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City owes \$200M extra in sick leave

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CITY HALL BUREAU

The City of Toronto owes its employees about \$200 million more in future sick leave payouts than previously believed.

The true liability totals \$450 million, not \$250 million, chief financial officer Cam Weldon said yesterday.

Blamed on a software error by the city's outside actuarial consultants, the discrepancy was known to the city well before this summer's civic strike began, though media briefings continued to use the lower figure throughout the 39-day walkout.

The sick leave perk allows employees to bank unused sick days and receive up to six months' pay when they retire.

It became a key issue in the strike.

Weldon said the city's financial statements have been restated to show the correct liability of \$450.2 million, not the \$249.4 million originally put on the books.

"It was a simple error, but it was a big error," he said. "There was a mathematical error in the logic when they changed from one set of software to another."

Early this year, "we discovered our numbers weren't coming up the same as what the actuaries had provided us. When we dug deeper, that's when we discovered the error."

That explanation doesn't wash with Councillor Mike Del Grande, an accountant who serves as vice-chair of the audit committee.

"There's a reasonableness test," Del Grande said. "If I put 1 and 1 in the computer and it comes out 121, I should be astute enough to say something's wrong here."

"To blame it on software I think is ludicrous. These things are supposed to be reviewed by a whole bunch of people that are paid very big money."

Del Grande said it appears to him the Miller administration didn't want taxpayers to know how big the liability had become.

"They're embarrassed that it's that high, and to tell the general public how big this liability is."

A spokesperson for Mayor David Miller defended the lack of earlier disclosure, saying the city

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didn't want to focus on just one aspect of the audited financial statements.

"The decision was made not to release financial results on a piecemeal basis," said Stuart Green.

The city had removed the sick-bank perk from its 3,900 non-union employees and wanted to do the same with about 30,000 unionized workers. In the end, it settled on phasing it out over time.

Local 416 president Mark Ferguson said his understanding was that the consultants' totals came in low because they mistakenly believed the perk was capped at three months' pay when in fact it's six months.

Weldon stressed that the city did provide the revised numbers to the unions during bargaining.

But Ferguson said Local 416 ended up doing its own calculations. The future payout to his members came in from \$50 million to \$52 million.

"I can tell you we had been requesting disclosure on the actual numbers for months, and the city resisted giving us that data until at least three weeks into the strike," Ferguson said.

According to the city's numbers, the tab for Local 79 workers is about \$90 million. The total rises to \$450 million after adding in firefighters, police, transit workers, librarians and other employee groups. In all, the city employs about 50,000 people.

The information will be discussed by audit committee members Thursday.