



Council Briefing Notes

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BU 32.2 OPERATING VARIANCE FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

CUPE Local 79 Recommends that the Budget Committee:

1. Ask staff to report on the use of external contractors to make up for staff-shortages in FREEE. This report should include the work done by contractors, how much that work cost compared to the cost of in-house delivery and the specific vacant positions that were back-filled through external contracts.
2. Ask staff for details on which social housing providers will receive reduced subsidies to offset over-spending in SSHA and the expected effects of those reductions.
3. To ensure City Divisions are able to deliver high-quality, city-building services, delete recommendation 4 in BU32.7 – 2018 Budget Process - Budget Directions and Schedule.

Summary

The first quarter operating variance for 2017 offers Councillors more of the same: warning flags about unreliable revenues combined with significant gapping and vacancies. Over the past year, Local 79 has met with over 4,300 members through our workplace campaigns and through our Labour/Management processes. Members consistently and repeatedly tell us they are overworked and that continued pressure from vacancies and budget restrictions could threaten the quality of services they are able to deliver.

Local 79's central concerns arising from the variance report are:

- The City had 3,112 vacancies at the end of the first quarter, which is an increase over the same period in 2016.
- The vacancy problem is widespread: at least 16 Divisions attribute a portion of their favorable variance to vacancies.
- Vacancies in some Divisions – such as MLS, FREEE and SSHA – are particularly concerning.
- The City continues to rely on the Municipal Land Transfer Tax (MLTT) rather than sustainable property taxes and other fair and reliable sources of revenue.

Without addressing these long-standing problems, City Council cannot make progress on poverty reduction, housing, access to recreation and childcare, and other vital areas.

16 Divisions attribute a portion of their favorable variance to vacancies

The current vacancy rate for operating positions across the City is 4.6%. That is 3,112 positions in the

Affordable Housing Office, PF&R, shelters, and other Divisions. High vacancies limit the City’s ability to deliver support to people struggling to find housing, to ensure our city grows in a well-planned and inclusive manner, and to connect communities to essential public health and other services.

Despite increased demand, the Staff Report notes that: “under-spending in Programs and Agencies is primarily due to vacant positions” (Staff Report, p. 2). **In Municipal Licensing and Standards, a full 70% of that Division’s favorable variance comes from staff vacancies** (Staff Report, p. 9).

Local 79 is particularly concerned about two Divisions. In SSHA, there is an unfavorable variance due to over-spending in Hostel Services. Essentially, our shelters are at capacity. Yet, while Toronto’s homelessness problem grows, SSHA is 87.3 positions below the approved complement with an astonishing 7.4% after-gapping vacancy rate. Local 79’s primary concern with SSHA is that these vacancies will continue in order to relieve budgetary pressure, but at the expense of service delivery. In addition, ongoing vacancies have severe, negative implications for workplace wellness.

We also hope that as the Budget Committee considers the first-quarter update, Staff will be asked to clarify what is meant by the Report’s indication that the unfavorable variance will be partially “**offset by under-spending in social housing provider subsidies for property taxes, operating costs, mortgage payments and rent**” (Staff Report, p. 49).

Local 79 is also concerned that under-spending in FREEE was driven by vacancies, particularly in Facilities Management. That under-spend was mitigated by over-spending in contracted services. Not only does contracting out cost the City money, we are concerned that the City may be in violation of Local 79’s Collective Agreements if it is using contracted services to back-fill vacant positions.

Year-end vacancy projections are overly optimistic

The Staff Report projects year-end after-gapping vacancy rates of 0.0% for City Operations and 0.1% for the City as a whole. No clear strategy has been outlined to achieve those goals. In fact, the last few years give grounds to believe those goals will not be met. In each of 2014 and 2015 (the last years for which figures are available), the first in-year prediction was off by nearly 2%! In short, optimistic first-quarter hiring targets have not been met.

Year	In-Year Projection (1 st Quarter)	In-Year Projection (2 nd Quarter)	In-Year Projection (3 rd Quarter)	End-of-Year Actual	Difference Between 1 st Projection and Actual
2015	n/a	0.3%	0.3%	2.2%	1.9%
2014	0.3%	0.5%	1.5%	2.1%	1.8%

The City needs to fill these vacancies if it wants to continue delivering high-quality services, particularly in terms of planning, poverty reduction and housing.

- The City needs a detailed recruitment and retention strategy.
- City Council needs to stop cutting Divisions’ budgets. The more that Divisions are squeezed, the more they turn to gapping and vacancies to make ends meet.

The City continues to rely on the MLTT

The year-to-date revenue from the MLTT is \$32.4 million higher than budgeted. That is fortunate, but unsustainable. In fact, as Toronto's housing crisis continues to worsen, the Mayor and the Province have begun to pursue strategies to cool Toronto's housing market. If they succeed, or worse, if the housing bubble bursts, reduction in MLTT revenues could create a significant budgetary crisis. Toronto absolutely needs to address its housing crisis as part of an overall strategy of poverty reduction and making the city affordable to live in, but it also needs to ensure it has reliable revenues to continue service delivery and city-building.

First, Council needs to stop forgoing significant revenues by artificially maintaining property taxes below inflation. Second, Council needs to move forward on fair revenue tools beyond property taxes.

Good jobs are essential to maintaining a high quality work force

There is some good news in the budget update: the City is beginning to recognize that good jobs are key to recruitment and retention. Two Divisions – Human Resources and City Planning – are asking to convert temporary positions into permanent ones.

“Due to the temporary nature of the jobs, retaining experienced and knowledgeable HR staff that understand the operations in the Divisions which they support has been challenging. This constant turnover of experienced HR staff results in delays in the staffing process.”
(Staff Report, p. 14)

“The Program has experienced difficulty in attracting and retaining staff in temporary positions as the skill sets for these roles are in demand with competing transit authorities and consulting firms. The loss of continuity from turnover and the continuing recruitment and training of new temporary staff is impacting project deliverables...” (Staff Report, p. 16)

Local 79 supports converting these positions into permanent positions. We also encourage the City to look at the extent to which the prospect of getting trapped in temporary and permanent positions acts as a disincentive for many prospective employees. We know that in PF&R, 311 and many other Divisions, some employees have been stuck in part-time positions for as many as 10 years. The City should be doing everything it can to be a model employer. This includes making sure jobs at the City are good jobs – long-term, reliable, and full-time.