



City Budget
2013

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 the City.

2013 Operating Budget

2013 OPERATING BUDGET ANALYST NOTES BRIEFING NOTES

BUDGET COMMITTEE, NOVEMBER 29, 2012

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PART I: RECOMMENDATIONS

2013 Recommended Operating Budget
(In \$000s)

| (In \$000s) | 2012 | | 2013 Recommended Operating Budget | | | Change - 2013 Recommended | | FY Incremental Outlook | |
|--------------------|-----------------|------------------|-----------------------------------|------------------------|------------------|--|--------|------------------------|------------|
| | Approved Budget | Projected Actual | 2013 Rec. Base | 2013 Rec. New/Enhanced | 2013 Rec. Budget | Operating Budget v. 2012 Appvd. Budget | % | 2014 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ | % | \$ | \$ |
| GROSS EXP. | 1,219,643.6 | 1,143,621.1 | 1,231,244.4 | 2,500.0 | 1,233,744.4 | 14,100.8 | 1.2% | (2,802.0) | 1,058.1 |
| REVENUE | 1,031,670.3 | 965,805.5 | 1,045,975.9 | | 1,045,975.9 | 14,305.6 | 1.4% | 10,093.4 | 17,992.8 |
| NET EXP. | 187,973.3 | 177,815.6 | 185,268.5 | 2,500.0 | 187,768.5 | (204.9) | (0.1%) | (12,895.4) | (16,934.7) |
| Approved Positions | 2,190.5 | 2,155.0 | 2,189.0 | | 2,189.0 | (1.5) | (0.1%) | | |

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

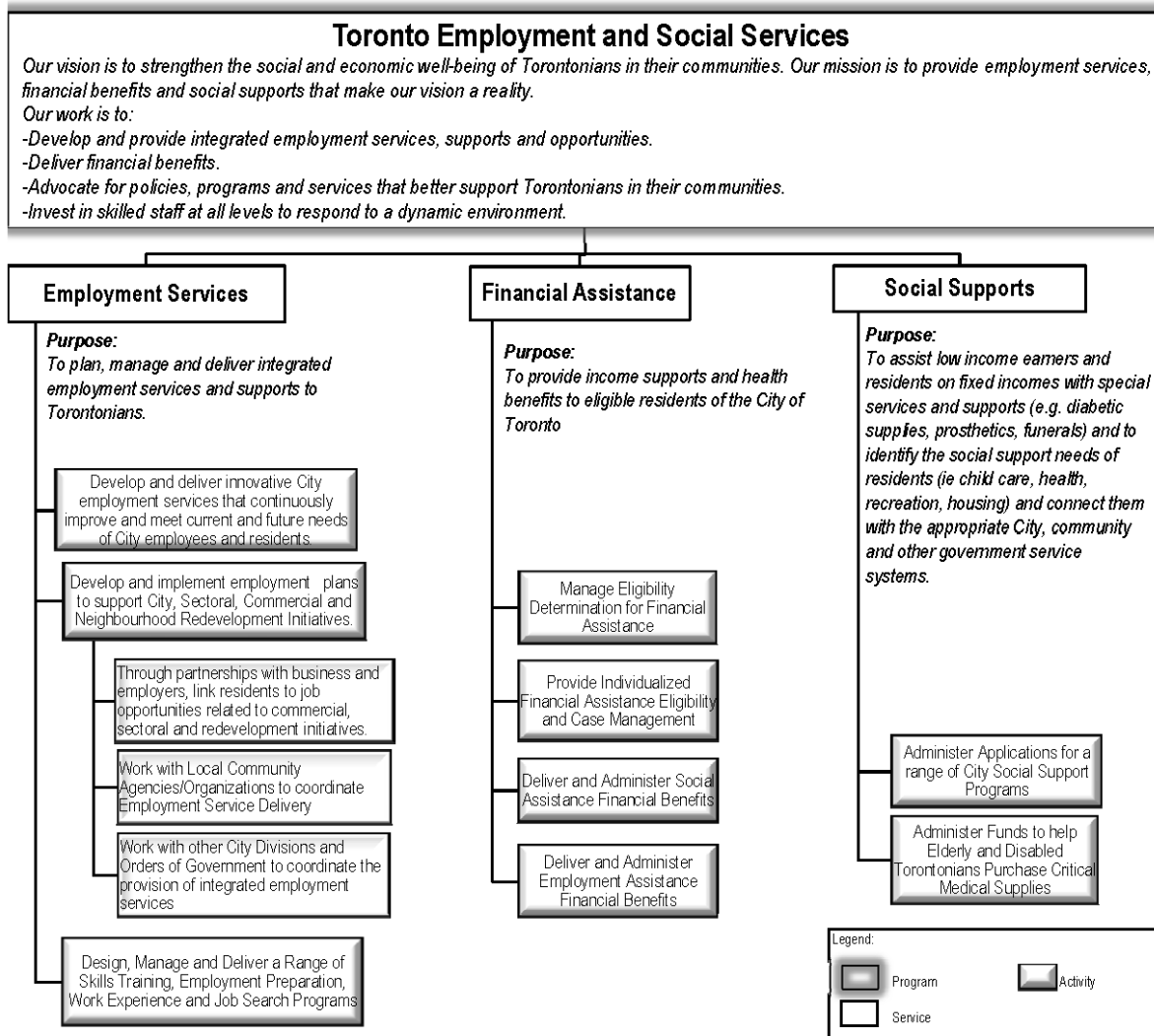
1. City Council approve the 2013 Recommended Operating Budget for Toronto Employment and Social Services of \$1,233.744 million gross and \$187.769 million net, comprised of the following services:

| <u>Service:</u> | <u>Gross (\$000s)</u> | <u>Net (\$000s)</u> |
|----------------------|-----------------------|---------------------|
| Financial Assistance | 1,087,309.4 | 142,432.3 |
| Employment Services | 142,087.5 | 43,891.4 |
| Social Supports | 4,347.4 | 1,444.7 |
| Total Program Budget | <u>1,233,744.4</u> | <u>187,768.5</u> |

2. Toronto Employment and Social Services' services and 2013 proposed service levels, as outlined on pages 3-6, and staff complement of 2,189.0 positions be approved.

PART II: 2013 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



Service Customer

Employment Services

- Low income Toronto Residents
- Unemployed & under-employed Toronto Residents
- Ontario Works (OW) Program Recipients and Adult Dependants
- Ontario Disability Support Program (ODSP) Program Recipients and Adult Dependants
- 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 Dependants
- Ontario Disability Support Program (ODSP) Program Participants and Dependants
- Ministry of Community & Social Services

Social Supports

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

2013 Recommended Service Levels

The 2013 proposed service levels for TESS's Services and Activities are summarized in the table below:

Service Types and Service Levels

| Service | Activity | Sub-Activity | Type | Approved 2012 Service Levels | Proposed 2013 Service Levels |
|---------------------|---|--|---|--|---|
| Employment Services | Design, Manage and Deliver a Range of Skills Training, Employment Preparation, Work Experience and Job Search Programs | Manage City Employment Centres | Provision of job retention services and supports (eg extended employment health benefits, support referrals and case management) | 700 cases per month receive extended employment health benefits | 700 cases per month receive extended employment health benefits |
| | | | Range of activities to help people find jobs (eg Job Search Assistance, Skill Training / Upgrading, Self-employment programs, Career Planning, Job Matching, Workshops/Job Fairs, labour market information/ job search support, referral to employment programs) | 214,200 visits to employment centres | 214,200 visits to employment centres |
| | | | Recruitment Services for Employers | Provide a range of recruitment services from job matching to job fairs with 150 employers | Provide a range of recruitment services from job matching to job fairs with 200 employers |
| | | Purchase of Employment Services and Contract Management | External training program and employment placements (Private Sector and Non-Profit) to increase job prospects and employment | 30,000 people attend education / upgrading programs | 30,000 people attend education / upgrading programs |
| | | Develop and deliver innovative City employment services that continuously improve and meet current and future needs of City employers and residents. | | Coordinated and accessible employment service system that meets the needs of employers, residents and communities. | Initiate implementation of plan |
| | Develop and implement employment plans to support City, Sectoral, Commercial and Neighbourhood Redevelopment Initiatives. | Through partnerships with business and employers, link residents to job opportunities related to commercial, sectoral and redevelopment initiatives. | Employer Partnerships Redevelopment, Commercial and Sectoral Employment Plans | Ongoing implementation of 13 designated initiatives | Ongoing implementation of 13 designated initiatives |

Service Types and Service Levels

| Service | Activity | Sub-Activity | Type | Approved 2012 Service Levels | Proposed 2013 Service Levels |
|----------------------|---|---|--|---|--|
| | | Work with Local Community Agencies / Organizations to coordinate Employment Service Delivery | Local Employment Service Plans | Complete implementation of 5 plans and begin implementation of remaining 13 | Continue implementation of 18 local employment service plans |
| | | Work with other City Divisions and Orders of Government to coordinate the provision of integrated employment services | Government Partnerships; Interdivisional partnerships; | Continue existing inter-governmental planning and co-ordination groups | Continue existing inter-governmental planning and co-ordination groups |
| | Provide Individualized Employment Case Management | | Develop and document Individual Service Plans, including referrals to employment programs, education, language and accreditation service and funds to eligible individuals to participate in employment or skills training | 269,000 personal service plans completed or updated | 269,000 personal service plans completed or updated |
| Financial Assistance | Deliver & Administer Employment Assistance Financial Benefits | | Employment Related Expenses (ERE) Extended Employment Health Benefit (EEHB) | Achieved compliance with provincial directives | Comply with provincial directives |
| | Deliver & Administer Social Assistance Financial Benefits | | Assisting single parents on OW obtain legal child support agreements. | 21,000 single parent families | 21,000 single parent families |
| | | | Creation and maintenance of internal control systems, policies and procedures. | Maintain a reasonable level of compliance and program integrity. | Maintain a reasonable level of compliance and program integrity |
| | | | Detection, prevention and prosecution of fraud; | 100 percent of allegations are investigated. | 100% of allegations are investigated |
| | | | Disclosure of information and personal privacy | 100% compliance to all requests | 100% compliance to all requests |
| | | | Management of overpayments and collections | Maintain a reasonable level of compliance and program integrity. | Maintain a reasonable level of compliance and program integrity |
| | | | Payment issuance and reconciliation | 1.5 million benefit payments per year | 1.5 million benefit payments per year |
| | | | Record Management System | 100% compliance to legislated documentation requirements | 100% compliance to legislated documentation requirements |

Service Types and Service Levels

| Service | Activity | Sub-Activity | Type | Approved 2012 Service Levels | Proposed 2013 Service Levels |
|-----------------|---|---|---|---|---|
| | | | Regular Internal Audits/Reviews to monitor program delivery, staff practices and to identify areas for improvement and validate compliance. | Compliance to all requests | Comply with provincial directives |
| | Manage Eligibility Determination for Financial Assistance | | Deliver and administer medically related benefits to eligible Toronto residents who have long-term physical disabilities | 18,150 residents receive medical benefits | 18,500 residents receive medical benefits |
| | | | Referrals to other relevant services and supports (i.e. shelter, ODSP, food banks, etc.) | Maintain 100% of referrals identified through completed service plans | Maintain 100% of referrals identified through completed service plans |
| | | | Review of appeals regarding ineligibility decisions | Maintain 100% of all appeals and Internal Reviews reviewed | Maintain 100% of all appeals and Internal Reviews reviewed |
| | | | Taking applications, assessing eligibility for financial assistance and rendering an eligibility decision | An eligibility decision within 7.0 business days | An eligibility decision within 7.0 business days |
| | Provide Individualized Financial Assistance Eligibility and Case Management | | Manage ongoing eligibility for financial assistance (eg Basic Living Allowance, Shelter Allowance, and Other Benefits mandated by the Province) | 169,000 families and single Torontonians | 169,000 families and single Torontonians |
| | | | Provide assessment and referrals to appropriate social supports (e.g. Housing, Addictions Counselling, etc.) | 169,000 families and single Torontonians | 169,000 families and single Torontonians |
| Social Supports | Administer Applications for a range of City Social Support Programs | | Kids @ Computers scholarship program | 1,600 families received scholarships | 1,600 families received scholarships |
| | | | Welcome Policy | 50,000 applications processed in Fall 2012 | 50,000 applications processed in 2013 |
| | | Administer Funds to help Elderly and Disabled Torontonians Purchase Critical Medical Supplies | | An eligibility determination for medically required item. | Provide service up to approved budget |

2013 Service Deliverables

The 2013 Recommended Operating Budget of \$1,233.744 million gross provides funding to:

- Manage an average monthly caseload of 108,500;
- Work with social assistance recipients and other unemployed City residents to assist 30,000 SA recipients find jobs;
- Provide consultation and support to approximately 214,200 client visits at Employment Centres (EC) across the City, and continue the implementation of an EC model that supports necessary services and supports for unemployed residents;
- Advance the City's Workforce Development Strategy by continuing to develop employment plans for city initiatives and with employers across sectors and by furthering the establishment of an integrated employment services system in Toronto through more effective planning, management and delivery of services to jobseekers and employers;
- Continue to introduce new technologies and approaches to streamlining the delivery and administration of social assistance benefits building on the implementation of the City Services Benefit Card;
- Enhance access to ODSP for homeless/vulnerable people, connecting the homeless with ongoing medical support, and linking homeless people to other service providers;
- Work with the Province and other stakeholders in implementing Social Assistance Management System (SAMS), the replacement system to SDMT;
- Respond to the recommendations of the Provincial Social Assistance review and to any subsequent Provincial changes to the social assistance program;
- Implement the new Housing Stabilization Fund (HSF) to meet the emergency housing needs of Torontonians on social assistance (OW and ODSP);
- Continue to provide medical benefits to Ontario Works (OW), Ontario Disability Support Program (ODSP) and Hardship Fund eligible residents at current service levels;
- Realize cost efficiencies in the provision of medical benefits through bulk purchasing, tendering and establishing a schedule for Orthotics in accordance with the principles and approaches outlined in the staff report "Changes to Provincial Funding Approaches for Homeless Prevention and Social Assistance Programs: Implementation Strategies and Issues"; and
- Further develop integrated case management and service delivery partnerships with Children Services, Economic Development & Culture, Shelter, Support and Housing Administration and other City divisions.

PART III: RECOMMENDED BASE BUDGET

**2013 Recommended Base Budget
(In \$000s)**

| (In \$000s) | 2012 Approved Budget | 2013 Rec'd Base | Change | | FY Incremental Outlook | |
|---------------------------|----------------------------|-----------------------|--|--------|------------------------|------------|
| | | | 2013 Recommended Base vs. 2012 Appvd. Budget | | 2014 | 2015 |
| | | | \$ | % | \$ | \$ |
| GROSS EXP. | 1,219,643.6 | 1,231,244.4 | 11,600.8 | 1.0% | (2,802.0) | 1,058.1 |
| REVENUE | 1,031,670.3 | 1,045,975.9 | 14,305.6 | 1.4% | 10,093.4 | 17,992.8 |
| NET EXP. | 187,973.3 | 185,268.5 | (2,704.9) | (1.4%) | (12,895.4) | (16,934.7) |
| Approved Positions | 2,190.5 | 2,189.0 | (1.5) | (0.1%) | | |

2013 Recommended Base Budget

The 2013 Recommended Base Budget of \$1,231.444 million gross and \$185.269 million net is \$2.705 million or 1.4% under the 2012 Approved Budget of \$187.973 million net and the budget target of a 0% increase. It provides:

- \$32.154 million gross and \$10.457 million net in funding for base budget increases;
- \$20.553 million gross and \$5.527 million net in recommended service budget reductions; and
- \$7.535 million in recommended revenue increases due to provincial upload of OW benefits net of the Ontario Municipal Partnership Fund claw-back.

Approval of the 2013 Recommended Base Budget will result in a reduction of 1.5 positions to the Program's approved staff complement resulting in a change from 2,190.5 to 2,189.0 as highlighted in the table below:

**2013 Recommended Staff Complement
Base Budget Summary**

| Changes | Staff Complement |
|--|---------------------|
| 2012 Approved Complement | 2,190.5 |
| - 2012 In-year Adjustments | |
| 2012 Approved Staff Complement | 2,190.5 |
| 2013 Recommended Staff Complement Changes | |
| - 2013 Prior Year Impact - Hardship Fund | (1.5) |
| Total 2013 Recommended Complement | 2,189.0 |

- The 2013 Recommended Operating Budget includes a net reduction of 1.5 positions due to the elimination of the Hardship Fund as per Council's direction in the approved 2012 Operating Budget.

- On October 30, 31 and November 1, 2012, City Council requested the City Manager "to include in his 2013 Operating Budget for Employment and Social Services, for consideration during the budget process, funding for supplementary medical benefits to assist Ontario Works (OW), Ontario Disability Support Program (ODSP) and Hardship Fund eligible residents at current service levels until the revised delivery models are developed."
- The annualized cost of providing Hardship Fund eligible residents medical benefits at current service levels in 2013 is projected to be \$1.0 million gross and net, and has been included in TESS's 2013 Recommended Operating Budget as a new and enhanced initiative.
- TESS will provide these Hardship Fund benefits in 2013 without an increase to its current staff complement.

2013 Recommended Service Change Summary (In \$000s)

| Description | 2013 Recommended Service Changes | | | | Net Incremental Impact | | | |
|--------------------------------------|----------------------------------|---------------|-------------|---------------------------|------------------------|-----------------|-----------------|-----------------|
| | Position Changes | Gross Expense | Net Expense | % Change over 2012 Budget | 2014 | | 2015 | |
| | | | | | Net Expenditure | Position Change | Net Expenditure | Position Change |
| Base Changes: | | | | | | | | |
| Base Expenditure Changes | | | | | | | | |
| Capping of Health Related Benefits | | (1,781.1) | (306.4) | (0.2%) | | | | |
| OW Case Mix | | (3,600.0) | (619.2) | (0.3%) | | | | |
| Special Diet Supplement | | (5,000.0) | (860.0) | (0.5%) | | | | |
| Other Expenses and Revenues | | (593.7) | (396.7) | (0.2%) | | | | |
| CSUMB | | (9,578.1) | (3,345.1) | (1.8%) | | | | |
| Base Expenditure Changes | | (20,552.9) | (5,527.4) | (2.9%) | | | | |
| Sub-Total Base Budget Changes | | (20,552.9) | (5,527.4) | (2.9%) | | | | |
| Total Service Changes | | (20,552.9) | (5,527.4) | (2.9%) | | | | |

2013 Recommended Service Changes

The 2013 recommended service changes consist of base expenditure changes of \$5.527 million net, bringing the 2013 Recommended Base Budget to \$2.705 million net or 1.4% under the 2012 Approved Budget of \$187.973 million net.

Base Expenditure Changes: (Savings of \$20.553 million gross and \$5.527 million net)

Capping of Medical Benefits

- The Program has identified \$1.781 million gross and \$0.306 million net of savings to reduce medical benefits expenditures to the level of the provincial funding cap. In the 2012 Provincial budget, Ontario set a cap on provincial funding under the OW Act for medical benefits, with expenses above the limit to be 100% City funded.
- On October 30, 31 and November 1, 2012, City Council requested the City Manager to include in the recommended 2013 Operating Budget for Employment and Social Services, for consideration during the budget process, funding for medical benefits to assist Ontario Works (OW), Ontario Disability Support Program (ODSP) and Hardship Fund eligible residents at current service levels until the revised delivery models are developed. The

costs associated with maintaining service at current levels have been included in TESS's 2013 Recommended Operating Budget as a new and enhanced initiative.

OW Case Mix

- The 2013 Recommended Operating Budget includes a reduction of \$3.600 million gross and \$0.619 million net to reflect a higher level of singles versus families in the OW caseload.

Special Diet Supplement

- A reduction of \$5.000 million gross and \$0.860 million net to reflect current expenditure levels for Special Diet Supplements. The downward trend of Special Diet expenditures is mainly attributable to the additional eligibility criteria for both clients and medical practitioners introduced in 2010, which required attestation by clients and medical practitioners that all information provided is correct, as well as the revision of the Special Diet Schedule.

Other Expenses and Revenues

- The Program has identified \$0.594 million gross and \$0.397 million net of savings, mainly attributed to lower contractual lease costs and IT maintenance costs.

Community Start-Up and Maintenance Benefit (CSUMB)

- Through its 2012 budget, the Province eliminated the Community Start-Up and Maintenance Benefit (CSUMB) program effective January 1, 2013 and transferred 50% of the funding previously allocated to CSUMB to the new Community Homelessness Prevention Initiative (CHPI).
- As authorized by City Council on October 30th, 31st and November 1, 2012, with the elimination of CSUMB, TESS will implement the new Housing Stabilization Fund (HSF), funded from CHPI, to meet the emergency housing needs of Torontonians on social assistance.
- The elimination of CSUMB will reduce net expenses by \$3.345 million.
 - These savings will be offset by increases resulting from the extension of the Basic Needs Allowance to shelter residents as per provincial legislative changes and the maintenance of current service levels for the provision of medical benefits to OW, ODSP and Hardship Fund eligible residents. See page 15 for further details.

2014 and 2015 Outlook (In \$000s)

| Description | 2014 - Incremental Increase | | | | | 2015 - Incremental Increase | | | | | Total Net % Change from 2013 |
|---|-----------------------------|-----------|-------------|------------------------|-------------|-----------------------------|-----------|-------------|------------------------|-------------|------------------------------|
| | Gross Expense | Revenue | Net Expense | % Net Change from 2013 | # Positions | Gross Expense | Revenue | Net Expense | % Net Change from 2014 | # Positions | |
| Known Impacts | | | | | | | | | | | |
| Upload of Ontario Works Financial Benefits | | 25,652.0 | (25,652.0) | (13.7%) | | | 25,652.0 | (25,652.0) | (14.7%) | | (27.3%) |
| Claw Back of Ontario Municipal Partnership Fund | | (6,800.0) | 6,800.0 | 3.6% | | | (6,900.0) | 6,900.0 | 3.9% | | 7.3% |
| Reversal of SAS Reserve Fund Contribution | | (7,319.3) | 7,319.3 | 3.9% | | | | | | | |
| COLA for Bargaining Unit Staff | 2,364.6 | 1,182.3 | 1,182.3 | 0.6% | | 3,365.5 | 1,682.8 | 1,682.7 | 1.0% | | 1.5% |
| Property Tax Exemption for Leased Properties | (450.0) | (225.0) | (225.0) | (0.1%) | | | | | | | (0.1%) |
| Progression Pay Increase | 249.8 | 124.9 | 124.9 | 0.1% | | 211.2 | 105.6 | 105.6 | 0.1% | | 0.1% |
| Step Pay Increase | 110.2 | 55.1 | 55.1 | 0.0% | | 58.0 | 29.0 | 29.0 | 0.0% | | |
| Sub-Total Known Impacts | 2,274.6 | 12,670.0 | (10,395.4) | (5.5%) | | 3,634.7 | 20,569.4 | (16,934.7) | (9.7%) | | (14.6%) |
| Total Incremental Impacts | 2,274.6 | 12,670.0 | (10,395.4) | (5.5%) | | 3,634.7 | 20,569.4 | (16,934.7) | (9.7%) | | (14.6%) |

Approval of the 2013 Recommended Base Budget for Toronto Employment and Social Services will result in a 2014 incremental cost savings of \$10.395 million net and a 2015 incremental cost savings of \$16.935 million net to maintain 2013 service levels.

Future year incremental costs are primarily attributable to the following:

Known Impacts

- The favourable 2014 Outlook of \$10.395 million net reflects savings from:
 - The reduced City share of OW Benefit costs from 14.2% to 11.4% of \$25.652 million due to Provincial upload; and
 - Savings of \$0.225 million net attributed to the exemption of property tax for TESS's leased properties (designated as Municipal Capital Facilities);

partially offset by:

- Reversal of the one-time 2013 recommended contribution of \$7.319 million from the SAS Reserve Fund;
 - The Ontario Municipal Partnership Fund claw-back of \$6.800 million;
 - COLA increase of \$1.182 million for bargaining unit staff; and
 - 2013 progression pay and step increases of \$0.125 million and \$0.55 million respectively.
- The favourable 2015 Outlook of \$16.935 million net is mainly attributable to:
 - The reduced City share of OW Benefit Costs from 11.4% to 8.6% of \$25.652 million due to Provincial upload;

partially offset by:

 - The OMPF claw-back of \$6.900 million;
 - COLA increase of \$1.683 million for bargaining unit staff; and
 - 2015 progression pay and step increases of \$0.106 million and \$0.029 million respectively.

- The 2014/2015 Outlooks exclude any potential changes in the OW caseload and any potential OW rate increases. These factors will be reviewed and presented to Budget Committee in 2014 and 2015.
- With upload of OW benefits, expenditures goes down, and funding less initiatives, for net 0
- Given the timing required to prepare appropriate implementation strategies for the Housing Stabilization Fund, 2013 will be a transitional year during which a long-term strategic plan will be developed. This plan may have budget implications for 2014 and beyond.

PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

**2013 Recommended New/Enhanced Service Priority Actions
(In \$000s)**

| Description | 2013 Recommended | | | Net Incremental Impact | | | |
|--|------------------|------------------|---------------|------------------------|-------------|------------------|-------------|
| | Gross Expense | Net Expenditures | New Positions | 2014 | | 2015 | |
| | | | | Net Expenditures | # Positions | Net Expenditures | # Positions |
| Enhanced Service Priorities | | | | | | | |
| Medical Benefits for SA Recipients | 1,500.0 | 1,500.0 | | | | | |
| Former Hardship Fund | 1,000.0 | 1,000.0 | | | | | |
| Sub-Total - Enhanced Service Priorities | 2,500.0 | 2,500.0 | | | | | |
| Total New / Enhanced Service Priorities | 2,500.0 | 2,500.0 | | | | | |

2013 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priorities:

- Under the authority of the OW Act, TESS provides a range of health related items to eligible OW and ODSP recipients, including dental benefits, funerals, vision care, hospital beds, wheelchairs, orthotics, etc.
 - In 2011, more than 56,000 households received support for medical benefits, many of them seniors and people with significant health issues. Over time, changes in social assistance policies, health care and demographics have created growing demands and increasing costs for medical benefits. These demands are being exacerbated by the changing age structure in Toronto with the two fastest growing age groups aged 60-64 and 85+ years.
 - As part of the recent provincial budget, the Ontario government announced that, effective July 1, 2012, provincial funding for medical benefits would be capped at a fixed per case amount.
 - The impact of the cap on medical benefit funding is projected to be \$2.700 million in 2013.
- As per the City's core service review, City Council directed TESS to continue to fund the Hardship Fund until July 1, 2012 and in the event additional provincial funding could not be secured, any additional funding needed for the balance of the year be funded from TESS's net budget.
 - The Hardship Fund was established by the City in 1999 to provide financial assistance to help cover the costs of specific medical 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.
 - As of July 1st, 2012, the Hardship Fund was formally eliminated and TESS has continued to provide these benefits from its net budget for the remainder of 2012 in accordance with Council direction.

- The expenditures to maintain projected services level in 2013 is \$1.000 million gross and net.
- On October 30th, 31st and November 1, 2012, City Council requested that "the City Manager include in his 2013 Operating Budget for Toronto Employment and Social Services, for consideration during the budget process, funding for supplementary medical benefits to assist Ontario Works (OW), Ontario Disability Support Program (ODSP) and Hardship Fund eligible residents at current service levels until the revised delivery models are developed."
- Should City Council wish to maintain current service levels for medical benefits and Hardship Fund benefits is \$2.500 million net, consisting of the following:
 - \$2.700 million for OW and ODSP eligible clients, less \$1.200 million in efficiency savings due to anticipated cost efficiencies such as bulk purchasing, for a net cost of \$1.500 million; and
 - \$1.000 million net for Hardship Fund eligible residents.
- TESS will deliver the increase in medical and Hardship Fund benefits within its current staff complement.

Part V: ISSUES FOR DISCUSSION

2013 and Future Year Issues**2013 Issues**

The impact of the Provincial funding changes and implementation of Council's direction on October 30th and 31st, and November 1, 2012, addressed in TESS's 2013 Recommended Operating Budget, as shown in the following table and discussed below, include:

- A. Changes to Provincial Funding for Social Assistance Programs
 - i. Elimination of CSUMB / Establishment of Housing Stabilization Fund (CHPI); and
 - ii. Basic Needs for Shelter Clients.
- B. Medical Benefits for Social Assistance Recipients.
- C. Former Hardship Fund.

| Description | Gross Expenses (In \$000s) | Revenues (In \$000s) | Net Expenses (In \$000s) |
|--|-------------------------------|-------------------------|-----------------------------|
| <u>Base Budget Changes</u> | | | |
| Elimination of CSUMB | (35,004) | (30,033) | (4,970) |
| Establishment of Housing Stabilization Fund (CHPI) | 25,425 | 23,900 | 1,525 |
| Basic Needs for Shelter Clients | 6,656 | 5,711 | 945 |
| Sub-Total Base Budget Changes | (2,922) | (422) | (2,500) |
| <u>New / Enhanced Services</u> | | | |
| Medical Benefits for SA Recipients | 2,700 | | 2,700 |
| Less Cost Efficiency Savings | (1,200) | | (1,200) |
| Total Medical Benefits | 1,500 | | 1,500 |
| Former Hardship Fund | 1,000 | | 1,000 |
| Sub-Total New/Enhanced Services | 2,500 | | 2,500 |
| Net Changes to 2013 Budget | (422) | (422) | |

- A. Changes to Provincial Funding for Social Assistance Programs
 - As discussed in the staff report to City Council, "*Changes to Provincial Funding Approaches for Homeless Prevention and Social Assistance Programs: Implementation Strategies and Issues*", the Province recently announced changes to several homeless prevention and social assistance programs administered by the City, including the elimination of the Community Start-Up and Maintenance Benefit (CSUMB) and introduction of the Community Homelessness Prevention Initiative (CHPI).
 - CHPI will replace existing funding across the province for Emergency Hostels, the Consolidated Homelessness Prevention Program (CHPP), the Rent Bank, Emergency Energy Fund, and Domiciliary Hostels, starting in 2013.
 - By moving from an open-ended, demand-based funding model to capped funding envelopes, the new provincial funding arrangements present financial risks to the City.

In the case of CHPI, municipalities will now receive a set amount of funding, determined through a provincial formula, for the provision of a range of homeless prevention services, including emergency hostels.

- The CSUMB for OWs and ODSP recipients was also an open-ended program, with funding based on service demand. With its elimination, the City will receive less funding overall for homelessness prevention services for social assistance recipients. This will reduce the City's capacity to assist residents on social assistance who are facing housing related crises, as program criteria will prioritize services for the most vulnerable clients within the limited funds available.
 - The Province will no longer provide CSUMB funding to clients on provincially administered ODSP benefits, resulting in a reduction in funding of \$8.5 million in Toronto. Without this program, many of these vulnerable residents with disabilities may face housing challenges and even become homeless, resulting in increased pressure on City services.
 - Together, the recent provincial announcements represent a shift in the approach to provincial funding, which have financial and client service implications for the City. At the same time, these changes present opportunities for increased service integration and flexibility to meet local needs. However, these opportunities are overshadowed by the associated reductions in provincial funding in an already strained service system.
 - With reduced overall provincial funding and caps on previously demand-based programs, Toronto's most vulnerable residents will face decreased access to critical services and supports.
 - Given the timing required to prepare appropriate implementation strategies, 2013 will be a transitional year during which the long-term strategic plan will be developed. While the implementation strategies will aim to minimize impacts, by necessity, criteria for redesigned programs will be targeted to the most vulnerable residents.
- i. *Elimination of CSUMB / Establishment of Housing Stabilization Fund (CHPI)*
- Through its 2012 budget, the Province eliminated the CSUMB program and transferred 50% of the funding previously allocated to it to CHPI. As authorized by City Council at its meeting on October 30th, 31st and November 1, 2012, TESS will implement the new Housing Stabilization Fund (HSF), funded from CHPI, to meet the emergency housing needs of Torontonians on social assistance.
 - CSUMB helps individuals and families who receive social assistance to move into housing (e.g. pay the last months' rent deposit and moving costs), reduces evictions (e.g. by helping with rent arrears), as well as address other types of emergencies that may affect housing stability (such as replacing furnishings). An estimated 49,000 households on OW and the ODSP in Toronto are assisted through this program each year
 - In 2012, through the OW and ODSP programs, a total of \$38.5M was made available by the Province to City residents through CSUMB (\$30.0 million funded through OW plus \$8.5 million paid directly to residents through the ODSP program). Under the

- CHPI needs based funding formula, the City will receive \$23.9 million, resulting in a reduction of \$14.6 million in provincial funding for the provision of homelessness services to low-income city residents.
- The drop in funding will reduce the City's capacity to assist residents who are facing housing related crises, as program criteria will prioritize services for the most vulnerable clients within the limited funds available.
 - The elimination of CSUMB will reduce net expenses by \$4.970 million.
 - CSUMB savings (\$4.970 million) will be offset by increases for the implementation of the Housing Stabilization Fund (\$1.525 million) and from the extension of the Basic Needs Allowance (\$0.945 million) to shelter residents as per provincial legislative changes and the maintenance of current service levels for the provision of medical benefits to OW, ODSP (\$1.500 million) and Hardship Fund eligible residents (\$1.000 million).
- ii. *Basic Needs for Shelter Clients*
- In accordance with the Ontario Works Act, shelter clients have been eligible to receive a Personal Needs Allowance (PNA) of \$4.40 per day or approximately \$132 per month. With the introduction of the new CHPI, which will be administered by the Ministry of Municipal Affairs and Housing (MMAH), the Province has issued a directive stating that effective January 1, 2013, households staying in emergency shelter funded through CHPI will no longer be eligible for the PNA under OW, and will instead be eligible for Basic Needs. Basic Needs Allowance is a mandatory benefit under OW that provides funds for items as food, clothing and personal needs. The allowance is based on family size (e.g. a single on OW is entitled to \$230 per month).
 - A number of significant administrative, operational, financial, and client service issues will need to be addressed to ensure effective implementation of these changes. SSHA and TESS developed an implementation plan and have begun to address these issues in an effort to minimize service impacts to clients, including working with individual shelter providers to address specific transition issues.
 - The cost of providing basic needs to shelter clients is projected to be \$6.656 million gross, \$0.945 million net.

B. Medical Benefits for Social Assistance Recipients

- Under the authority of the OW Act, TESS provides a range of health related items to eligible OW and ODSP recipients, including dental benefits, funerals, vision care, hospital beds, wheelchairs, orthotics, etc.
- In 2011, more than 56,000 households received support for medical benefits, many of them seniors and people with significant health issues. Over time, changes in social assistance policies, health care and demographics have created growing demands and increasing costs for medical benefits. These demands are being exacerbated by the changing age structure in Toronto with the two fastest growing age groups aged 60-64 and 85+ years.

- Historically, provincial funding for medical benefits has been open-ended, demand-based with no cap.
- As part of the recent provincial budget the Ontario government announced that provincial funding for medical benefits would be capped at a fixed per case amount.
 - The impact of the cap on medical benefit funding is projected to be \$2.7 million in 2013. However, a number of actions are in the process of being implemented that are projected to realize cost efficiencies of \$1.2 million in 2013, including purchasing items in bulk, "bundling" medical equipment, aids and supports that are currently purchased separately, and leveraging the City's purchasing processes through Requests for Proposals/Requests. These initiatives will reduce the cost to the City of providing medical benefits at current service levels to \$1.5 million. These expenditures would be 100% City funded.
- To continue to provide medical benefits for OW and ODSP eligible residents at 2012 service levels in 2013, would require net expenditures of \$1.5 million above the provincial funding cap.

C. Supplemental Medical Benefits for Low Income Residents (Hardship Fund)

- The Hardship Fund was established by the City in 1999 to provide financial assistance to help cover the costs of specific medical 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.
- As per the City's core service review, City Council directed TESS to continue to fund the Hardship Fund until July 1, 2012. As of July 1st, the Hardship Fund was eliminated. City Council further directed the General Manager of TESS to enter into discussions with the Province to assume responsibility for providing supplementary medical benefits. In the event that additional provincial funding could not be secured, City Council directed that TESS continue to provide these benefits for the remainder of 2012 and absorb the costs within its 2012 approved operating budget.
- City Council has made no provision to provide these benefits beyond the end of 2012.
- To provide supplementary medical benefits for Hardship Fund eligible residents at current service levels in 2013, as directed by City Council on October 30th, 31st and November 1, 2012, would require expenditures of \$1.0 million. These expenditures would be 100% City funded.

Ontario Works Caseload

- In 2011 the Province introduced a revised approach for funding COA in the delivery of the Ontario Works program. The funding formula is predicated on a two year average of an expanded caseload count.
- To comply with the changes, TESS has modified its caseload reporting to include these new cases. As a result, the 2012 caseload budget was increased by 2,500, from 106,000 to 108,500. These cases reflect hostel cases within the SH&S shelter system that will now receive the basic needs allowance and OW cases referred to the ODSP program.

- The 2013 budgeted average caseload is set at the same level as in 2012.

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 OW benefits costs in a phased approach over the 2010 to 2018 time period.
- The 2011 Approved Operating Budget included 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."
- The OMPF claw-back was \$20.8 million in 2012, continues to be \$20.8 million in 2013 and will be approximately \$6.8 million per year from 2014 to 2018.
- The savings from the OW Benefit cost upload of \$28.3 million is partially offset by the OMPF clawback of \$20.8 million, resulting in net budget savings of \$7.5 million net in 2013.
- 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) | (15.1) | (28.3) | (25.7) | (25.7) | (25.7) | (27.5) | (25.7) | |
| Savings from Upload | | (39.1) | (20.0) | (83.3) | (82.9) | (15.1) | (28.3) | (25.7) | (25.7) | (25.7) | (27.5) | (25.7) |
| 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) | 5.7 | (7.5) | (18.9) | (18.8) | (18.9) | (20.6) | (18.9) |
| Cumulative Savings | | (39.1) | (39.4) | (101.9) | (164.0) | (158.3) | (165.8) | (184.7) | (203.5) | (222.4) | (243.0) | (261.9) |

Increase in Employment Assistance Benefits

- OW clients, ODSP dependent adults and ODSP non-disabled spouses without care-giving responsibilities are required to participate in approved employment assistance activities as a condition of eligibility for financial assistance. The approved employment assistance activities are tailored to individual client's needs and designed to aid clients to prepare for, find and maintain employment. Approved employment assistance activities include pre-employment development programs that help OW clients to explore career options and set goals, volunteering, skills training, and education / upgrading classes.

- In a continuation of a phased-in approach that commenced in the 2012 Approved Budget, the 2013 Recommended Operating Budget includes increasing funding for Employment Assistance Benefits by \$5.0 million gross and \$2.5 million net bringing total funding to \$52.0 million gross and \$7.4 million net, to meet the demand for employment supports. As a result of the recession and the resultant increase in unemployment, employment assistance participants have grown from 71,000 at the start of 2007 to 95,600 in 2011, representing an overall increase of 35%. The employment budget was flat-lined over this period, which resulted in a significant drop in the per capita benefits available to recipients – benefits per participant per month fell from \$46 in 2007 to \$36 in 2011. With the increase in 2012 and the proposed increase in 2013, benefits per participant per month would increase to approximately \$44. The proposed investment will:
 - Provide services and supports to OW recipients to help them compete for and retain jobs;
 - Allow TESS to implement the recommendations in the City Council approved report "Working As One, A Workforce Development Strategy for Toronto" (e.g. support individuals with the costs associated with accreditation, licensing and certification and supports to entrepreneurs to increase self-employment and business start-ups and promote job creation); and
 - Provide long term benefits to the City by generating downward pressure on the OW caseload, with the resultant savings more than offsetting the increased investment in employment benefits.

Increase in OW Dental Program Costs

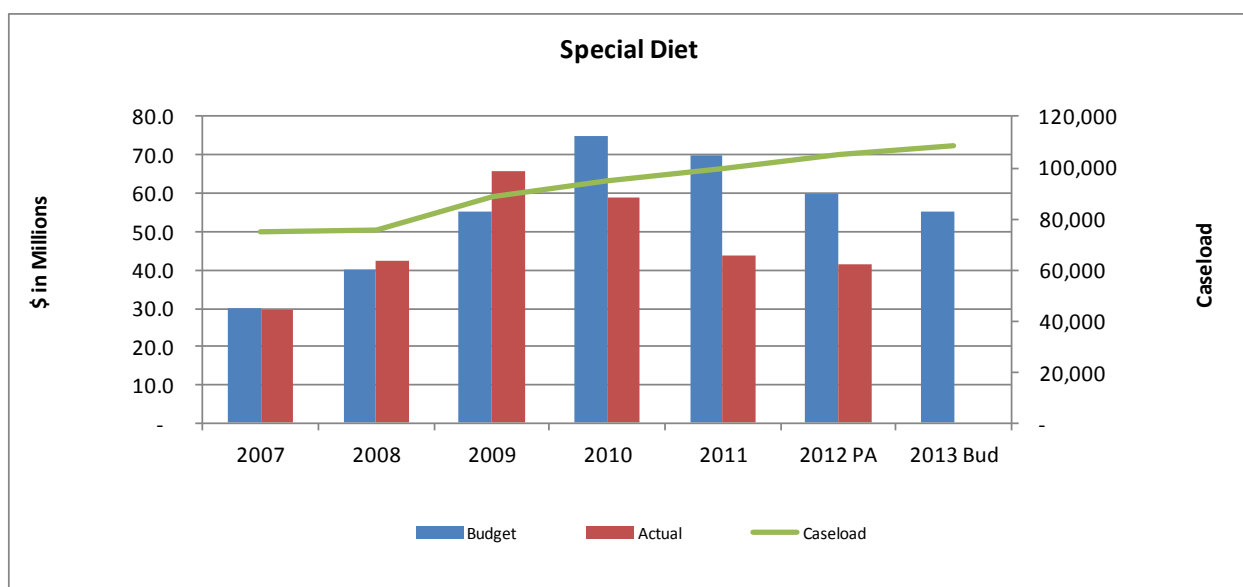
- Under the OW Act, dependent children of OW recipients between the ages of 0-17 years receive mandatory basic dental coverage. The program is managed by Public Health – OW dependent children may seek dental treatment from either a private dentist or by contacting Public Dental Clinics. All claims are processed by Public Health. This provincially mandated program will be cost-shared 85.8% by the Province and 14.2% by the City in 2013. In 2011, total costs for the program were \$6.5 million gross, and costs thus far in 2012 are running higher than during the same period last year.
- The 2013 Recommended Operating Budget includes additional funding of \$0.708 million gross and \$0.122 million net to align the budget with actual costs being incurred due to the escalating demand.

Reduction in Special Diet Allowance Costs

- This Provincially mandated program helps people pay for extra food costs related to specific medical conditions.
- The Special Diet Allowance changed on April 1, 2011 to make the program more accountable and comply with a Human Rights Tribunal of Ontario decision. Changes include revisions to the list of eligible medical conditions (allowances for some medical conditions have increased, others have decreased and medical conditions that the Special Diet Expert Review Committee determined to not require a special diet that involves additional costs were removed), requiring recipients to consent to the release of relevant medical

information to support their application, and putting stronger tracking methods in place to improve accountability.

- To receive a Special Diet Allowance after July 31, 2011, all clients, including those clients previously receiving the benefit, had to submit a new application for an eligible medical condition.
- While expenditures fell after the introduction of the application, they have slowly begun to rise albeit at a slower pace than anticipated in the 2012 Approved Budget. To better reflect this slower growth, the 2013 Recommended Operating Budget includes a reduction of \$5.000 million gross and \$0.860 million net.
- The gross expenses for Special Diet versus OW caseload for 2008 to 2013 are summarized below.



Issues Referred to the 2013 Operating Budget Process

On October 30, 31 and November 1, 2012, City Council requested "the City Manager include in his 2013 Operating Budget for Employment and Social Services, for consideration during the budget process, funding for supplementary medical benefits to assist Ontario Works (OW), Ontario Disability Support Program (ODSP) and Hardship Fund eligible residents at current service levels until the revised delivery models are developed."

- The annualized cost of providing Hardship Fund eligible residents medical benefits at 2012 service levels in 2013 is projected to be \$1.0 million gross and net, and has been included in TESS's 2013 Recommended Budget as a new and enhanced request.

Appendix 1

2012 Performance

2012 Key Accomplishments

In 2012, Toronto Employment and Social Services achieved the following results:

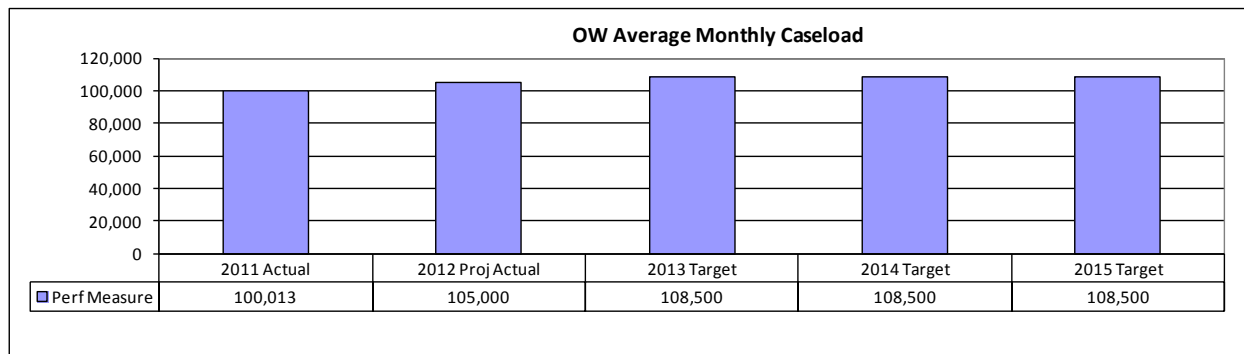
- ✓ Assisted over 30,000 social assistance recipients to achieve employment, reducing City social assistance expenditures by \$155 million gross/\$33.5 million net.
- ✓ Obtained City Council approval for Working as One, A Workforce Development Strategy for Toronto.
- ✓ Implemented the first phase of the City of Toronto benefit card, introducing the first ongoing electronic benefits cards for social assistance recipients in Canada.
- ✓ Provided employment services, financial benefits and social supports to 1 in 9 residents or 273,000 different Toronto residents over 2012.
- ✓ Served an Ontario Works average monthly caseload of 105,000.
- ✓ Provided services to assist over 214,200 residents improve their employability or obtain jobs at Employment Centres across the City.
- ✓ Handled 162,300 calls through the Application Centre.
- ✓ Worked with over 100 agencies across the city through service contracts to deliver employment and skill training courses.
- ✓ Developed 13 employment plans in conjunction with key City initiatives to provide employment opportunities for unemployed city residents. Notably, TESS with Metrolinx, PanAm Games Athletes Village and the TTC along with their contractors have put in place a planning and delivery process for local hiring.
- ✓ Obtained City Council approval for the implementation of the Lawrence Allan Employment Plan.
- ✓ Opened common front counter with Children's Services at Metro Hall.
- ✓ Worked with 200 employers to identify and provide job opportunities to social assistance recipients and other unemployed city residents.
- ✓ Sponsored and conducted 39 job fairs that connect 11,500 residents with potential employers.
- ✓ Provided 700 social assistance recipients with paid job placements through the Investing in Neighbourhoods program.
- ✓ Supported 30,000 social assistance recipients to attend education/upgrading programs.
- ✓ Completed/updated 269,000 individualized employment plans with people in receipt of social assistance.
- ✓ Managed/pursued family support for 24,200 families on OW.

- ✓ Assessed 32,500 clients annually utilizing the career eligibility assessment tool.
- ✓ Job Incentive Program (JIP) - Over 250 placements, with 18 participating City of Toronto Divisions, 4 Business Improvement Areas (BIAs) and the Ministry of Finance.
- ✓ Investing in Youth – Assisted over 1,600 youth cases to find work or supported in structured programs such as skill training, education upgrading, etc.
- ✓ Managed Welcome Policy administration for membership of 50,000 families (both OW and Non-OW).
- ✓ As part of the ongoing implementation of the division's customer service plan, completed survey of TESS staff to opportunities to provide improved services to jobseekers and employers.
- ✓ On behalf of the City, responded to recommendations and directions contained in the Social Assistance Commission's final report on its review of the province's social assistance programs.

2012 Performance

Effectiveness Measure – Ontario Works (including cases accessing OW) Average Monthly Caseload

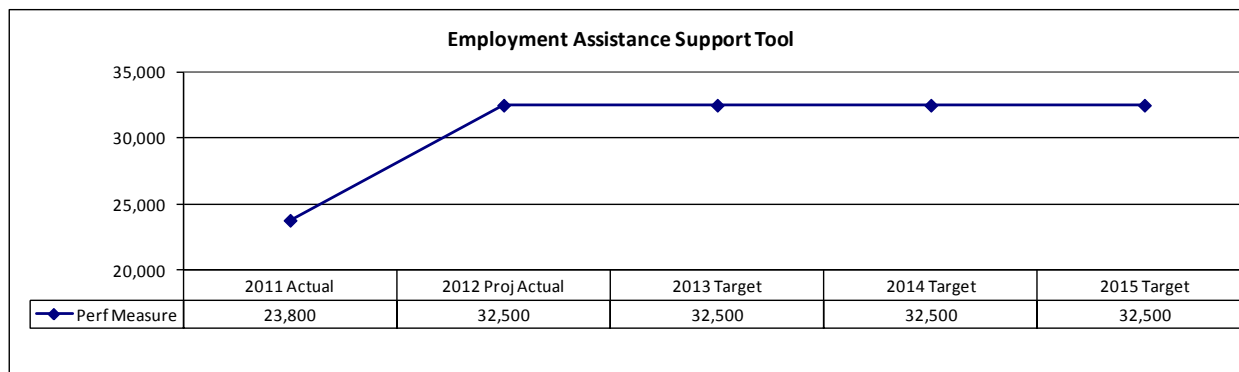
- Reflects the demand for Ontario Works and the volume of service provided.



- The number of cases receiving OW is driven by economic and employment factors. Case load volumes, in conjunction with Provincial requirement for program delivery, drive program and administration costs.

Efficiency Measure – Annual number of clients screened using the Employment Assistance Support Tool

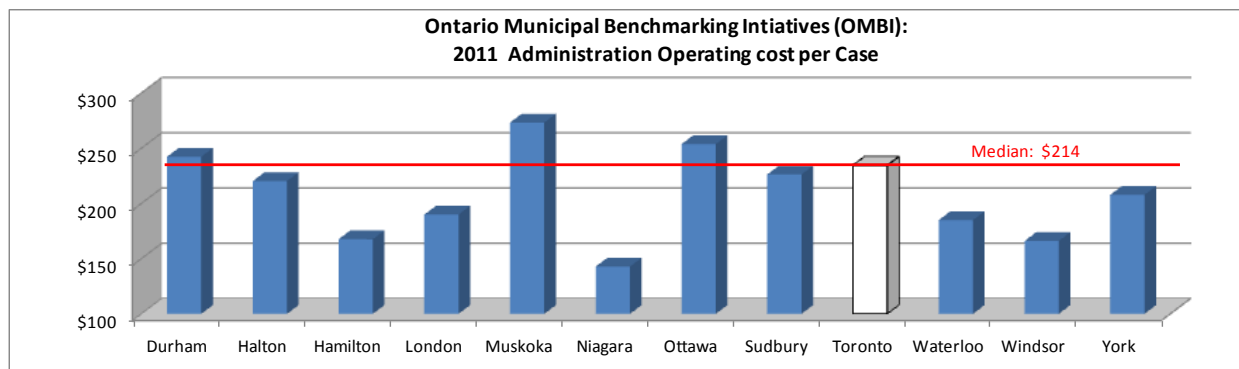
- Assisting clients to establish realistic employment goals and develop workable OW program participation plan requires accurate screening of employability levels.



- 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.

Efficiency Measure – OMBI measures of average monthly administration cost per case (gross)

- OMBI measures of average monthly administration cost per case is tracked vs. other municipalities as part of the Ontario Municipal Benchmarking Initiative (OMBI).

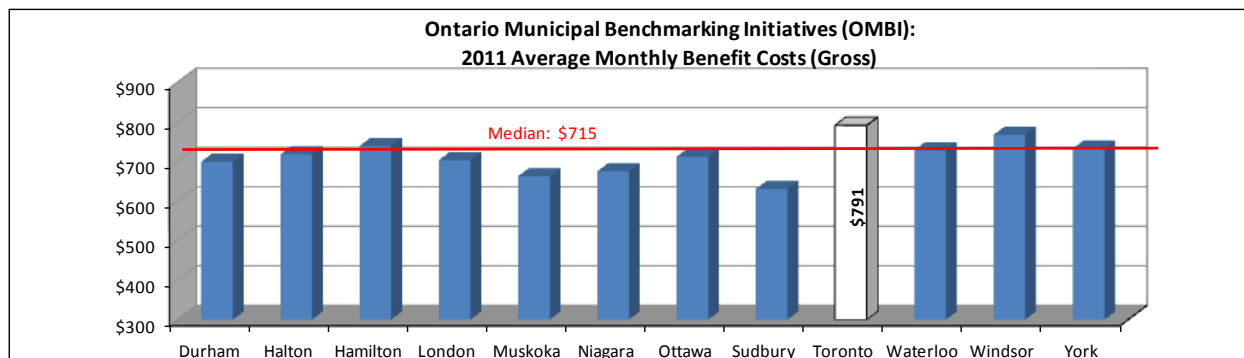


- TESS's average monthly administration cost per case of \$234 is 10% higher than the median of the 11 other municipalities participating in the OMBI survey.
- The administration costs in supporting a social assistance case represent costs to deliver and administer the programs, which includes working with clients to determine their most effective employment option(s), providing financial and medical benefits to eligible recipients, as well as quality assurance, fraud prevention and control activities.
- The above chart compares the 2011 monthly administration cost per case in Toronto to other municipalities as an indicator of efficiency. TESS's average monthly administration cost per case of \$234 in 2011 is 10% higher than the median of the other 11 municipalities participating in the OMBI survey and \$10 or 4.3% lower than the previous year.

- Key factors that can influence administration costs in municipalities include different models of service delivery, the service provided, demographics, client employability and available community.

Efficiency Measure – OMBI measures of average monthly benefit cost per case (gross)

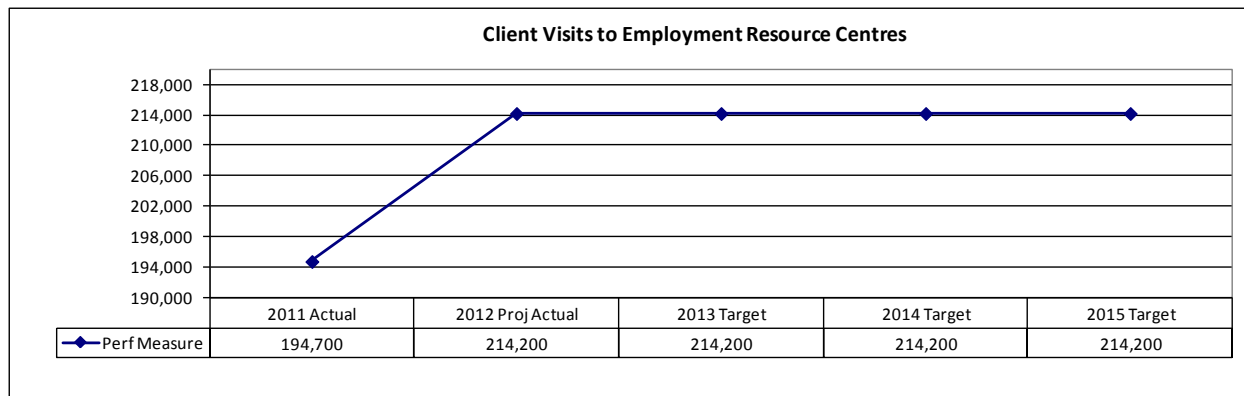
- Average monthly benefit cost per case is tracked vs. other municipalities as part of the Ontario Municipal Benchmarking Initiative (OMBI).



- TESS's average monthly benefit cost per case of \$791 is 11% higher than the median of the 11 other municipalities participating in the OMBI survey. This is mainly attributed to the fact that Toronto manages approximately one third of the Provincial caseload, and this encompasses unique variables in the case mix (e.g. higher rental costs compared to other municipalities).
- Monthly benefits include all client payments for social assistance and employment programs. When these benefits costs (77% 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 2011 monthly benefit and total cost per social assistance case to other municipalities. TESS's average monthly benefit cost per case of \$791 is 11% higher than the median of the 11 other municipalities participating in the OMBI survey. This is mainly attributed to the fact that Toronto manages approximately one third of the Provincial caseload, and this encompasses unique variables in the case mix (e.g. higher rental costs compared to other municipalities).

Effectiveness Measure – Number of annual client visits to Employment Centres

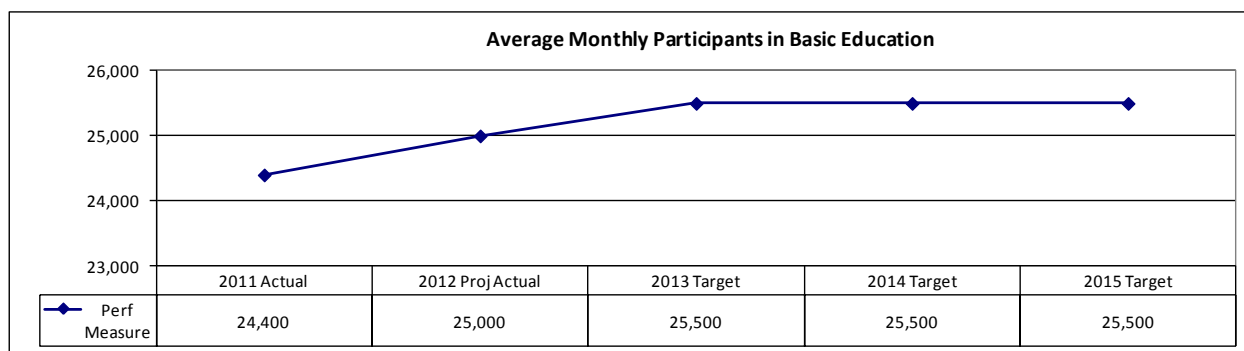
- TESS operates 19 Employment Centres (ECs) across the City of Toronto.



- ECs provide low cost and effective access to tools required to look for work (computers, internet, phones, faxes, etc.). ECs enable OW and ODSP clients, and other unemployed and under-employed people in the community to look for work on their own, while enabling staff to provide direct face to face assistance to clients who need more help.

Effectiveness Measure – Average monthly number of clients participating in basic education

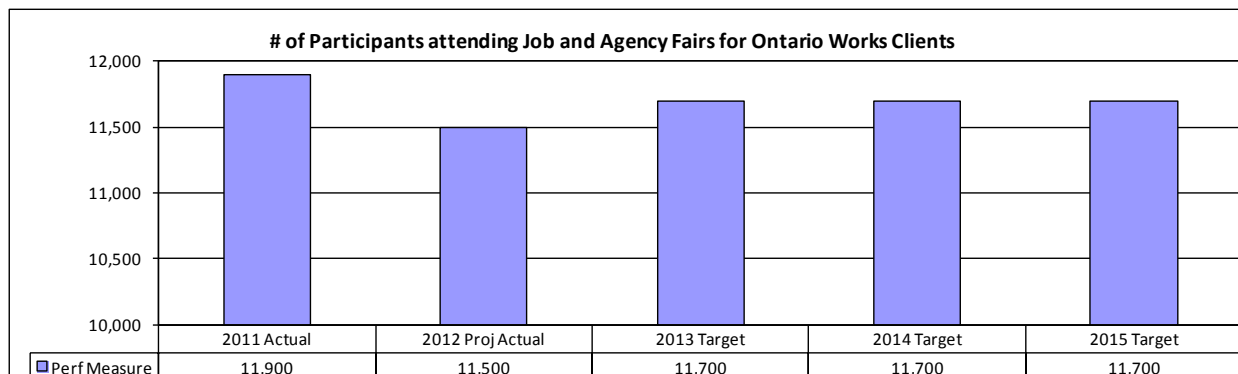
- TESS is continuing to maximize the number of clients who are participating in upgrading their education.



- 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 participants attending job and agency fairs

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



- Increases opportunities for OW clients across the City to find employment. These fairs connect OW clients with many potential employers.

2012 Budget Variance Analysis

2012 Budget Variance Review (In \$000s)

| (In \$000s) | 2010 Actuals | 2011 Actuals | 2012 Approved Budget | 2012 Projected Actuals* | 2012 Approved Budget vs Projected Actual Variance | |
|--------------------|--------------|--------------|----------------------|-------------------------|---|-------|
| | \$ | \$ | \$ | \$ | \$ | % |
| Gross Expenditures | 1,156,629.5 | 1,134,156.3 | 1,219,643.6 | 1,143,621.1 | (76,022.5) | (6.2) |
| Revenues | 912,556.0 | 940,976.4 | 1,031,670.3 | 965,805.5 | (65,864.8) | (6.4) |
| Net Expenditures | 244,073.5 | 193,179.9 | 187,973.3 | 177,815.6 | (10,157.7) | (5.4) |
| Approved Positions | 2,357.0 | 2,289.0 | 2,190.5 | 2,155.0 | (35.5) | (1.6) |

* Based on the 3rd Quarter Operating Budget Variance Report.

2012 Experience

- The projected year-end favourable variance for TESS is anticipated to be \$10.158 million or 5.4% under the 2012 Approved Net Operating Budget of \$187.973 million.
- TESS is projecting a revised caseload mix of higher singles compared to families which results in lower expenditures per case, and lower special diet expenditures. The year-end average monthly caseload is projected to be 3,500 lower than the budgeted caseload of 108,500. The Program also reported lower than budgeted positions of 35.5 positions or 1.6% of planned positions as TESS uses a formula driven staffing model and only hires to the actual caseload.

Impact of 2012 Operating Variance on the 2013 Recommended Budget

- OW Case Benefit Cost Reduction* – The Ontario Works caseload is comprised of four categories: singles, single parent families, two parent families, and couples with no children. The 2012 Approved budget was developed with the assumption that caseload increase

would be concentrated in the family categories. However, through 2011, single cases increased slightly to 65.3% of the total caseload (from 65.0% in 2011) while the family categories remained constant. This is consistent with the trend for the past few years, and as such, the 2013 Recommended Operating Budget includes a reduction of \$3.600 million gross and \$0.619 million net to reflect the actual OW benefit costs/case mix experienced in 2012.

- *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 projected actual gross expenditures of \$41.600 million approximately \$18.400 million below the 2012 Approved Operating Budget of \$60.000 million. Thus despite the increase in caseload, the 2013 Recommended Operating Budget includes a reduction of \$5.000 million gross and \$0.860 million net in expenditures to reflect the actual utilization of the Special Diet Allowance experienced in 2012.

Appendix 2

2013 Recommended Operating Budget by Expenditure Category and Key Cost Driver

Program Summary by Expenditure Category (In \$000s)

| Category of Expense | 2010 | 2011 | 2012 | 2012 | 2013 | 2013 Change from | | 2014 | 2015 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|---------------|--------------------|--------------------|
| | Actual | Actual | Budget | Projected Actual | Recommended Budget | 2012 Approved Budget | % | Outlook | Outlook |
| | \$ | \$ | \$ | \$ | \$ | \$ | % | \$ | \$ |
| Salaries and Benefits | 184,892.7 | 190,991.9 | 187,122.4 | 187,122.4 | 189,902.0 | 2,779.6 | 1.5% | 192,626.6 | 196,261.3 |
| Materials and Supplies | 15,835.1 | 17,946.5 | 15,816.5 | 15,816.5 | 14,961.6 | (854.9) | (5.4%) | 12,461.6 | 12,461.6 |
| Equipment | 729.2 | 473.7 | 500.8 | 500.8 | 500.8 | | | 500.8 | 500.8 |
| Services & Rents | 40,936.9 | 47,122.5 | 51,359.6 | 51,359.6 | 52,688.5 | 1,328.9 | 2.6% | 49,661.9 | 47,085.3 |
| Contributions to Capital | 0.0 | 200.0 | 923.0 | | 923.0 | | | 923.0 | 923.0 |
| Contributions to Reserve/Res Funds | 19,629.4 | 20,519.1 | 15,736.7 | 15,736.7 | 24,893.7 | 9,157.0 | 58.2% | 24,893.7 | 24,893.7 |
| Other Expenditures | 869,650.7 | 830,322.2 | 925,328.6 | 850,229.1 | 926,333.1 | 1,004.5 | 0.1% | 926,333.1 | 926,333.1 |
| Interdivisional Charges | 24,955.3 | 26,580.4 | 22,856.0 | 22,856.0 | 23,541.7 | 685.7 | 3.0% | 23,541.7 | 23,541.7 |
| Required Adjustments | | | | | | | | | |
| TOTAL GROSS EXPENDITURES | 1,156,629.5 | 1,134,156.3 | 1,219,643.6 | 1,143,621.1 | 1,233,744.4 | 14,100.8 | 1.2% | 1,230,942.4 | 1,232,000.5 |
| Interdivisional Recoveries | | 8.9 | | | | | | | |
| Provincial Subsidies | 787,508.7 | 833,457.4 | 923,694.3 | 874,414.0 | 960,498.9 | 36,804.6 | 4.0% | 987,288.2 | 1,014,757.6 |
| Federal Subsidies | | | | | | | | | |
| Other Subsidies | 97,810.2 | 76,978.1 | 56,179.5 | 56,179.5 | 35,379.5 | (20,800.0) | (37.0%) | 28,579.5 | 21,679.5 |
| User Fees & Donations | 123.4 | 270.1 | | | | | n/a | | |
| Transfers from Capital Fund | 319.9 | 364.3 | 563.7 | 563.7 | 616.4 | 52.7 | 9.4% | 616.4 | 616.4 |
| Contribution from Reserve Funds | 11,369.9 | 13,441.3 | 36,232.8 | 18,344.4 | 34,481.1 | (1,751.7) | (4.8%) | 24,585.2 | 22,008.6 |
| Contribution from Reserve | 15,424.0 | 16,456.3 | 15,000.0 | 16,303.9 | 15,000.0 | | | 15,000.0 | 15,000.0 |
| Sundry Revenues | | | | | | | | | |
| Required Adjustments | | | | | | | | | |
| TOTAL REVENUE | 912,556.0 | 940,976.4 | 1,031,670.3 | 965,805.5 | 1,045,975.9 | 14,305.6 | 1.5% | 1,056,069.3 | 1,074,062.1 |
| TOTAL NET EXPENDITURES | 244,073.5 | 193,179.9 | 187,973.3 | 177,815.6 | 187,768.5 | (204.9) | (0.1%) | 174,873.1 | 157,938.4 |
| APPROVED POSITIONS | 2,357.0 | 2,289.0 | 2,190.5 | 2,155.0 | 2,189.0 | (1.5) | (0.1%) | 2,189.0 | 2,189.0 |

2013 Key Cost Drivers

- Other Expenditures are the largest expenditure category and account for 75% of total expenditures, followed by Salaries and Benefits at 15%, Services and Rents at 4%, and Contributions to Reserves and Reserve Funds at 2%. Provincial Subsidies are the largest revenue category and account for 92% of total revenues, followed by Other Subsidies (Ontario Municipal Partnership Fund) at 3%.
- The 2013 Recommended Base Budget maintains the same OW average monthly caseload of 108,500 as in 2012. This is reflected in marginal increases for Other Expenditures, Salaries and Benefits, and Equipment expense categories.
 - The 2013 recommended budget for salaries and benefits (including progression and step pay, COLA for bargaining unit staff, OMERS rate increase of 0.9% and fringe benefit changes of \$189.902 million is \$2.780 million or 1.5% higher compared to the amount of \$187.112 million in the 2012 Approved Operating Budget.

- The 2013 recommended budget for equipment of \$0.501 million remains the same as in the 2012 Approved Operating Budget.
- The 2013 recommended budget for other expenditures of \$926.333 million is \$1.005 million or 0.1% higher compared to the amount of \$925.329 million in the 2012 Approved Operating Budget.
- The 2013 recommended budget for materials and supplies of \$14.962 million is \$0.855 million or 5.4% lower compared to the amount of \$15.817 million in the 2012 Approved Operating Budget.
 - This decrease is mainly attributable to adjustments in medical supplies and Hardship Fund benefits. The annualized impact in 2013 resulted from City Council's decision in 2012 to eliminate the Hardship Fund (\$0.425 million), combined with reductions to medical benefit expenditures to the level of the Provincial cap on benefits (\$3.000 million), partially offset City Council's decision in 2012 to restore funding for medical and Hardship Fund benefits at 2012 service levels (\$2.500 million), subject to Council's approval of the 2013 Budget process.
- The 2013 recommended budget for services and rents of \$52.689 million is \$1.329 million or 2.6% higher compared to the amount of \$51.360 million in the 2012 Approved Operating Budget.
 - This increase is mainly attributable to anticipated increases in funeral costs for OW and ODSP recipients.
- The 2013 recommended budget for contributions to reserve funds of \$24.894 million is \$9.157 million or 58.2% higher compared to the amount of \$15.737 million in the 2012 Approved Operating Budget.
 - This increase is mainly attributable to the contribution to the Ontario Works Reserve Fund to manage the risk associated with the impact of fluctuating caseloads. The contribution to the reserve fund does not create a base funding pressure. The changes to the Cost of Administration funding and the use of the City's approved full-costing model to claim corporate support costs to Ontario Works programs generates additional subsidy that is used to offset the contribution to the Ontario Works Reserve Fund.
- Approved positions for 2012 totalled 2,190.5. Recommended decreases to approved positions total 1.5 positions, due to the elimination of the Hardship Fund as a prior year impact as per the approved 2012 Operating Budget.

The 2013 Recommended Base Budget provides funding for the following:

Prior Year Impacts

- Salary increases due to progression pay of \$0.055 million and step increases of \$0.121 million.

Economic Factors

- \$0.332 million in salary and benefit increases due to COLA at 0.5% and \$1.217 million for OMERS at 0.9%.

Other Base Changes

- \$2.500 million net for an increase in Employment Assistance benefits.
- \$1.347 million increase due to OW rate increase of 1%, as set out in the 2013 Ontario Budget.
- \$0.122 million net for an increase in dental care for dependent children, based on higher projected costs in 2012.
- Reduction of \$0.397 million net due to lower lease and software maintenance costs.

Appendix 4

**Summary of 2013 Recommended New
/Enhanced Service Priority Actions**



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

| TYPE | PRIORITY | CITIZEN FOCUSED SERVICES "A" Toronto Employment & Social Services | Recommended Adjustments | | | | 2014 Net Incremental Outlook (\$000s) | 2015 Net Incremental Outlook (\$000s) |
|------|----------|--|--------------------------------------|----------------------------|---------------------|------------------------------|---------------------------------------|---------------------------------------|
| | | | Change in Gross Expenditure (\$000s) | Change in Revenue (\$000s) | Net Change (\$000s) | Change in Approved Positions | | |
| N2 | 23 | Medical Benefits for Social Assistance Recipients Service / Activity: Financial Assistance / Manage Eligibility for Financial Assistance Description: On October 30, 31 and November 1, 2012, City Council requested the City Manager "to include in his 2013 Operating Budget for Employment and Social Services, for consideration during the budget process, funding for supplementary medical benefits to assist Ontario Works (OW), Ontario Disability Support Program (ODSP) and Hardship Fund eligible residents at current service levels until the revised delivery models are developed." To provide medical benefits for OW and ODSP eligible residents at 2012 service levels in 2013, would require expenditures \$1.5 million above the provincial funding cap. These expenditures would be 100% City funded. As described in the staff report to Council, "Changes to Provincial Funding Approaches for Homeless Prevention and Social Assistance Programs: Implementation Strategies and Issues" (EX23.15), the province has introduced a cap on provincial funding for medical benefits provided to Ontario Works (OW) and Ontario Disability Support Program (ODSP) recipients. In TESS's 2013 base budget, medical benefit expenditures were reduced to the level of the cap, resulting in savings of \$1.8 million gross and \$0.3 million net. Service Level Change: As referred for consideration in the 2013 Budget Process, should City Council wish to add back the cost of \$2.700 million, it would have a net cost of \$1.500 million after efficiency savings of \$1.200 million. ADMIN: Recommended. | 1,500.0 | 0.0 | 1,500.0 | 0.0 | 0.0 | 0.0 |

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

| TYPE | PRIORITY | CITIZEN FOCUSED SERVICES "A" Toronto Employment & Social Services | Recommended Adjustments | | | | 2014 Net Incremental Outlook (\$000s) | 2015 Net Incremental Outlook (\$000s) |
|--|----------|--|--------------------------------------|----------------------------|---------------------|------------------------------|---------------------------------------|---------------------------------------|
| | | | Change in Gross Expenditure (\$000s) | Change in Revenue (\$000s) | Net Change (\$000s) | Change in Approved Positions | | |
| N2 | 24 | Supplemental Medical Benefits for Low Income Residents (Hardship Fund) Service / Activity: Social Supports / Purchase Critical Medical Benefits Description: On October 30, 31 and November 1, 2012, City Council requested the City Manager "to include in his 2013 Operating Budget for Employment and Social Services, for consideration during the budget process, funding for supplementary medical benefits to assist Ontario Works (OW), Ontario Disability Support Program (ODSP) and Hardship Fund eligible residents at current service levels until the revised delivery models are developed." To provide supplementary medical benefits for Hardship Fund eligible residents at 2012 service levels in 2013, would require expenditures of \$1.0 million. These expenditures would be 100% City funded. As per the City's core service review, City Council directed TESS to continue to fund the Hardship Fund until July 1, 2012. As of July 1st, the Hardship Fund was formally eliminated. Council further directed the General Manager of TESS to enter into discussions with the Province to assume responsibility for providing supplementary medical benefits. In the event that additional provincial funding could not be secured, Council directed that TESS continue to provide these benefits for the remainder of 2012 and absorb the costs within its 2012 approved operating budget. TESS has continued to provide these benefits from its net budget for the remainder of 2012 in accordance with City Council direction (EX23.15). Service Level Change: As referred for consideration in the 2013 Budget Process, should City Council wish to add back the cost of medical benefits for the Hardship Fund, this would result in a net cost of \$1.000 million. ADMIN: Recommended. | 1,000.0 | 0.0 | 1,000.0 | 0.0 | 0.0 | 0.0 |
| Total Recommended New/Enhanced: | | | 2,500.0 | 0.0 | 2,500.0 | 0.0 | 0.0 | 0.0 |

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue

Appendix 5

Inflows / Outflows to / from Reserves & Reserve Funds
(In \$000s)

Program Specific Reserve/Reserve Funds

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Description | Projected Balance as of December 31, 2012 | 2013 | 2014 | 2015 |
|---|-------------------------------|-----------------------------|---|----------------|----------------|----------------|
| | | | \$ | \$ | \$ | \$ |
| Social Assistance Stabilization Reserve Fund | XQ1054 | Projected Beginning Balance | 11,900.3 | 11,440.3 | 3,270.3 | 3,270.3 |
| | | Proposed | | | | |
| | | Withdrawals (-) | (460.0) | (8,170.0) | | |
| | | Contributions (+) | | | | |
| Balance at Year-End | | | 11,440.3 | 3,270.3 | 3,270.3 | 3,270.3 |

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Description | Projected Balance as of December 31, 2012 | 2013 | 2014 | 2015 |
|--|-------------------------------|-----------------------------|---|-----------------|----------------|------------------|
| | | | \$ | \$ | \$ | \$ |
| National Child Benefits Supplement Reserve Fund | XR2102 | Projected Beginning Balance | 33,914.4 | 32,154.0 | 20,304.2 | 8,334.4 |
| | | Proposed | | | | |
| | | Withdrawals (-) | (16,995.4) | (25,136.8) | (22,560.2) | (21,973.2) |
| | | Contributions (+) | 15,235.0 | 13,287.0 | 10,590.4 | 7,913.8 |
| Balance at Year-End | | | 32,154.0 | 20,304.2 | 8,334.4 | (5,725.0) |

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Description | Projected Balance as of December 31, 2012 | 2013 | 2014 | 2015 |
|--|-------------------------------|-----------------------------|---|----------------|----------------|----------------|
| | | | \$ | \$ | \$ | \$ |
| Kids at Computer Scholarship Reserve Fund | XR2104 | Projected Beginning Balance | 12,004.5 | 10,624.4 | 8,699.4 | 6,759.4 |
| | | Proposed | | | | |
| | | Withdrawals (-) | (1,500.1) | (2,025.0) | (2,025.0) | (2,025.0) |
| | | Contributions (+) | 120.0 | 100.0 | 85.0 | 65.0 |
| Balance at Year-End | | | 10,624.4 | 8,699.4 | 6,759.4 | 4,799.4 |

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Description | Projected Balance as of December 31, 2012 | 2013 | 2014 | 2015 |
|---|-------------------------------|-----------------------------|---|-----------------|-----------------|-----------------|
| | | | \$ | \$ | \$ | \$ |
| Ontario Works Reserve Fund | XR2101 | Projected Beginning Balance | 187.9 | 189.7 | 11,189.7 | 22,189.7 |
| | | Proposed | | | | |
| | | Withdrawals (-) | | | | |
| | | Contributions (+) | 1.8 | 11,000.0 | 11,000.0 | |
| Balance at Year-End | | | 189.7 | 11,189.7 | 22,189.7 | 22,189.7 |

Corporate Reserve / Reserve Funds

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Projected Balance as of December 31, 2012 * | Proposed Withdrawals (-) / Contributions (+) | | |
|---|-------------------------------------|--|---|------|------|
| | | | 2013 | 2014 | 2015 |
| | | \$ | \$ | \$ | \$ |
| Sick Leave Reserve Fund | XR1007 | 20,700.7 | (263.6) | | |
| Insurance Reserve Fund | XR1010 | 21,156.0 | (563.1) | | |
| Total Reserve / Reserve Fund Draws / Contributions | | 41,856.7 | (826.7) | | |

* Based on 3rd Quarter Variance Report