

December 8, 2008

EXECUTIVE COMMITTEE:

City Council on December 1, 2 and 3, 2008, referred the following Motion to the Executive Committee:

MM27.3 Ensure Social Safety-Nets In Place: Recession/Depression Readiness

Moved by Councillor Walker, seconded by Councillor Thompson

SUMMARY:

The global economy is currently in a downward spiral, the likes of which no one has ever seen before. This situation has been brewing for years but the last 3 months have been unparalleled compared to previous economic downturns. The situation is getting worse by the week, even day by day. On November 20, 2008, the Toronto Stock Exchange experienced its greatest one-day drop in recorded history.

The realities of the impending impacts of this volatile economic activity are setting in – recession today maybe depression tomorrow. The Federal government is ready to plunge Canada back into deficit budgeting. Concerns over inflation have now turned to concerns over deflationary momentum which, if it takes hold, will be disastrous to Toronto's employment prospects and its economy.

Over the past year, the number of Torontonians who are unemployed has risen and the number of Ontarians who are unemployed has risen significantly. As we know from past experience, when those Ontarians outside Toronto lose their jobs, some of them come into Toronto for our social safety-nets, thereby increasing our unemployment rates and Ontario Works caseload. We need to be prepared for this. As outlined in the City of Toronto 2007 Financial Report, "there is variability in certain program expenditures [i.e. Ontario Works; Ontario Disability Support Program; Social Housing] from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations."

In 2007 and 2008, City Council has under-budgeted our Ontario Works program to offset other program expenditures. We cannot afford to make this same mistake in 2009.

Other trends of economic downturn are showing up in yearly data comparisons: new home sales in the Greater Toronto Area are down; the number of acquired building permits is down; retail sales are down for new car dealers, convenience and specialty food stores, and home furnishing stores.

The Consumer Price Index has fallen from 3.7 percent in August 2008 to 2.6 percent in October 2008 (Inflation has been reduced by 1.1 percent, signifying the start of deflationary momentum). The Bank of Canada has reduced the Prime Lending Rate by 36 percent in the last year (November 2007 = 6.25 percent; November 2008 = 4.00 percent).

We, as the elected stewards of Canada's largest City, must be prepared for the impending global recession/depression. We need to ensure the City of Toronto can weather this impending storm.

RECOMMENDATIONS:

1. That City Council endorse a supportive loan guarantee to "The Big Three" automakers (Ford; General Motors; Chrysler) by the Federal and Provincial governments and such endorsement be conditional upon the governments' approval of a written business plan submitted by "The Big Three" outlining the intended use of the subject loan/financial aid with special consideration and respect for taxpayer dollars.
2. That City Council request the Provincial government to accelerate the uploading of Social Services and Housing and, in addition, request the Provincial government to be prepared to support the City of Toronto if Ontario Works reserves become exhausted.
3. That City Council schedule a Special Meeting of City Council in January 2009 to discuss priorities and strategies to support readiness for the impending global recession/depression.

4. That City Council request the City Manager, in consultation with the Acting Deputy City Manager and Chief Financial Officer, to report to a January 2009 meeting of the Budget Committee on the following:
 - i. the average monthly caseload for Ontario Works for 2008, including month-by-month breakdown;
 - ii. a retrospective comparison of average monthly caseloads since 1998, budgeted and actual;
 - iii. a financial accounting of the current state of the City of Toronto reserve fund for Ontario Works, Ontario Disability Support Program and all other major supportive reserve funds; and
 - iv. a status update of any sectors of City of Toronto operations or interest particularly susceptible to changes in the economy.

5. That City Council request the City Manager to report to the meeting of the Executive Committee in January 2009 on the following:
 - i. a presentation on recession-proofing strategies for large Cities, such as Toronto;
 - ii. a presentation on the City of Toronto's strategies employed in Canada's last recession 1989–1993, including Key Lessons Learned; and
 - iii. recommendations for action by City Council.

for City Clerk

M. Toft/cd