NOVEMBER 2017

BU37.2.1

Council Briefing Note

Brought to you by CUPE Local 79

Taking care of Toronto

BU 37.2 – OPERATING VARIANCE FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

Summary

2017's third quarter operating variance report continues the City's practice of achieving budget surpluses through two unsustainable practices:

- Savings achieved through staff vacancies.
- Reliance on the Municipal Land Transfer Tax (MLTT).

There have been some improvements on vacancies when measured by the after-gapping vacancy rate. However, large numbers of staff vacancies continue to strain program delivery and this quarter, 25 divisions reported using vacancies as part of their budget-balancing strategy. Further, there appears to be a significant increase in capital vacancies, which are not captured in after-gapping vacancy numbers. These vacancies appear related to a number of delayed capital and non-infrastructure projects including child care centres, recreation facilities, and the Tower Renewal Hi-Rise Retrofit Improvement Program to name a few. These capital vacancies provide a budget surplus at the expense of building recreation, child care, and other facilities.

Although the City has a comfortable $222 million surplus (excluding Toronto Building and Children's Services), Local 79 cautions against seeing this as a good news surplus. The surplus is more than double the $100 million community advocates calculate it would cost to implement Council-approved poverty reduction plans and programs for 2018. In passing Budget 2017, Council rejected motions that would have increased staffing in Shelter Support & Housing Administration, reduce user fees for recreation programs, and increase staffing to reduce recreation waitlists. Because the bulk of operating surpluses is directed to reserve funds, sizeable surpluses represent a lost opportunity for poverty reduction and other Council priorities.

Local 79 recommends that the Budget Committee:

1. Direct staff to account for unusually high capital position vacancy rates and report on the causes and impacts of delayed capital and other major projects associated with these vacancies.
2. Affirm the urgency of developing a long-term fiscal plan, including a diverse set of fair, sustainable revenue streams.

Discussion

Revenues

Local 79 continues to support fair and sustainable revenue tools to reduce reliance on the MLTT. The Mayor and City Council have not done enough to move forward on establishing a broad, progressive, and reliable revenue regime. Even the modest $5 million that was to be brought in this year through a new Hotel Tax has been unrealized due to its delayed implementation.

The Mayor and Council's reluctance to take bold action on sustainable revenues is further evidenced by the fact that, although the tax supported budget for 2018 will be released on Thursday, Council has still not had the opportunity to debate a final, long-term fiscal plan. Indeed, they will not be able to do so before considerations of Budget 2018 are already well underway.

Staff Vacancies

When measured by the after-gapping vacancy rate, the City has made modest progress toward improving its staff complement. There are still over 2,700 vacant positions across the City and its agencies. 25 divisions attribute at least a portion of their variance to under-spending on salaries and benefits due to staff vacancies. 2,700 vacancies mean residents wait longer for recreation services, shelters remain under-staffed, and programs across the City struggle to meet demand.

Divisions and agencies that cite staff vacancies as contributing to a favourable variance/offsetting an unfavourable variance

- Affordable Housing Office
- Children's Services
- Court Services
- Parks, Forestry & Recreation
- Toronto Paramedic Services
- City Planning
- Municipal Licensing & Standards
- Engineering & Construction Services
- Toronto Building
- Transportation Services
- Office of the Chief Financial Officer
- Office of the Treasurer
- Facilities, Real Estate, Environment & Energy
- Fleet Services
- Information & Technology
- 311 Toronto
- City Clerk's Office
- Legal Services
- Auditor General's Office
- Integrity Commissioner's Office
- Toronto Public Health
- TTC – Conventional
- Toronto Police Services
- Solid Waste Management
- Toronto Water

Further, the relatively low after-gapping vacancy rates in the report mask an unusually high number of capital vacancies, which are not included in gapping/after gapping figures. As Table 1 shows, the capital vacancies are considerably higher than operating. Table 2 shows several cases where there have been dramatic increases compared to the same quarters in 2015 and 2016.

Table 1: Vacancy Comparison (Operating/Capital)

	Operating Positions	Capital Positions
City Operations	3.8%	23.6%
City Agencies	3.5%	19.3%
City Total	3.9%	20.6%

Table 2: Divisions with Significant Increases Capital Vacancy Rates

Division	Capital Vacancy Q3 2017	Capital Vacancy Q3 2016	Capital Vacancy Q3 2015
PF&R	39.5%	22%	8.7%
SSHA	93.5%	0%	0%
Planning	42.4%	0%	0%
Water	17.3%	0%	0%

Local 79's concern is that these high vacancy rates indicate delays to important infrastructure and other City-building projects. Table 3 provides an overview of divisions that attribute a portion of their surplus to delays in infrastructure or other major projects.

Division	Infrastructure/Project	Op Variance Page #
Children's Services	• Delays in opening 2 childcare centres • Delays in completing facility renovations • Underspending in salaries and benefits as a result	37
Court Services	• Delays in implementing Administrative Penalty Tribunal and Red Light Camera Expansion	38
Engineering & Construction Services	• "Under-spending in salaries and benefits due to vacant positions. Lower recoveries from client capital projects resulting from vacant positions"	49
Fleet Services	• Higher maintenance costs for vehicles past their optimum life • Offset through higher recoveries from other Divisions	58
Information & Technology	• "Projected year-end favourable variance is mainly due to underspending from capital vacancies, offset by corresponding lower recoveries from capital." • Enterprise Documents & Records Management Solutions (EDRMS) 2014 was delayed because of insufficient staff resources (Cap Variance Report, Appendix 2)	59
Legal Services	• Delayed implementation of the Administrative Penalty System	64
Municipal Licensing & Standards	• Delay in obtaining a work plan from Toronto Wildlife Centre	47
Long-Term Care Homes and Services	• Delay in re-opening Kipling Acres Phase II • Net favourable variance	39
Parks, Forestry & Recreation	• Delay in hiring for capital projects	40
Policy, Planning, Finance & Admin	• Delay with Metrolinx RER • Combined with lower salaries and benefits, $2.404 million underspent	49

Shelter, Support & Housing Admin	• Lower than planned expenditures in Social Housing due to implementation delays in projects funded by the City's allocation under various Federal-Provincial grant programs • Offset by sustained increased demand in Hostel Services	41
Social Development Finance and Admin	• Projecting minor favourable net variance due (in part) to delays in delivering the Tower Renewal Hi-Rise Retrofit Improvement Program, which is funded by reserves	41
Toronto Public Library	• Extended closure of North York Centre Library branch	74
Non-Program	• $5 million unfavourable variance projected for year-end due to delayed implementation of the Hotel Tax	97

A review of BU 37.1 – Capital Variance for the Nine Month Period Ended September 30, 2017, provides rationales for some, but not all, of these delays. For this reason, we recommend the Budget Committee request clarification from staff on the causes and impacts of widespread project delays.