as adopted by Council since 2002. The \$8.086 million balance in the SAS Reserve Fund (projected balance as of December 31, 2008) is recommended to be utilized to partially offset budget pressure in 2009. As the SAS reserve will be fully depleted after the recommended draw of \$8.086 million, no reserve is available to fund potential cost pressures resulting from a caseload increase beyond the 2009 recommended monthly caseload of 90,000.
 - TESS provides employment assistance and financial assistance to help the most vulnerable in the community to pursue opportunities to become more self-sufficient, and to contribute to the overall health and well being of City residents. The 2009 Recommended Operating Budget will fund:
 - Managing an average monthly caseload of 90,000;
 - Providing approximately 98,000 clients with consultation and supports through TESS' employment resources centres;
 - Providing the special diet supplement to approximately 19,000 clients;
 - Sponsoring and conducts job and agency fares for OW clients across the city to help connect over 11,000 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).

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Operating Budget for Toronto Employment & Social Services of \$1,203.022 million gross and \$317.843 million net, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Program Support	13,169.9	6,451.7
Social Assistance	1,189,852.0	311,391.5
Total Program Budget	<u>1,203,021.9</u>	<u>317,843.2</u>

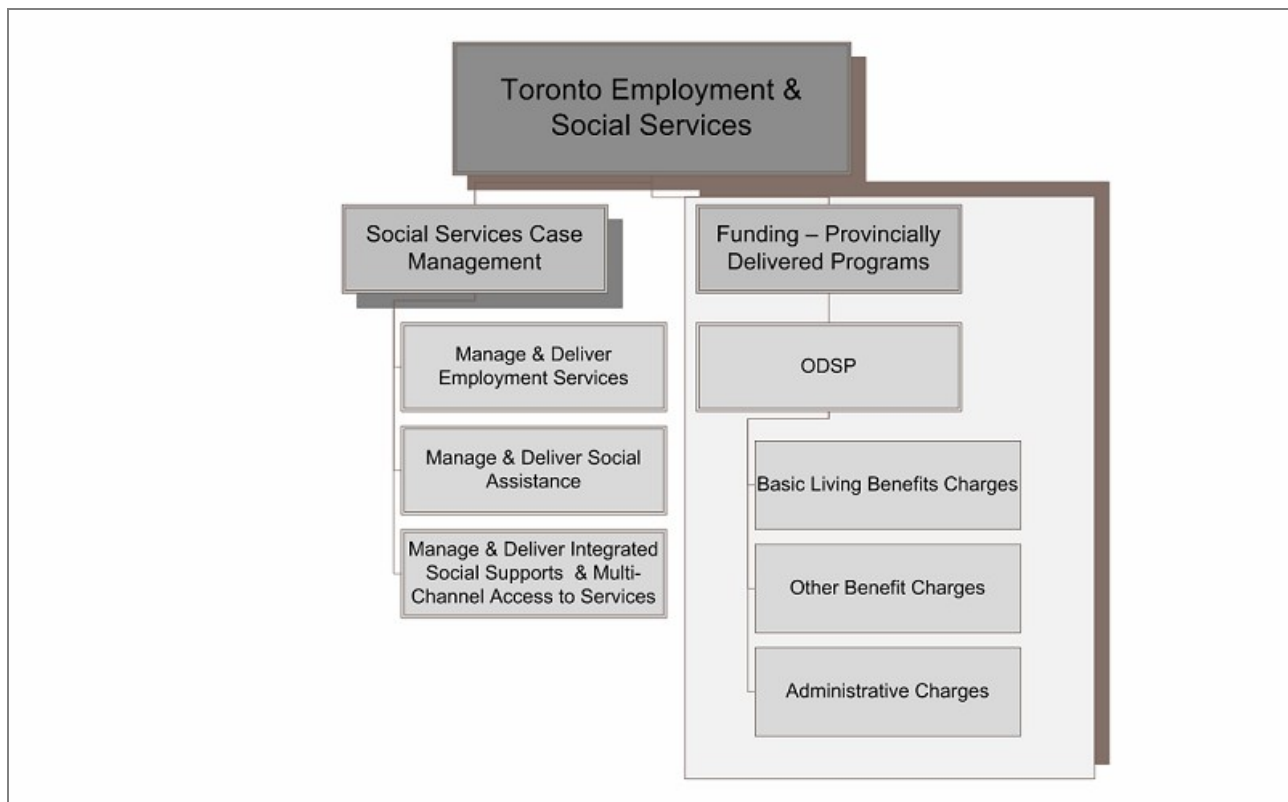
2. the General Manager of Social Services report to Budget Committee at the 2009 Operating Budget wrap-up meeting on actual year-to-date Ontario Works monthly caseload with possible revisions to the 2009 recommended average monthly caseload estimate of 90,000.
3. the approval of the new/enhanced services initiative, Delivery of Integrated Employment Services, with zero net impact be subject to funding source being secured from the Ministry of Training, Colleges and Universities for 2009 and future years.
4. Council request the Province to immediately upload the full cost of \$138.0 million of Ontario Disability Support Program Benefit costs included in the 2009 Recommended Operating Budget, as the ODSP is a provincial responsibility.
5. Council request the Province to honour its legislative requirements and be responsible for 50% of the Cost of Administration of Ontario Works.

Toronto Employment & Social Services (TESS) provides employment services, financial benefits and social supports to strengthen the social and economic well-being of Torontonians in their communities. TESS’s primary service objectives include:

- Planning, managing and delivering integrated employment services and supports to unemployed and underemployed city residents;
- Supporting community labour force development;
- Refocusing the social service delivery system in Toronto to provide needed employment, social and financial services;
- Managing the delivery of social services in Toronto to meet the needs of residents; and,
- Ensuring adequate and appropriate funding for social service program delivery to fulfill its program mandate.

Toronto Employment & Social Services delivers two main services including Social Services Case Management and Funding-Provincially Delivered Program as detailed in the following Program Map:

Program Map



Note: Funding- Provincially Delivered Programs are planned, managed, and administrated by the Province. TESS is responsible for funding the City’s share of these programs. Uploading of ODSP will commence in 2009 and be completed by 2011.

Service Challenges and Opportunities

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

However, TESS continues to face a number of challenges in 2009 and beyond including the ability to plan and manage any potential escalation of caseload in an environment of economic uncertainty, to manage the uncontrollable ODSP cost downloaded by the Province and the cap on the OW COA subsidy with limited resources, and the structural changes to Toronto's labour market and its impact on the planning, managing, and delivery of employment services.

Managing Caseload During Economic Uncertainty

Over the past eight years, TESS has experienced a significant increase in caseload from approximately 60,000 cases in 2001 to 76,000 cases in 2008. The caseload forecast is established using historical trends and analysis of caseload dynamics, economic forecasts related to Toronto's labor market, and a review of policy changes likely to impact caseloads. To protect the City against a property tax impact of a future caseload increase during economic uncertainty, the Social Assistance Stabilization (SAS) Reserve Fund was established by Council at its meeting on April, 29 and 30, 1998, and since then has been the funding source for the City in responding to budget pressures resulted from caseload fluctuation. However, the SAS Reserve Fund will be depleted after the 2009 recommended contribution of \$8.086 million (*see Depletion of City's Social Assistance Stabilization Reserve Funds on page 26 for further discussion*). With an average cost of \$2.6 million per every 1,000 cases, any significant caseload increase beyond the 2009 recommended monthly caseload of 90,000 will be very difficult to manage without provincial assistance.

Managing Service Demand with Limited Resources

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

The cost of administration of the Ontario Works program (COA) is 50/50 cost-shared with the Provincial government based on the Ontario Works Act and Regulations. However, the Province has capped the amount it contributes to OW COA at \$55.5 million, and in 2009, the Province will fund only 28.1% of the actual costs, resulting in a provincial cost-sharing shortfall of \$43.2 million, a significant budget pressure for the City. The City is continuously reviewing options to discuss with the Province to honour its 50/50 COA funding obligation.

The Ontario Disability Support Program (ODSP) is a program delivered by the Province, which the municipalities must share a percentage in its cost under the OW Act. The ODSP caseload has increased by 15% from 2006 (48,407 cases) to 2009 (55,500 cases). Based on the volume increase in the ODSP caseload of 2,000 and a legislative ODSP rate increase of 2% effective December 1st,

2008, the uncontrollable ODSP costs downloaded by the Province results in a cost pressure of \$8.0 million in 2009 or 6.15% over the 2008 Approved Budget.

In addition, recent legislative and program changes under OW have required TESS to provide additional services to new clients groups without corresponding funding for administration (i.e. ODSP dependant adults for employment services, ODSP health related benefits, Energy Emergency Fund, Water Filter Fund); thus, creating additional budget pressures for the City.

Also, the Special Diet program provides financial assistance to OW clients who have special diet needs due to medical conditions such as cardiovascular disease, diabetes, food allergies and more. Pregnant women and mothers who are breast-feeding can also get a nutritional allowance. This provincially mandated program is cost-shared 80% by the Province and 20% by the City. Demand for the special diet supplement has continued to increase. The program is projecting the annual cost to increase by \$15.0 million to \$55.0 million; thus, creating additional budget pressure of \$3.0 million for the City.

Changing Labour Market – Declining Family Income and Growing Poverty

Structural changes to Toronto's labour market have resulted in an increasing number of temporary, contract, part-time or non-standard employment, leading to greater wage and income disparity where individuals work full-time but are at poverty levels or where individuals can only obtain part-time or temporary jobs. This is particularly the case for youth, immigrants and visible minorities. Thus, an increasing number of residents are not able to obtain sustainable jobs and therefore move between low paying jobs and social assistance.

Recent studies show that between 2000 and 2005, Toronto experienced the steepest decline in median family income of major Canadian cities with median family income dropping 4.7% to \$41,500; that is \$6,100 less than in 1990. As well, the number of families living in poverty in Toronto grew 10% from 2000 to 2005 (outpacing the 3.3% growth in the number of families), while the poverty rate increased by 3.2% provincially and declined by 5.1% nationally. The decline in median family income and increase in the poverty rate has resulted in an upward trend of uptake in social assistance programs such as Ontario Works, Ontario Disability Support Program, and Special Diet; thus adding budget pressures for the City.

The changing labour market imposes a significant challenge to TESS as it requires the Program to refocus the current employment system to ensure it provides the services and trainings that reflect community needs.

Service Objectives

Toronto Employment & Social Services' (TESS) service objectives have been established to address the challenges and opportunities outlined above, and primarily reflect the need for TESS to plan, manage and deliver integrated employment services and supports to unemployed and underemployed city residents, support community labour force development, and refocus the social service delivery system in Toronto to provide needed employment, social and financial services. The following section provides TESS' service objective targets for 2009 and beyond.

Plan, Manage, and Deliver Integrated Employment Services:

- Implement a Regent Park Employment Hub in 2009 and expand to all priority neighbourhoods by 2011.
- Develop an Employment Resource Centre model that supports expanded services in 2009.
- Increase the number of employment opportunities for the vulnerable in priority neighbourhoods from 100 in 2008 to 150 in 2009 through the Investing in Neighbourhoods initiative.
- Initiate the development of local employment plans to support redevelopment and revitalization in specific communities such as Etobicoke North, Weston-Mount Dennis, Kingston-Galloway-Orton Park in 2009.

Support Community Labour Force Development:

- Connect 120 youth to potential employers through the Partnership to Advance Youth Employment program (PAYE) in 2009.
- Support city and community engagement efforts with respect to addressing poverty issues in Toronto through the “25 in 5 network” program.

Refocus the Social Service Delivery System in Toronto:

- Expand the Investing In Families initiative in one or more additional priority neighbourhoods in 2009.
- Continue to support the Homeless to ODSP Project Engagement (HOPE) and Streets 2 Homes initiatives to assist homeless individuals gain access to critical financial supports and employment services.
- Increase the number of residents accessing Hardship Funding by 36% in 2009.

Advocate for Vulnerable Residents in Toronto:

- Immediate acceleration of the Ontario Child Benefit (OCB) implementation so that the full benefits are realized by low-income families in 2009 instead of 2011.
- Increase in the OW benefit rate to reflect current living standards as current rate represents a 40% loss of purchasing power since 1993.

Priority Actions

The 2009 Recommended Operating Budget provides for a broad range of services and activities that advance the Mayor's Mandate and Council's policy agenda.

- ***Protecting the Most Vulnerable through Investment in Toronto's 13 Priority Neighbourhoods***

The 2009 Recommended Operating Budget provides base funding of \$17.056 million gross and new/enhanced funding of \$2.019 million gross for TESS to provide the needed services and adequate financial assistance to the most vulnerable during economic uncertainty through the following initiatives:

- **Investing in Families** (base funding of \$12.889 million): This initiative reaches out to single parents in priority neighbourhoods whose social isolation has prevented them and their children from accessing the services they need. The goals of this initiative are to assist the participated families to adopt a healthier lifestyle, reduce reliance on social assistance, improve physical and mental well-being of family members, and coordinate service delivery to improve access to appropriate services and supports. By May 2008, the Investing in Families (IIF) team had made over 700 home visits and 1,800 interventions including more than 200 health related referrals. 7 out of 10 IIF families took the opportunity to engage with their local communities through recreational activities and IIF were 2.5 times more likely to leave OW for employment.
- **Investing in Neighbourhoods** (base funding of \$4.000 million): This program is designed to increase the skills of single parents from priority neighbourhoods to develop contacts with employers and obtain current references. It also helps build community capacity by enabling local agencies to provide subsidized employment opportunities in priority communities. By fall 2008, nearly 100 single parents have been employed in jobs paying wages that range from \$12 to \$20 per hour and 17 single parents have been offered permanent full-time jobs with employers that hired them through Investing in Neighbourhood (IIN) or have been employed in other jobs and have left OW. Expanding the IIN initiative will continue to build community capacity and provide employment opportunities.
- **Integrated Employment and Enterprise Hubs** (new/enhanced funding of \$2.019 million): This new service priority supports the Action Plan objective of providing better and easier access to services and strengthening the quality and effectiveness of employment and social services in the city through the development and implementation of the Integrated Employment and Enterprise Hubs. As indicated in recent research, effective local workforce development is critical to sustainable prosperity for residents in a competitive urban economy. The Integrated Employment and Enterprise Hubs allows for effective workforce development in Toronto by providing:
 - An integrated system of employment services at the City level with emphasis on local planning and management, the development of more effective programs and systems for collecting and analyzing City of Toronto labour market information, and the creation of customized local employment plans in priority communities; and,
 - A focal point for local labour force planning, training tailored to the local communities, and local employer engagement to identify current and emerging labour force needs.

- **Partnership to Advance Youth Employment** (base funding of \$0.167 million): PAYE was established in 2006 as a joint initiative between the private sector and the City. PAYE's success is the result of the leadership and active participation of several prominent Toronto employers. Employer driven, PAYE offers youth personalized support and guaranteed interviews with employers. Some 50 employers, from diverse areas such as financial services, legal services, property management and retail, have participated in bringing job opportunities to youth living in priority neighbourhoods. To date, more than 350 youth have been engaged through information sessions and employer/City-led workshops. They have attended over 600 job interviews and approximately 100 have found work. Other youth have been able to access high-quality, community-based training.

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

TESS continues to advocate for funding arrangements that fairly reflect the costs of delivering the OW program in a large urban centre. TESS will also continue to implement the recommendations from the City's Action Plan for social assistance, "Systems of Survival, Systems of Support", by engaging communities, advocates, residents, clients and other governments to support and develop strategies related to poverty reduction as well as to inform and shape the delivery of employment services, financial benefits and social supports in Toronto.

In particular, TESS will continue to support the "25 in 5 Network" to ensure that poverty reduction and prosperity for all residents is a focus in Toronto, identify ways in which the City can advance the poverty reduction initiatives outlined in the 25 in 5 Declaration (reduce poverty by 25% in five years and 50% in ten years), and facilitate public opportunities for Toronto residents to express their views on ways poverty can be reduced. For instance, over 150 participants attended the City consultations and shared personal stories of struggles sustaining employment to assure a living standard above poverty while working full-time throughout the year, and need for increased access to crucial community supports such as affordable childcare, transit and community programs.

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	1,002,108.8	1,059,943.2	1,015,506.8	(44,436.4)	(4.2)
REVENUES	748,762.7	784,175.2	750,994.0	(33,181.2)	(4.2)
NET EXP.	253,346.1	275,768.0	264,512.8	(11,255.2)	(4.1)
Approved Positions	1,950.0	1,982.0	1,982.0	0.0	0.0

Note: *Source Social Services 2008 Third Quarter Operating Budget Variance Report.

2008 Experience

Toronto Employment & Social Services' year-end net favourable variance is projected to be \$11.255 million or 4.1% below the 2008 Approved Operating Budget primarily due to lower Ontario works (OW) social assistance costs and Cost of Administration (COA), and the receipt of unbudgeted provincial subsidies as summarized in the following table:

2008 Projected Year-End Variances	Net Variances (\$ millions)	Comments
(1) <i>Ontario Works:</i>		
Caseload impact	(8.7)	2008 projected caseload is 76,000; that is 1,000 cases below than the 2008 Approved Budget of 77,000. The under expenditure is mainly due to case mix (higher proportion of single compared to family cases) and lower employment related benefits.
Cost of Administration	(0.7)	
	<u>(9.4)</u>	
(2) Hardship Fund	0.4	2008 projected expenditure is higher due to an increase in the number of requests for medically based items by the City's seniors and working poor. The expenditure has increased by 85% to approximately \$0.8 million from 2004 to 2008.
(3) Special Diet	0.5	The monthly cost has increased significantly from \$2.7 million in September 2007 to \$3.7 million in August 2008. The monthly cost for December 08 is projected to be \$4.1 million; that is \$1.2 million or 41.4% over the \$2.9 million for December 2007.
(3) <i>ODSP:</i>		
Cost of Administration	(1.0)	Lower projected ODSP Administration expenditures as confirmed by the Province.
(4) <i>ODB:</i>		
ODB rebate from prior year	(1.0)	Prior year ODB rebate announced by the Province in 2008.
(5) <i>Ontario Child Benefits (OCB):</i>		
OCB Implementation	(0.8)	OCB subsidy confirmed by the Province in 2008.
Total Variance	<u><u>(11.3)</u></u>	

Impact of 2008 Operating Variance on the 2009 Recommended Budget

Despite the favourable variance projected for 2008, it is anticipated that the following 2008 cost pressures will continue into 2009:

- OW/ODSP Rate Increase:** The Province legislated for a rate increase of 2% for OW and ODSP clients effective December 1, 2008. The Province funded 100% of the rate increase for the month of December only; thus, the 2009 Recommended Operating Budget includes an additional \$6.3 million net (\$2.9 million for OW and \$3.4 million for ODSP) to manage this budget pressure.
- ODSP Caseload Increase:** ODSP caseload increased from an average monthly caseload of 51,200 in June 2007 to 52,900 in March 2008, an increase of 3.32% over a 9 month period. The increase in caseload, along with the impact of the rate increase, offset by a lower Provincial billing for the ODSP administration costs, results in a projected 2008 cost saving of \$1.0 million. However, as the average monthly caseload is estimated to increase by an additional 2,000 cases or 3.7% to 55,500 cases, the 2009 Recommended Budget includes an additional \$4.525 million to manage this budget pressure.

The following table summarizes the cost pressures of ODSP:

2009 ODSP Summary		
	Cases	Net Expenditure (\$ millions)
2008 Approved Budget	53,500	150.0
2009 Upload of ODSP Administration Costs		(20.0)
2009 Increase in ODSP Caseload <i>(includes benefits costs)</i>	2,000	4.5
2009 Caseload	55,500	134.5
2009 Rate Increase of 2% <i>(including Benefits)</i>		3.5
2009 Recommended Budget - ODSP	55,500	138.0
Increase (Decrease) from 2008 Approved Budget	2,000	(12.0)

- OW Caseload Increase:** The OW caseload increased from an average monthly caseload of 75,021 in 2007 to 76,000 projected by the end of 2008. Based on historical trends, analysis of caseload dynamics, economic forecasts related to Toronto’s labor market, the recommended average monthly caseload is projected to increase to 90,000 in 2009 (see pg. 23 for further discussion). The increase in caseload together with the 2% rate increase and the caseload contingent temporary positions, after adjusting for casemix (more single cases vs. family cases), results in a budget pressure of \$32.873 million in 2009.

- **Special Diet Allowance Increase:** This provincially mandated program, which provides financial assistance to OW clients who have special diet needs due to medical reasons, has increased significantly from approximately \$2.7 million experienced in September 2007 to \$3.7 million experienced in August 2008 and is expected to increase to \$4.1 million by December 2008. This increase is primarily due to the fact that more eligible individuals are utilizing this entitlement. The 2009 Recommended Operating Budget includes an additional \$15.0 million gross and \$3.0 million net to manage this budget pressure.
- **Hardship Fund Increase:** This program was established by the City in 1999 to provide financial assistance to cover the costs of specific benefits including prescription drugs, medically based items (i.e. prosthetics), dental and denture needs, eyeglasses, and funerals for low-income individuals who are ineligible for OW or ODSP. The recommended base funding enhancement of \$0.142 million addresses the rising number of requests for medically based items from low income city residents.

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change		FY Incremental Outlook	
			2009 Recommended Base v. 2008 Appvd. Budget		2010	2011
	\$	\$	\$	%	\$	\$
GROSS EXP.	1,059,943.2	1,201,003.3	141,060.1	13.3	(90,819.5)	(112,639.0)
REVENUE	784,175.2	883,160.1	98,984.9	12.6	(47,741.4)	(55,711.2)
NET EXP.	275,768.0	317,843.2	42,075.2	15.3	(43,078.1)	(56,927.8)
Approved Positions	1,982.0	2,138.0	156.0	7.9		
NET TARGET		270,252.3			0.0	0.0
\$ Over / (Under) Program Target		47,590.9			(43,078.1)	(56,927.8)
% Over / (Under) Program Target		17.6%			-15.9%	-21.1%

2009 Recommended Base Budget

The 2009 Recommended Base Budget of \$317.843 million net represents a \$42.075 million or 15.3% increase from the 2008 Approved Budget of \$275.768 million. Of the \$42.075 million or 15.3% increase over the 2008 Approved Budget, \$32.873 million is due increase of 13,000 OW cases combined with the impact of the 2.0% rate increase announced in December 2008. The remaining cost increases are mainly attributable to the reversal of the 2008 draw of \$5.298 million from the SAS and OW Reserve Funds, the annualization of 2008 COLA and 2009 merits and step increases of \$4.660 million, the increase in caseloads (2,000 cases above 2008 Approved Budget), as well as a 2.0% legislative rate increase, for ODSP of \$8.0 million, which are partially offset by savings from the ODSP cost of administration upload of \$0.3 million (net of OMPF subsidy reduction of \$19.7 million), reserve draws of \$8.086 million from the SAS Reserve Fund and \$1.2 million from the OW Reserve Fund, as well as continuation of other cost containment measures totaling \$0.638 million.

The 2009 Recommended Base Budget of \$317.843 million net is 17.6% or \$47.591 million over the 2009 target, after the recommended service level adjustments of \$0.638 million.

The 2009 Recommended Base Budget includes an increase of 156 temporary positions as the average monthly budgeted caseload is anticipated to increase by 13,000 cases from 77,000 to 90,000. Hiring of these staff are contingent on the actual caseload reaching budgeted levels.

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Base Budget provides funding for the following key cost drivers:

- OW cost pressures from the increase in the Ontario Works average monthly caseload from 77,000 to 90,000 based on historical trends, analysis of caseload casemix and trends, economic forecasts for the Toronto's labor market, and a legislated 2% rate increase for OW clients effective December 1, 2008 (\$32.873 million), which includes funding for necessary organizational, physical plant infrastructure, and associated operating costs;
- Reversal of \$5.298 million in SAS and OW Reserve Fund withdrawals budgeted in 2008;
- Uncontrollable increases in provincial billing for the ODSP programs of \$8.0 million to \$138.0 million or 6.15% over the 2008 Budget (based on the 2,000 increase in caseload and a legislative ODSP rate increase of 2%);
- COA Provincial Subsidy Shortfall of \$43.2 million as a result of the Provincial cap on funding, up from \$34.2 million in 2008. The increase in the shortfall of \$9.0 million is mainly due to annualization of 2008 COLA, merit and step, plus the additional 156 staff related to the OW caseload increase;
- The Province has confirmed that the Ontario Municipal Partnership Fund (OMPF) subsidy will be reduced in 2009 due to the upload of ODSP and ODB Benefit costs. Although TESS expected budget relief from the ODSP cost of administration upload of \$20.0 million, the reduction in OMPF subsidy resulted in a budget pressure of \$19.7 million in 2009; and,
- Special Diet Needs program provides financial assistance to OW clients who have special diet needs due to medical reasons. This provincially mandated program is cost-shared 80% by the Province and 20% by the City. The monthly cost has increased significantly from approximately \$2.7 million in September 2007 to \$3.7 million in August 2008; thus, resulted in a budget pressure of \$3.0 million in 2009.

To partially offset the 2009 budget pressures, the 2009 Recommended Operating Budget incorporates reserve contributions of \$8.086 million from the SAS Reserve Fund and \$1.2 million from the OW Reserve Fund and savings from the continuation of cost containment measures totalling \$0.638 million in operating efficiencies.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 net incremental impacts maintain the projected 2009 level of service while managing the cost of on-going programs. The 2010 Outlook of \$43.078 million includes the reversals of the 2009 recommended reserve fund contribution of \$8.086 million from the SAS, \$1.2 million from the OW, and \$0.2 million from the Client ID & Benefits (CBIS) Reserve Funds. The SAS, OW, and CBIS Reserve Funds will be fully depleted by the end of 2009. The 2010 Outlook also includes the projected upload of 50% of the City's share of the ODSP Benefit costs (\$69.0 million) and 3.0% of City's share of the OW Benefit costs (\$4.4 million). However, the favourable 2010 Outlook is partially off-set by the \$20.8 million budget pressure results from a reduction in OMPF subsidy due to the upload of ODSP and OW Benefit costs.

The 2011 Outlook of \$56.928 million includes the potential upload of the remaining portion of the City's share of the ODSP Benefit costs (\$69.0 million) and 6.0% of the City's share of the OW Benefit costs (\$8.7 million), which is partially off-set by a reduction in OMPF subsidy of \$20.8 million as a result of the upload of ODSP and OW Benefit costs.

The 2010/2011 Outlooks exclude any change in OW/ODSP caseload or any potential OW/ODSP rate increases, which will be reviewed and presented to Budget Committee in 2010 and 2011, and the provision for COLA, as the increase is subject to future negotiations.

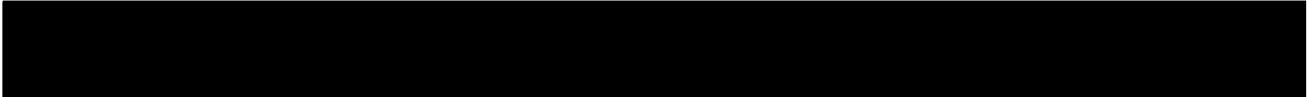


Table 4
2009 New / Enhanced Service Priority Actions: Summary
(In \$000s)

Priority	Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2010	2011
		\$	\$	#	\$	\$
(a) Enhanced Services Priorities - Council Approved:						
(b) Enhanced Services Priorities - Program Initiated:						
	Delivery of Integrated Employment Services	2,018.6	-	10		
Sub-Total Enhanced Services Priorities		2,018.6	0.0	10.0	0.0	0.0
(a) New Services Priorities - Council Approved:						
(b) New Services Priorities - Program Initiated:						
Sub-Total New Service Priorities		0.0	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities		2,018.6	0.0	10.0	0.0	0.0

2009 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions – Program Initiated:

Delivery of Integrated Employment Services

Toronto has a higher concentration of poverty than surrounding regions with corresponding implications for service needs. A contributing factor to the high poverty rates is an increasingly competitive labour market that requires more intensive and sophisticated services to assist residents obtain and sustain employment.

To respond to the special needs and challenges faced by many clients, in collaboration with TESS' service delivery partners, the "*Systems of Survival, Systems of Support: An Action Plan for Social Assistance in Toronto*" was developed and approved by Council in June 2006. The Plan advocates for, informs and shapes the systemic changes needed to transform the design, management and delivery of employment services in Toronto. In particular, the Plan advocated for a transformed social assistance system, with a new child benefit, a more adequate rate structure, and improved benefits and supports, including dental services. It also identified the need for a broader range of employment services with closer links to employers, more workplace-based training and access to transitional jobs for people with the most barriers to employment.

TESS' strategic focus in 2009 is to develop local Integrated Employment Services Hubs that respond to the unique needs and differences in specific communities by engaging local stakeholders and working with other levels of government. Physically located in the community and virtually connected through networks of TESS' clients, local agencies and employers, the local hubs will act as a focal point for community based service delivery, aiming to improve access to employment opportunities and to necessary services and supports. The Hub model also provides a new approach to delivering integrated employment services in priority communities by building on commitments to local hiring, improving access to services and bringing employment services to the most vulnerable individuals and communities.

This new service priority will allow TESS' clients with better access to employment services, training and skills development through locally sited hubs that are tailored to meet the local community needs.

The 2009 Recommended Operating Budget provides \$2.019 million gross and \$0 net for 10 permanent staff to provide training and supports to OW clients in the newly developed local employment services hubs. However, implementation will be contingent upon the City receiving increased funding from the Ministry of Training, Colleges and Universities.

Thus, it is recommended that this new services priority initiative with zero net impact be subject to funding sources being secured for 2009 and future years.

2009 Budget Issues

2009 Recommended Operating Budget vs. Guideline

Toronto Employment & Social Services' 2009 Recommended Operating Budget is \$317.843 million net which is \$47.591 million or 17.6% over target. This increase is mainly due to the annualization of 2008 COLA of \$1.112 million, merit & steps increase of \$3.548 million, the reversal of 2008 budgeted one-time reserve draws of \$5.298 million, an increase in Special Diet and an increase in caseload and a legislated rate increase of 2.0% to OW and ODSP of \$32.873 million and \$8.0 million respectively. In addition, the upload of ODSP Benefit costs at \$20.0 million in 2009 has been offset by the reduction in 2009 OMPF subsidy. (*see Claw-back on OMPF due to Upload of ODSP and OW Benefits for further discussion*)

The budget pressure is partially offset by the recommended one-time draws of \$1.2 million from the Ontario Works Reserve Fund, \$0.2 million from the Client ID & Benefit Reserve Fund, and \$8.086 million from the Social Assistance Stabilization Reserve Fund. However, the recommended withdrawal of \$9.486 million will deplete the reserve funds and result in a corresponding budget pressure in 2010.

Wherever possible, TESS has offset the higher expenditures driven by salaries, reserve reversal, inflationary economic factors and other uncontrollable service demands. However, further reductions to reach the 2009 target of -2.0% of 2008 Approved Operating Budget would result in significant service level impacts and are not recommended.

2009 Reduction Options

To offset the significant increase in costs over the 2008 Operating Budget and the 2009 target, the following reduction options are being recommended:

a) Absorb Inflationary Increases (\$0.380 million net)

Inflationary increases of \$0.380 million net for administrative expenditures are identified in the 2009 TESS' Operating Budget Submission. To offset the 2009 budget pressures, TESS will absorb this inflationary increase through the implementation of general efficiencies.

b) Partially Absorb Hardship Fund Increases (\$0.258 million net)

The Hardship Fund program was established by the City in 1999 to provide financial assistance to cover the costs of specific benefits including prescription drugs, medically based items (i.e. prosthetics), dental and denture needs, eyeglasses, and funerals for low-income individuals who are ineligible for OW or ODSP. The 2009 TESS' forecast for hardship fund expenditures based on experience is \$0.800 million; that is \$0.400 million over the 2008 Approved Operating Budget.

To offset the 2009 budget pressures, TESS will partially absorb the hardship fund increase of \$0.258 million net through the implementation of general efficiencies.

Other Program Issues for 2009

The following table summarizes the historical costs of OW, ODSP, and ODB, along with the funding sources from 2004 to 2009. The table also summarizes the outlooks from 2010 to 2011 to illustrate the impacts of the ODSP upload beginning in 2009.

TESS Financial Overview

	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Projected	2009 Budget	2010 Outlook	2011 Outlook
OW - Benefits	609,908.1	646,527.1	678,240.7	673,169.1	712,806.8	878,076.9	856,257.4	812,618.4
OW - COA	131,317.3	134,230.6	138,457.8	150,184.5	154,700.0	184,926.3	184,926.3	184,926.3
Sub-total OW	741,225.3	780,757.7	816,698.5	823,353.6	867,506.8	1,063,003.3	1,041,183.8	997,544.8
ODSP	122,133.3	125,637.7	132,129.5	140,411.5	148,000.0	138,000.0	69,000.0	-
ODB	31,781.0	34,387.6	37,514.9	38,343.7	-	-	-	-
Sub-total ODSP/ODB	153,914.3	160,025.4	169,644.4	178,755.2	148,000.0	138,000.0	69,000.0	-
Gross Expenses	895,139.6	940,783.1	986,342.9	1,002,108.8	1,015,506.8	1,201,003.3	1,110,183.8	997,544.8
Provincial Subsidies	534,210.9	548,458.4	567,895.6	566,813.8	600,659.8	734,990.1	717,534.5	682,623.3
GTA Pooling and OMPF	89,688.0	101,749.4	107,603.9	141,863.3	135,846.7	118,579.5	97,779.5	76,979.5
Sundry Revenues	13,074.8	10,331.7	11,418.6	12,873.9	12,274.5	12,225.0	12,225.0	12,225.0
Kids@Computers/NCBS Reserve Funds	3,321.5	541.4	14,697.0	4,365.7	4,645.8	7,879.7	7,879.7	7,879.7
Total Third Party Funding	640,295.3	661,081.0	701,615.1	725,916.7	753,426.8	873,674.3	835,418.7	779,707.5
SAS/OW/CIBS/NCBS Reserve Funds	17,528.0	37,532.3	6,850.8	22,845.9	(2,432.8)	9,485.8	-	-
Property Tax Funding	237,316.3	242,169.9	277,877.0	253,346.1	264,512.8	317,843.2	274,765.1	217,837.3
Total City Funding	258,165.9	280,243.5	299,424.9	280,557.7	266,725.8	335,208.7	282,644.8	225,717.0
Positions	1,953.0	1,904.0	1,943.0	1,950.0	1,982.0	2,138.0	2,138.0	2,138.0
% increase in property taxes over previous year	-	2%	15%	-	4%	20%	-	-
% decrease in property taxes over previous year	-	-	-	(9%)	-	-	(14%)	(21%)

As illustrated in the above table, the costs of OW and ODSP have increased substantially from 2004 to 2008. While the costs have been partially subsidized by the Province, property taxes and one-time contributions from reserve funds remain significant funding sources for the programs that are essentially the responsibility of the Province. Also, the Province has yet to honour its legislative cost-sharing portion (50%) of the Cost of Administration.

The above table also highlights the upload of Cost of administration of ODSP in 2009 (\$20.0 million); ODSP Benefit costs in 2010 and 2011 (\$69.0 million per year for 2010 and 2011), offset by the reduction in OMPF subsidy of \$20.8 million per year; and OW Benefit costs in 2010 and 2011 (\$4.364 million in 2010 and \$8.728 million in 2011).

However, the Province has announced that OMPF subsidy will remain responsive to changes in municipal circumstances such as the upload of the ODSP and OW benefits. Thus, the OMPF subsidy in the 2009 Recommended Operating Budget has been reduced by \$19.7 million, and the 2010 and 2011 Outlooks have been reduced by \$20.8 million per year accordingly.

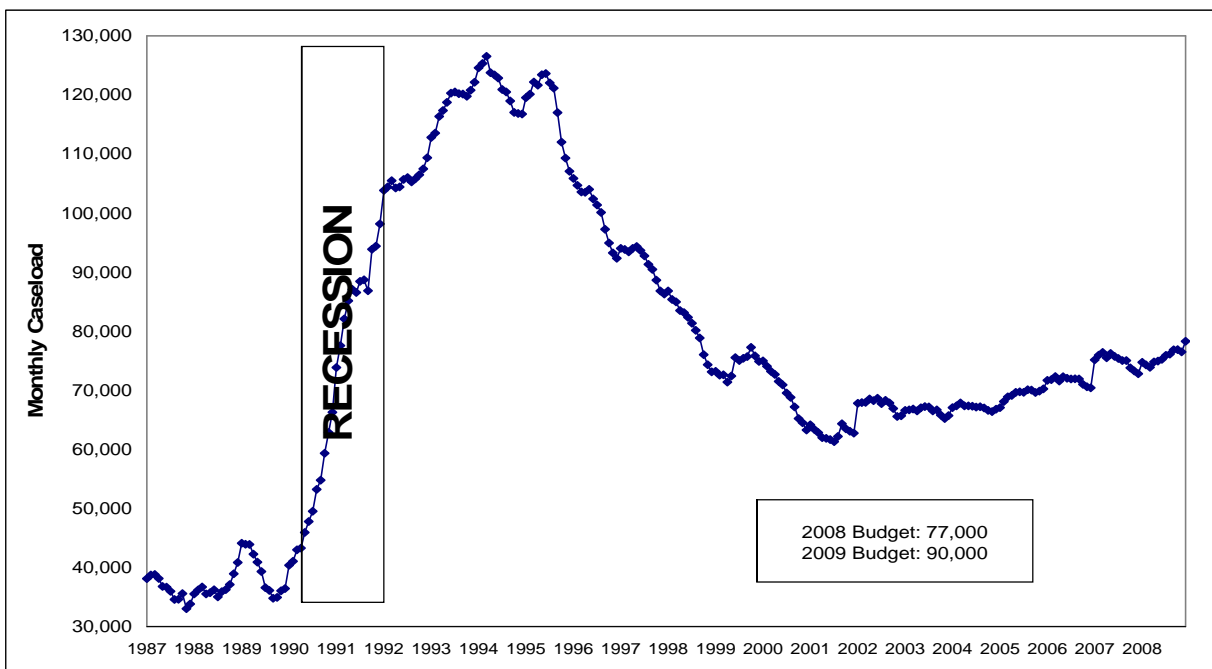
The following table further details the costs of the Ontario Works and ODSP/ODB programs from 2006 through 2009:

		2007 Actual	2008 Budget	2008 PA	2009 Budget
ONTARIO WORKS (OW) (\$ millions net)					
Caseload (avg mthly)		75,021	77,000	76,000	90,000
Beneficiaries (avg mthly)		132,276	136,200	132,500	160,000
Cost of Administration (COA) - TESS	GROSS	143.9	161.6	154.7	178.8
Cost of Administration (COA) - Other Divisions	GROSS	15.8	18.0	18.0	18.5
Cost of Administration (COA) - Total	GROSS	159.7	179.5	172.7	197.3
Subsidy Required (COA) 50%	NET	79.9	89.8	86.4	98.7
Subsidy Paid by Province	NET	56.8	55.5	55.5	55.5
COA Shortfall	NET	23.1	34.2	30.9	43.2
Cost of Administration (COA) - TESS	Net	95.1	115.0	108.2	132.6
OW Program Benefits (Including EA)	GROSS	679.5	748.4	712.3	884.2
OW Program Benefits (Including EA)	Net	144.2	151.9	143.7	175.3
TOTAL - OW		239.3	266.9	251.9	307.9
Ontario Disability Support Program (ODSP) & Ontario Drug Benefit (ODB) Program					
		2007 Actual	2008 Budget	2008 PA	2009 Budget
ODSP Caseload (avg mthly)		51,366	53,500	53,800	55,500
Beneficiaries (avg mthly)		68,869	71,690	72,500	74,370
ODSP - Admin (<i>City 50% Share</i>)	NET	19.4	20.0	19.5	-
ODSP - Benefits (<i>City 20% Share</i>)	NET	121.0	130.0	129.0	138.0
ODB (incl. Mandatory Benefits) (<i>City 20% Share</i>)	NET	38.3	-	-	-
TOTAL - ODSP/ODB		178.8	150.0	148.5	138.0
Other Funding					
		2007 Actual	2008 Budget	2008 PA	2009 Budget
Reserve Funds Draws		22.8	5.3	(2.4)	9.5
GTA Pooling / OMPF		141.9	135.8	138.3	118.6
TOTAL - Other Funding		164.7	141.1	135.9	128.1
Net Expenses - TESS		253.3	275.8	264.5	317.8

Increase in Caseload

The 2009 Recommended Operating Budget includes an increase of 13,000 cases in OW average monthly caseload from 77,000 to 90,000. The recommended monthly average caseload of 90,000 cases for 2009 is based on a model that focuses on unemployment rates in Toronto, which is forecasted to be in the range from 8.6% to 8.8% in 2009. This unemployment rate is formulated after considering the current economic factors such as continued downward spiral of the U.S. economy, more manufacturing and auto plants closing down in other parts of Ontario which could affect other service sectors in Toronto, and further volatility of the energy and commodity prices and their impacts on Toronto's labour market. Other factors such as historical trends and analysis of casemix and trends, and a review of policy changes likely to impact caseloads have also been considered in forecasting an average monthly caseload of 90,000 for 2009.

The caseload trend from 1987 to 2008 is summarized in the following chart:



During the last recession, the monthly caseload drastically increased by approximately 55,000 cases from 1990 to 1992 or 107% over a two year period.

As caseload trends may change before finalization of the 2009 Operating Budget, it is recommended that the General Manager of Social Services report to Budget Committee during the 2009 Operating Budget wrap-up meeting at March 5, 2009 on actual Ontario Works caseload data and possible revisions to the 2009 average monthly caseload budget.

Upload of ODSP and OW Benefits

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

	Current City Cost		2008	2009	2010	2011
	Shares (\$M)	%				
Ontario Drug Benefits			(39.1)			
	39.1	20%	0%			
Ontario Disability Support Program				(20.0)		
(Administration Costs)	20.0	50%	0%			
Ontario Disability Support Program					(69.0)	(69.0)
(Benefits Costs)	138.0	20%			10%	0%
Savings from Upload			(39.1)	(20.0)	(69.0)	(69.0)
OMPF Clawback			0	19.7	20.8	20.8
Incremental Savings			(39.1)	(0.3)	(48.2)	(48.2)

The 2009 Recommended Operating Budget includes the full upload of ODSP Administration cost of \$20.0 million, which is offset by a reduction in OMPF subsidy of \$19.7 million.

In Fall 2008, the Province announced that the government will resume the responsibility for funding Ontario Works benefits costs over nine years. The financial impacts to TESS for the next nine years are summarized as follows:

	Current City Cost Shares	2010 (\$M)	2011 (\$M)	2012 (\$M)	2013 (\$M)	2014 (\$M)	2015 (\$M)	2016 (\$M)	2017 (\$M)	2018 (\$M)
Ontario Works Benefit Costs										
Savings from Upload	145.5	(4.4)	(8.7)	(20.4)	(42.2)	(62.6)	(82.9)	(103.3)	(125.1)	(145.5)
	20% →	19.4%	18.8%	17.2%	14.2%	11.4%	8.6%	5.8%	2.8%	0.0%

Claw-back on Ontario Municipal Partnership Fund due to Upload of ODSP and OW Benefits

The Ontario Municipal Partnership Fund (OMPF) is the Province’s main transfer payment program to municipalities to assist their social program costs.

In March 2007, the Province announced that the GTA pooling subsidy to municipalities will be phased out by 2013. In order to ensure an adequate level of subsidy is available to the municipalities currently receiving financial assistance through GTA pooling, the Province announced that any reduction in GTA Pooling will be offset by an equivalent increase in funding from the OMPF. The Province provided an extra \$18.7 million through OMPF to offset for phase-out of GTA pooling contributions in 2007 for a total OMPF subsidy of \$45.4 million in 2007. With GTA pooling contributions reduced to \$77.5 million in 2008, the Province increased the OMPF subsidy by \$16.7 million to \$31.7 million in 2008 for the City.

The Province announced in March 2008 that the GTA Pooling/ OMPF – pooling subsidy to remain at the 2007 level, while uploading the ODB expenditure of \$39.1 million in 2008. However, the Province 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 has planned to reduce its OMPF subsidy commencing in 2009, which partially offsets the potential savings from ODSP and OW uploads by \$19.7 million in 2009, and \$20.8 million per year in 2010 and 2011.

Depletion of City’s Social Assistance Stabilization Reserve Funds

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

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 2008.

The 2009 reserve fund contribution of \$8.086 million will fully deplete the SAS reserve fund. The contribution is only possible since \$5.198 million budgeted to be drawn in 2008 will not be required and \$2.4 million in additional OMPF subsidies was received in 2008, which will be contributed to the reserve fund.

Below is a table summarizing the SAS reserve fund activity from 1998 to 2009. As the reserve fund will be depleted in 2009, there will be no source (other than the tax base or savings from future cost uploads) to fund Social Services budget pressures in the future.

SOCIAL ASSISTANCE STABILIZATION RESERVE FUND ACTIVITY SINCE INCEPTION												
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Projected Actual 2008	Requested 2009
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	8,271,408	8,215,306
Add: Contributions from Operating Surplus	16,232,399	18,000,000	20,499,600	7,900,000								
1998 GTA Pooling Reconciliation Adjustment			7,127,271									
1999 GTA Pooling Reconciliation Adjustment				8,941,213								
2000 GTA Pooling Reconciliation Adjustment						12,669,098						
Reduce 07 Budget draw: 06 GTA Pooling Recon.										3,597,700		
Additional Provincial Funding received in 2008											2,432,800	
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	1,766,433	300,000	
Total additions	16,232,399	18,092,373	29,704,746	20,225,634	4,241,773	17,655,760	4,477,320	4,023,654	2,941,085	5,364,133	2,732,800	-
Less: Ontario Works Caseload (from baseline to actual average monthly caseload)					3,702,452	4,664,200	13,117,500	14,521,900	1,889,644	25,701,457		8,085,800
Other Operating Draw		138,113										
Transfer to Day Care Pilot Project			3,000,000									
Child care spaces - 20% City share						225,000	-					
GTA Pooling shortfall - 2002/03 Final Reconciliation Adjustment							2,212,005					
Additional draw for ODSP Benefits and Administration and ODB Program budget pressure								15,125,000				
BAC recommendation re Child Care Pilot Proj.								370,000				
P&F recommendation re Child Care Pilot Proj.												
Additional draw subject to contribution from Atkinson Foundation								300,000				
Corporate draw to balance 2006/2007 Budget									25,302,100	3,500,000		
After School Recreation and Care Program *									361,154	556,944	2,788,902	
Total withdrawals	-	138,113	3,000,000	-	3,702,452	4,889,200	15,329,505	30,316,900	27,552,898	29,758,401	2,788,902	8,085,800
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	8,271,408	8,215,306	129,506

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

The *Ontario Works Reserve Fund* is an obligatory reserve and is the regular funding source for the Employment Assistance component of the OW Program. A withdrawal of \$0.1 million was approved in 2008 to partially cover the City portion of costs required to maintain existing levels of service within the program. The 2008 projected year-end balance is estimated at \$1.3 million. The recommended withdrawal of \$1.2 million to partially fund the Employment Assistance program will deplete this reserve.

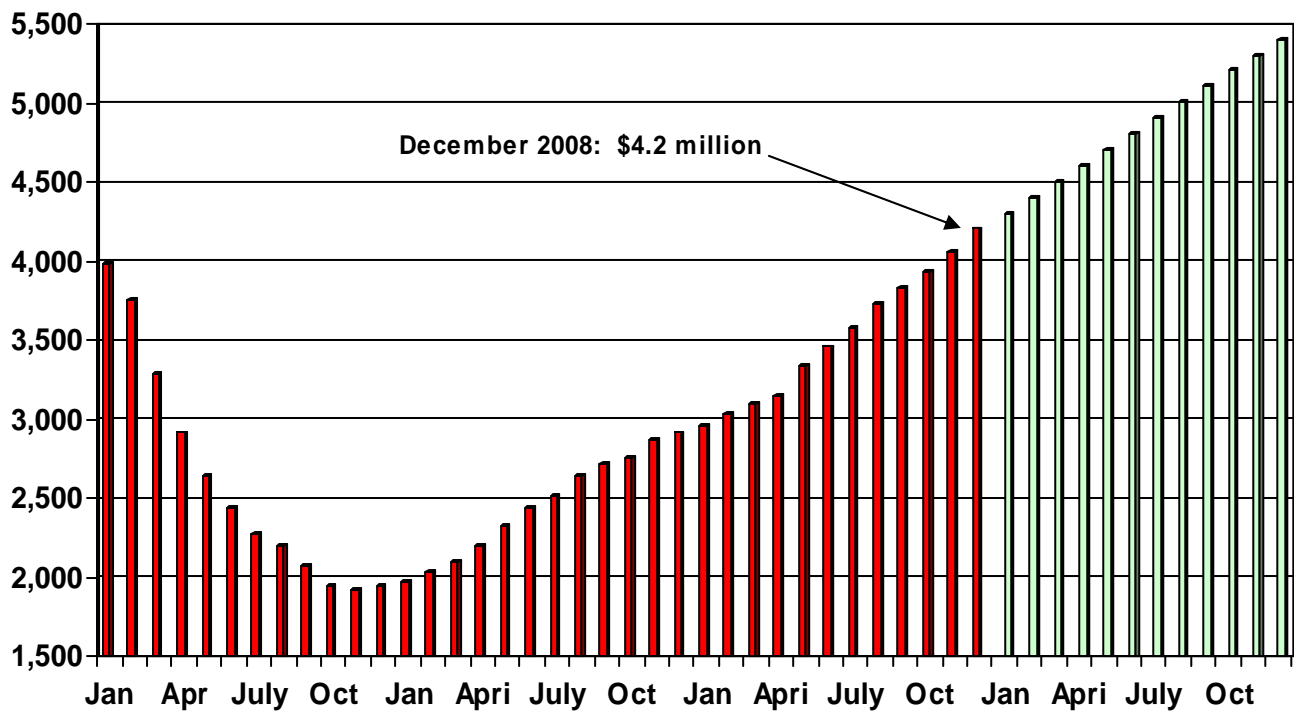
The depletion of the both the SAS Reserve Fund and the OW Reserve Fund will result in a budget pressure of \$9.286 million in 2010.

Increase in Special Diet Needs

The Special Diet Needs program provides financial assistance to OW clients who have special diet needs due to medical conditions such as cardiovascular disease, diabetes, food allergies, and pregnant women and mothers who are breast-feeding can also get a nutritional allowance. This financial assistance is particularly important to OW clients especially during period of economic uncertainty. This provincially mandated program is cost-shared 80% by the Province and 20% by the City. The monthly cost has increased significantly from approximately \$2.7 million in

September 2007 to \$3.7 million in August 2008. The Program forecasts that the special diet costs will increase to \$4.1 million by December 2008 and therefore, projecting the 2009 annual cost to increase by \$15.0 million to \$55.0 million. The 2009 Recommended Operating Budget includes additional funding of \$15.0 million gross/ \$3.0 million net to address the escalating service demands for Special Diet Needs. The following chart summarizes the service demands for Special Diet Needs from 2006 to 2009.

**Special Diet Needs
(2006 – 2009)**



Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	1,982.0	1,059,949.5	784,175.2	275,774.3	0.0	0.0
In-year approvals and technical adjustments						
Corporate adjustments		(6.3)		(6.3)		
2008 Approved Operating Budget	1,982.0	1,059,943.2	784,175.2	275,768.0	0.0	0.0
Prior year impacts		(3,774.9)	(9,647.7)	5,872.8		
Zero base items		(440.6)	(220.3)	(220.3)		
Economic factors		3,928.3	0.0	3,928.3		
Adjusted Base Budget	1,982.0	1,059,656.0	774,307.2	285,348.8	0.0	0.0
Other base changes	156.0	141,810.4	120,467.1	21,343.3	1,400.0	
Base revenue changes				0.0		
2009 Base Budget Request	2,138.0	1,201,466.4	894,774.3	306,692.1	1,400.0	0.0
Recommended Service Level Adjustments:						
Base changes *		175.0	(19,700.0)	19,875.0	(52,563.9)	(56,927.8)
Service efficiencies		(638.1)		(638.1)		
Revenue adjustments				0.0		
Minor service impact			8,085.8	(8,085.8)	8,085.8	
Major service impact						
Total Recommended Base Adjustments	0.0	(463.1)	(11,614.2)	11,151.1	(44,478.1)	(56,927.8)
2009 Recommended Base Budget	2,138.0	1,201,003.3	883,160.1	317,843.2	(43,078.1)	(56,927.8)
2009 Program Operating Target	N/A	N/A	N/A	270,252.3	0.0	0.0
% Over (Under) Program Target				17.6%	-15.9%	-21.06%
% Over (Under) 2008 Appvd. Budget				15.3%	-15.6%	-20.64%

* Reduction in OMPF subsidy due to upload of ODSP Administration in 2009 and Benefits in 2010 and 2011 is confirmed by the Province in Fall 2008.

Appendix B

Summary of Service Level Adjustments

Appendix C

**Summary of 2009 Recommended New/Enhanced
Service Priority Actions**

Appendix D

Program Summary by Expenditure Category

CLUSTER "A" TORONTO EMPLOYMENT & SOCIAL SERVICES							
	2007	2008	2009	Change from		2010	2011
	Actuals	Projected Actuals	Recommended Budget	2008 Approved Budget		Outlook	Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	149,846.7	156,556.0	171,750.7	15,194.7	9.7%	171,750.7	171,750.7
Materials and Supplies	10,452.6	11,047.0	11,507.4	460.4	4.2%	11,507.4	11,507.4
Equipment	179.0	503.9	660.8	156.9	31.1%	660.8	660.8
Services & Rents	27,224.0	35,742.0	41,035.1	5,293.1	14.8%	41,035.1	41,035.1
Contributions to Capital	1,700.0	1,700.0	1,700.0	0.0	0.0%	1,700.0	1,700.0
Contributions to Reserve/Res Funds	2,671.0	694.4	21,275.0	20,580.6	2963.8%	21,275.0	21,275.0
Other Expenditures	796,930.5	797,469.1	932,454.4	97,145.1	11.6%	841,634.9	728,995.9
Interdivisional Charges	13,105.0	18,390.6	22,638.5	4,247.9	23.1%	22,638.5	22,638.5
TOTAL GROSS EXPENDITURES	1,002,108.8	1,022,103.0	1,203,021.9	143,078.7	13.5%	1,112,202.4	999,563.4
Interdivisional Recoveries	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Provincial Subsidies	566,813.8	602,037.7	716,022.7	89,441.9	14.3%	698,567.1	663,655.9
Federal Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Other Subsidies	141,863.3	135,846.7	118,579.5	(17,267.2)	(12.7%)	97,779.5	76,979.5
User Fees & Donations	166.7	0.0	0.0	0.0	n/a	0.0	0.0
Transfers from Capital Fund	207.5	0.0	265.7	265.7	n/a	265.7	265.7
Contribution from Reserve Funds	27,211.6	3,766.7	38,085.8	28,438.1	294.8%	28,600.0	28,600.0
Contribution from Reserve	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Sundry Revenues	12,499.8	12,308.6	12,225.0	125.0	1.0%	12,225.0	12,225.0
TOTAL REVENUE	748,762.7	753,959.7	885,178.7	101,003.5	12.9%	837,437.3	781,726.1
TOTAL NET EXPENDITURES	253,346.1	268,143.3	317,843.2	42,075.2	15.3%	274,765.1	217,837.3
APPROVED POSITIONS	1,950.0	1,982.0	2,148.0	166.0	8.4%	2,148.0	2,148.0

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Projected Balance as of December 2008	Proposed Withdrawals (-) / Contributions (+)		
				2009	2010	2011
			\$	\$	\$	\$
Kids at Computers Scholarship Project	XR2104	SS-B009	7,312.9	(2,700.0)	(2,700.0)	(2,700.0)
National Child Benefits Supplement	XR2102	SS-B005	11,647.4	(8,800.0)		
Social Assistance Stabilization Reserve Fund	XQ1054	SS-Z004	8,271.4	8,085.8		
Ontario Works Reserve Fund	XR2101	SS-B018	1,388.2	(1,200.0)		
Client ID & Benefit Reserve Fund	XR1055	SS-B019	202.2	(200.0)		
Sick Pay Reserve	XR1007		52,461.3	263.6		
Insurance Reserve	XR1010		27,774.8	430.8		
Total Reserve / Reserve Fund Draws / Contributions				(4,119.8)	(2,700.0)	(2,700.0)