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CRISIS ROOMS IN welfare rolls

With reserve fund low, Toronto faces 'ticking time bomb' if economy forces spike in caseload

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CITY HALL BUREAU

Toronto has no financial cushion to cover any increase in welfare costs sparked by a slumping economy.

The city's welfare reserve, a fund intended to take care of any spike in caseload, has been raided to meet day-to-day operating expenses. From a high of \$94.4 million in 2003, the reserve has dropped to \$8.3 million.

In 1992, the last time the reserves were drained, Metro councillors raised taxes by 14.7 per cent.

"It's patently irresponsible. There's no cushion," said Councillor Michael Walker (Ward 22 St. Paul's), who wants city council to debate the issue.

"We're all human and we all make mistakes but I don't think people understand what could happen to us – and happen very fast – because we have nothing in the bank to cover us."

Councillors have been lulled into complacency because the number of cases has been stable, at about 75,000, he said.

Walker said it appears no lessons have been learned from the recession of the early 1990s, when the monthly caseload rose to more than 100,000, which in part led what was then Metro council to hike property taxes.

"I know the caseloads have been low, but we've been living the good life. How soon we forget."

The city pays 20 per cent of welfare, with the province covering 80 per cent. Ontario recently announced it will shoulder the municipal share of welfare costs, but the takeover will occur gradually, from 2010 to 2018.

The reserve funds in regional municipalities surrounding Toronto are faring better.

Lloyd Russell, commissioner of finance for York Region, said the region has a \$60 million social assistance reserve – enough to cover three years of social assistance, according to Russell. York's current welfare caseload is about 5,000.

But Russell said it's difficult to project how the fund would cope with large increases in caseload.

"It depends on how bad the economy gets," he said. "If you have any kind of sustained downturn, it's definitely going to have an impact."

Durham Region's reserve currently sits between \$18 million and \$20 million, according to Marilyn Pearce, chair of the region's finance and administration committee.

"If we get a spike in caseloads, we're confident we have the money within that reserve to handle it for a while, but not forever," she said.

Jane MacCaskill, regional treasurer for Halton Region, says the region's tax stabilization fund is sitting at \$43 million. Although the fund is not reserved for funding welfare applicants, MacCaskill says there is enough money to withstand a short-term shock.

However, she warned that if the number of applicants increased rapidly in the coming year, the fund would be depleted quickly.

"Our caseload is fairly small compared to other areas, but so is our tax base," she said.

In a motion tabled for next week's Toronto council meeting, Walker wants councillors to agree to a special meeting in January to discuss strategies the city could use to cope with an economic downturn.

The city will have updated projections by February, when the 2009 operating budget is being put together, said Councillor Shelley Carroll, chair of the budget committee.

Belt-tightening may be required, Carroll said.

"We're going into a year where the news probably won't be good," she said. "We'll have to be more mindful than ever before of the impact of starting anything new."

Toronto may be better off than other southern Ontario cities, said Councillor Joe Mihevc (Ward 21 St. Paul's West), chair of the community development committee.

"We're not Oshawa. We're not Windsor. A lot of our employment seems to be holding, so we may dodge this."

Mihevc conceded that if he's wrong and welfare cases skyrocket, the city will be in trouble.

"That's a potential ticking time bomb within the operating budget."

With files from Kenyon Wallace