



STAFF REPORT ACTION REQUIRED

2009 Labour Disruption Costs and Savings

Date:	September 24, 2009
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\Acc\ec09015Acc (AFS#10353)

SUMMARY

This report provides preliminary financial information with respect to costs incurred and savings realized during the 2009 labour disruption by CUPE Local 79 and TCEU Local 416, including costs associated with restoring services to normal levels following the disruption. The majority of strike related savings / costs were incurred after June 30th and therefore the projections to year end in the 2009 Second Quarter Operating Variance report do not capture the full impact of the labour disruption. Final impacts will be reported as part of the 2009 Third Quarter Operating Budget Variance report.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. The tax related net savings arising from the 2009 labour disruption (estimated at \$36.1 million as at September 14, 2009) be allocated to the 2009 surplus and be utilized for the 2010 Operating Budget.
2. The Solid Waste Management net costs incurred as a result of the 2009 labour disruption (estimated at \$4.1 million as at September 14, 2009) be absorbed within the 2009 Solid Waste Approved Operating Budget.
3. The Toronto Water net savings arising from the 2009 labour disruption (estimated at \$1.2 million as at September 14, 2009) be transferred to the Water and Wastewater Stabilization Reserve and utilized for Toronto Water's 2010 Operating Budget.

4. The final estimated net savings / costs arising from the 2009 labour disruption be reported as part of the 2009 Third Quarter Operating Budget Variance report.

Financial Impact

The 2009 labour disruption financial impact has been determined on the basis of preliminary financial information. As shown in Table 1 below, the preliminary financial impact totals \$33.2 million in net savings and is comprised of \$36.1 million in net savings for Tax-Supported programs, \$1.2 million in net savings for Toronto Water, offset by \$4.1 million in net costs for Solid Waste Management Services.

It is anticipated that further expenditure and revenue adjustments will be processed, but these should not materially change the reported preliminary net savings / costs. A final 2009 labour disruption impact will be presented to the Budget Committee through the 2009 Third Quarter Operating Budget Variance Report.

Table 1: Summary of Net Costs / (Savings)

	2009 Strike Related Net Costs (Savings)			
	TOTAL \$000s	TAX \$000s	WATER \$000s	SOLID WASTE \$000s
Strike Costs	39,672.0	20,386.1	8,807.1	10,478.8
Strike Savings	(93,346.7)	(74,788.4)	(9,980.7)	(8,577.6)
Loss of Revenues	20,505.8	18,317.0	-	2,188.8
NET (SAVINGS) / COST	(33,168.9)	(36,085.3)	(1,173.6)	4,090.0

ISSUE BACKGROUND

On Monday June 22, 2009 at 12:00 AM, CUPE Local 79 and TCEU Local 416 began a legal strike, which ended 39 days later on July 30, 2009 at 11:59 PM. Approximately 21,000 CUPE Local 79 employees and 3,500 TCEU Local 416 employees went on strike. Employees working in Long Term Care Homes and Services Division do not have the right to strike under the terms of their governing legislation. Additionally, a majority of ambulance workers were also required to work pursuant to an essential services agreement.

During the labour disruption, the City's non-union employees continued to provide critical services, at partial or full capacity.

In order to maintain critical services and ensure the health and safety of the City and its residents, costs were incurred before, during and after the labour disruption. Such costs include temporary garbage disposal sites, security services, supplies, overtime, etc.

The City also realized revenue losses due to cancelled programs and events, reduced recyclables, reduced fees, etc. In certain cases, there were commensurate reductions in costs, such that lost or foregone revenue presented in this report is shown on a net basis.

Following the return to work by Local 79 and 416 employees, costs were incurred to dismantle and clean temporary garbage sites, fill pools, and to restore facilities and equipment to normal.

Offsetting the costs incurred and revenue losses realized are the decreased costs during the strike, primarily wages and benefits that were not paid. These cost reductions have been calculated based on payroll and budget data, with savings to be transferred from Divisional operating budget accounts to a set of Non-Program accounts established to record strike-related expenditures.

COMMENTS

Processes were put in place to ensure that all strike costs and strike savings were properly captured, that net revenue losses were estimated, and that net savings or costs were segregated from regular accounts. This was done to ensure that any net savings could not be absorbed into day-to-day activities.

A set of Non-Program accounts were established to allow the corporation and its divisions to record and track labour disruption-related expenditures. To ensure that only those costs directly related to the labour disruption were charged to these Non-Program accounts, financial expenditures related to the labour disruption were forecast prior to the strike and carefully monitored by senior management. Procedures were implemented to ensure that all strike-related expenditures were reviewed and approved by designated senior managers in the Divisions as well as the Director of Accounting Services.

Additionally, processes were put in place to ensure that savings related to the labour disruption – largely payroll and benefit savings – were tracked and appropriately segregated. Savings realized as a result of the labour disruption will be transferred from Divisional cost centres to the strike-related Non-Program accounts.

The City realized revenue losses of \$20.5 million due to cancelled programs and events. Revenue losses associated with the labour disruption were estimated based on actual experience and budget data, net of related costs. These amounts have been supported and approved by the Divisions and Accounting Services. Included in revenue losses are actual refunds of approximately \$7.4 million related to user fees for cancelled recreational programs. Each Division's net revenue losses will be funded from the strike savings, to ensure that Divisions' budgets did not reflect the impacts of the strike.

Finance staff have consulted with Divisions to ensure that all costs, savings and revenue losses charged to the special Non Program accounts, and summarized in this report,

pertain directly to the 2009 labour disruption. Labour disruption related costs and savings have been tracked and broken down by funding source – i.e. Tax supported programs, Water rate-supported services, and Solid Waste rate-supported services.

The costs presented in this report include all expenditures processed as at September 14, 2009, as well as an accrual for services received but not yet paid. Staff do not anticipate a material change in the costs presented. The final financial impact of the labour disruption will be presented to Budget Committee as part of the 2009 Third Quarter Operating Budget Variance report.

The total preliminary net impact (after revenue loss) is \$33.2 million (see Table 2 below) - \$36.11 million of net savings for tax-supported programs, \$1.2 million of net savings for Water rate-supported services and \$4.1 million of net costs for the Solid Waste rate-supported services.

Table 2: Summary of Net Costs/(Savings)

	2009 Strike Related Net Costs (Savings)			
	TOTAL \$000s	TAX \$000s	WATER \$000s	SOLID WASTE \$000s
Overtime costs	27,469.5	14,522.4	7,606.0	5,341.1
Other costs	12,202.5	5,863.7	1,201.1	5,137.7
Total costs	39,672.0	20,386.1	8,807.1	10,478.8
Salary savings	(86,804.0)	(69,937.1)	(9,059.0)	(7,807.9)
Non-salary savings	(5,860.8)	(4,169.4)	(921.7)	(769.7)
Cost-shared program cost recoveries ¹	(681.9)	(681.9)	-	-
Foregone revenues / revenue loss (net)	20,505.8	18,317.0	-	2,188.8
NET (SAVINGS) / COST	(33,168.9)	(36,085.3)	(1,173.6)	4,090.0

¹ Includes Public Health which is funded 75% by the Province and Social Development, Finance & Administration which is 50% provincially funded.

Table 3 provides a breakdown of overtime. Other costs and foregone revenues (i.e. revenue loss) are broken out in Appendix I (attached).

Table 3: Breakdown of Overtime Costs

	TOTAL \$000s	TAX \$000s	WATER \$000s	SOLID WASTE \$000s
Overtime wages - non union staff	25,213.4	13,137.3	7,601.6	4,474.5
Overtime wages-union staff, post-strike	1,276.8	500.0	-	776.8
Other – regular salary	979.3	885.1	4.4	89.8
TOTAL OVERTIME¹	27,469.5	14,522.4	7,606.0	5,341.1

¹ Overtime costs include all costs paid through Payroll. This includes standby costs, shift bonus, overtime, mileage, parking costs and meal reimbursement.

There have been a number of requests from people and organizations for refunds for a portion of tax and solid waste fees as a result of the strike. Although net savings have been realized for tax-supported programs and water rate services, other considerations must be taken into account including the cost to produce a refund, and the City’s funding capacity.

It should be noted that most of the City’s major tax supported services are not represented by CUPE Local 79 and TCEU Local 416 and were therefore not affected by the labour disruption. Police, Fire, Library and TTC services were fully available during this period. For tax supported services that were affected, notably parks and recreation programs, user fees were refunded to those directly affected.

Given the City’s financial challenges, staff are recommending that the labour disruption savings be set aside for the 2010 budget. In affect, the savings would be utilized to reduce the 2010 tax pressure by \$36 million. Foregoing a refund, but utilizing the savings in the 2010 Operating Budget in the form of increased 2009 surplus, provides the benefit to taxpayers without incurring any additional costs.

As Solid Waste Management services incurred net costs from the strike, there are no savings available to provide a rebate, and there will be pressure on the remainder of 2009 and the 2010 Operating Budget as a result of the costs.

Water operations realized a small savings, which would be negated as it would cost more to rebate consumers than would be returned to them. The most efficient method of returning the savings to customers would be through the rate to be set in the 2010 budget.

It is recommended that the net tax-related and Water-rate strike savings be referred to the 2010 budget, while the Solid Waste net costs resulting from the labour disruption be absorbed through the 2009 budget, with any resultant savings or deficit to be referred to the 2010 rate budget.

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SIGNATURE

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ATTACHMENTS

Appendix I: Breakdown of Other Costs & Foregone Revenues

Breakdown of Other Costs & Foregone Revenues

Table 4: Breakdown of Other Costs

	<u>TOTAL</u> <u>\$000s</u>	<u>TAX</u> <u>\$000s</u>	<u>WATER</u> <u>\$000s</u>	<u>SOLID</u> <u>WASTE</u> <u>\$000s</u>
Security	5,127.8	3,062.0	505.9	1,559.9
Waste transfer, disposal and pest control	3,152.0	89.4	16.5	3,046.1
Food and beverages	570.1	186.8	373.1	10.2
Advertising	274.8	274.8	-	-
Gasoline for vehicles	247.5	247.5	-	-
Tree removal services (emergency)	302.9	302.9	-	-
Toronto Harbour Tours Inc ferry services	204.6	204.6	-	-
Rental of vehicles and equipment	246.6	111.7	37.7	97.2
Food vouchers (Shelters clients)	302.3	302.3	-	-
Health care services (Shelters)	119.3	119.3	-	-
Other	1,654.6	962.4	267.9	424.3
TOTAL OTHER COSTS	12,202.5	5,863.7	1,201.1	5,137.7

Table 5: Breakdown of Foregone Revenues

	<u>TOTAL</u> <u>\$000s</u>	<u>TAX</u> <u>\$000s</u>	<u>WATER</u> <u>\$000s</u>	<u>SOLID</u> <u>WASTE</u> <u>\$000s</u>
Parks, Forestry and Recreation Fees, Permits, Concessions	15,847.0	15,847.0	-	-
Solid Waste disposal and sale of Recyclables	2,188.8	-	-	2,188.8
Children Services – Child Care user fees	299.2	299.2	-	-
Court Services - red light charges not Processed	615.8	615.8	-	-
Economic Development Culture & Tourism registration and admission fees	211.4	211.4	-	-
Emergency Medical Services Course fees & Special Events coverage	134.7	134.7	-	-
Marriage Licences and Wedding Chamber cancellations	110.1	110.1	-	-
Other	1,098.8	1,098.8	-	-
TOTAL FOREGONE REVENUES (NET)	20,505.8	18,317.0	-	2,188.8