

2005 BUDGET BRIEFING NOTE: Toronto Fire Services – Salary & Benefits Analysis

Issue/Background:

At the CAO/CFO budget review meeting supporting information was requested dealing with salary and benefits estimates. Specifically, the program was to explain the year over year salary increases attributable to wage settlements since amalgamation, explain the fringe benefits to salary ratio noting any items that are funded from fringe benefits outside the salary accounts over the last several years.

Key Point(s):

Wage Settlement Salary Budget Impact Analysis:

This analysis tracks the budget changes resulting from salary adjustments due to labour awards. The timing of the actual payments of these awards is not addressed here. Between 1999 and 2005, the combined impact of changes in salary budgets for Fire Services as a result of adjudicated settlements is \$59.2 million. This reflects the 2004 settlement , 3.5% settlement, matching wage increase rates to Police Services, which will require a further 0.5% annulization over the 3.0% budgeted for each of 2002 and 2003, resulting in a further budget pressure of \$1.8 million made up in 2004. In total, therefore, wage settlements to the end of 2003, have increased by 22.5% over the 1999 base.

Year	Salaries Budget	Increase over Prior Year* \$millions	Increase over Prior Year %	Fringe Benefits Budget	Increase over Prior Year \$millions	Increase over Prior Year %
1999	\$168.8			\$37.6		
2000	\$172.5	\$3.7	2.2%	\$39.6	\$2.0	5.3%
2001	\$188.0	\$15.5	9.0%	\$42.1	\$2.5	6.3%
2002	\$198.3	\$10.3	5.5%	\$44.1	\$2.0	4.7%
2003	\$208.2	\$9.9	5.0%	\$44.2	\$0.1	0.2%
2004	\$225.9	\$17.7	8.5%	\$49.4	\$5.2	11.8%
2005*	\$225.4	(\$0.5)	(0.02)%	\$52.2	\$2.8	5.7%

* Includes other adjustments as well as awards.

* E.M.T. recommended 2005 Budget

2000

- \$3.4 million – An adjustment made to the Fire Services budget to reflect a pre-harmonization interim payment made to Local 3888 staff in March 2000.

- \$0.3 million – Other adjustments.
- \$2.0 million – Fringe impact

2001

- \$15.4 million – The third interim award, (the second interim award did not affect salaries), issued March 9, 2001, provided for establishment of the new harmonized salary base (same as police rate), effective January 1, 2001; the full budget impact was split over 2001 and 2002.
- \$0.1 million – Other adjustments.
- \$2.5 million – The third interim award impact on fringe benefits

2002

- \$4.5 million – Represents the second part of the adjustment above in 2002.
- \$5.8 million – A COLA provision of 3% for the year 2002 was included pending results of negotiations.
- \$2.0 million – Represents the second part of the salary adjustments (The third interim award) impact on fringe benefits.

2003

- \$6.0 million – A COLA provision of 3% for the year 2003 was included pending results of negotiations.
- \$1.1 million – The Arbitrator's Award of June, 2002 extended the Senior Firefighter's salary rate by a further 2%.
- \$0.6 million – increase in overtime based on new collective agreement
- \$1.9 million – Other adjustments (annualization of step increases, etc.) plus residual annualization impact of increases net of planned gapping.
- No provision for fringe benefit increases on the COLA salary adjustments was allowed and benefits were capped at 22.5% of salaries.

2004

Salary Impact

- \$9.2 million – A COLA provision for 2004 and annualization of 2002 and 2003 at the 3.5%, based on 2002 and 2003 negotiated settlement (\$7.3 million and \$1.8 million).
 - \$5.5 million – Provision for Recognition pay for firefighters.
 - \$0.9 million – Merit and annualization of step increases.
 - \$0.9 million – Extra leap day.
 - \$1.2 million – Other adjustments including reversal of unmet planned gapping in 2002.
- Fringe benefits impact
- the submitted budget for Fire Services for 2004 contained a 23% fringe benefit rate on the base 2004 salary request including COLA adjustments.
 - a reduction option provided for a rate reduction of 0.5% (1.092 million) to 22.5% for fringe benefits,
 - a further budget reduction of \$0.519 million approved by Council was made in June.
 - no provision for OMERS impact of approximately \$1.6 million.
- the actual fringe benefits to salary ratio experienced in 2004 does not reflect the historical pattern used to justify the budget reduction options.

2005 E.M.T. recommended

Salary Impact

- \$2.3 million – Retention Pay – Phase2
- \$(0.8) million – Reversal of the one-time leap year day.
- \$1.5 million – Merit and annualization of step increases.
- \$(1.6) million – Correction of the 2004 recognition pay provision
- \$(1.5) million – Base salary adjustments.
- \$(0.5) million – Gapping reduction option
- \$0.1 million – one additional staff position for Maintenance

Fringe Benefits impact

- the recommended 2005 fringe benefit rate is 23% on the 2005 regular salaries or 23.2% on all salary accounts including gapping.

Fringe Benefits Analysis: Actuals 1999-2004

Prior to 2002 fringe benefits for Fire Services had been budgeted at a rate of 23% of base salaries following Corporate instructions. The exception to this practice occurred in 2002 and 2003, when the fringe benefit rate was not applied to COLA based salary increases.

The following analysis comparing budget to actual benefit rates from 1999 to 2004 is based on the actuals as recorded in SAP. Since 2001, the WSIB administration fees (actuals) have been charged to cost element 4730 “claims and awards” and absorbed within the program’s “services and rents” expenditure accounts. However, funding for these fees is a part of the total fringe benefits calculation at 23% in the salary accounts. Therefore, the WSIB figures are included in the analysis of the actuals.

For budgeting purposes, fringe benefits are calculated at 23% of only the full time regular pay account. The percentages shown in the table below, however, show the fringe benefits to salary ratio using all salary accounts including overtime, alternate rate, financial incentives and net of gapping.

Generally speaking, the actual fringe rates prior to 2003 were lower than budgeted. In 2000 and 2002, there were in-year and retroactive salary adjustments that skewed the fringe benefits to salary ratio.

\$(millions)	Budget			Actuals		
	Salaries \$	Fringe Benefits \$	Fringe Benefits %	Salaries \$	Fringe Benefits \$	Fringe Benefits %
Year						
1999	\$168.8	\$37.6	22.29%	\$169.5	\$34.2	20.19%
2000	\$172.5	\$39.6	22.94%	\$184.1	\$38.3	20.81%
2001	\$188.0	\$42.1	22.39%	\$191.3	\$41.1	21.50%
2002	\$198.3	\$44.1	22.25%	\$216.1	\$44.8	20.74%
2003	\$208.2	\$44.2	21.22%	\$215.0	\$45.7	21.26%
2004*	\$225.9	\$49.4	21.87%	\$224.0	\$51.7	23.08%

- 2004 Actuals are projected year end.

1999

- SAP records for 1999 show an amount of \$26.7 million of undistributed charges in salaries and benefits, which make the calculation of the benefits to salaries ratio as presented difficult to explain.

2000

- the accrual of \$7.6 million in additional actual salaries reflecting an in-year wage settlement contributes to the lower percentage in the fringe benefit ratio.
- when adjusted for this one time factor the actual fringe benefits ratio would be 21.27% compared to the unadjusted ratio of 20.81%.

2001

- in 2001, the actual fringe benefit ratio more closely reflects the norm at that time.

2002

- again in 2002, the actual fringe ratio of 20.74% is low as a result of the retroactive salary payments being made in-year in 2002 relating to the years prior to January 1, 2001.
- a fringe benefits provision was included in the retroactive payment based on a lesser ratio of 9.45%, a figure sufficient to cover mainly the retroactive adjustment for pension provisions.
- if the in-year adjustment is excluded from the calculation, the actual fringe benefits ratio on salaries would be 22.02% compared to the unadjusted ratio of 20.74%.

2003

- the 2003 Fringe Benefit budget ratio was approved at 22.5%.
- the budget also included a COLA provision of \$6.0 million without any applied provision for fringe benefits.
- the year-end fringe benefit rate of 21.60% is calculated excluding the impact of retroactive pay, compared to the unadjusted ratio of 21.26%.

2004

- the 2004 approved Fringe Benefit ratio was 21.87% of all salary accounts.
- There was an unmet pressure of \$1.6 million for OMERS pension contributions.
- the projected Fringe benefits to salary ratio at year-end is 23.08% representing an unfavourable variance of approximately \$2.3 million.

Conclusion:

This report provides information explaining the treatment of the salary and benefits estimates since 1999.

Date: November 29, 2004