



STAFF REPORT ACTION REQUIRED

AOCC Settlement of Operating Results for Year 2005 and Compensation Review

Date:	June 20, 2007
To:	Budget Advisory Committee
From:	Joseph Pennachetti, Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\FP\Bc07010 – tn (AFS #3335)

SUMMARY

This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2005 based on audited financial results. In addition, the report recommends authority to draw on the Employee and Retiree Benefits Reserve Fund to fund retroactive payments resulting from a compensation review of AOCC non-union staff, as consistent with past practice.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. The surpluses of \$70,280 be paid to the City of Toronto from seven AOCCs and be used to fund the payments of operating deficits of \$7,021 to the other three AOCCs, resulting in a net settlement of \$63,258 to the City arising from the Core Administration Operations' year end results for the year 2005 as detailed in Appendix 1.
2. the 2007 Operating Budget for the Association of Community Centres be increased by \$589,045 (gross) and \$0 (net) and be funded from a one-time draw on the Employee and Retiree Benefits Reserve Fund to cover the retroactive payments resulting from a compensation review of AOCC management non-union staff by Centre.

Financial Impact

The total surpluses of \$70,280 from seven Community Centres will offset the funding of total deficits of \$7,021, resulting in a net payment of \$63,258 from the AOCCs to the City in 2007 arising mainly from the Core Administration Operations' year end results for 2005.

The financial impact of the compensation review arising from the Governance Review of AOCCs is \$266,218 for 2007 (excluding the retroactive payments from April 15, 2003 to December 31, 2006). Funding for this purpose has not been included in the 2007 Approved Operating Budget for the AOCC program. Consistent with past practice, this report recommends that the retroactive payments from April 15, 2003 to June 30, 2007 totalling \$589,045 be funded from the Employee and Retiree Benefits Reserve Fund, with the ongoing costs to be managed within the 2007 and future year operating budgets for the AOCC program.

A summary of net funding to the City/Community Centre is attached as Appendix 1.

ISSUE BACKGROUND

Settlement of 2005 Operating Results

At its meeting on July 24, 25 and 26, 2001, City Council adopted Policy and Finance Committee Report 11, Clause 6, entitled "Association of Community Centres (AOCCs), Community Centres Deficits". Among others, Council recommended that the Chief Financial Officer and Treasurer report on the AOCC surplus/deficit upon receipt of the annual audited financial statements, as the practice in the former City of Toronto.

At its meeting on April 14, 15, and 16, 2003, City Council adopted Policy and Finance Committee Report 3, Clause 11, entitled "Governance Review of the Association of Community Centres (AOCCS)". Among others, Council recommended that the City continue to provide core administration funding to AOCCs and their Boards are expected to operate within the approved budgets and, as with other City agencies, administrative surpluses be returned to the City and administrative deficits be funded, upon Council approval.

The AOCCs' financial statements are prepared under the Public Sector Accounting Board (PSAB) requirements for public sector entities. Accounting and reporting under PSAB require that all known liabilities, including liabilities related to post employment benefits as well as those related to retirees, be reflected in the public sector financial statements.

Compensation Review

The "Governance Review of the Association of Community Centres (AOCCS)" report approved by Council included the direction that "given that the City has authority and responsibility over human resources issues regarding AOCC staff, and since the City has

been deemed the employer in accordance with the Ontario Labour Relations Act and the Pay Equity Act, the City reconcile existing AOCC human resource policies with those applicable to City staff". A compensation review was undertaken to review job classifications for all AOCC management non-union staff. Jobs were evaluated using four criteria; skill, effort, reasonability and working conditions. The review ensured that each job was rated consistently across the City.

COMMENTS

Settlement of 2005 Operating Results

The AOCC 2005 financial statement was prepared in accordance with Canadian Generally Accepted Accounting Principles for non-profit organizations. Funding for sick leave, post retirement benefits and accrued vacation pay continue to be provided by the City as these benefit costs are paid out to employees. In addition, capital expenditures were reported on the Balance Sheet, rather than on the Statement of Revenue and Expenditures. The Statement of Revenue and Expenditures reflects the depreciation of capital assets although the capital assets are fully funded in the year they are purchased. As a result, expenses which are included in the Statement of Revenue and Expenditures are not necessary for cash flow purposes. Adjustments were made to year-end statements to determine the year-end cash flow position of each Community Centre's as to ensure consistency and comparability with its Approved Operating Budget.

A review of the audited financial statements for the year ended December 31, 2005 indicates that four Community Centres reported surpluses amounting to \$69,953. The surpluses were driven by lower than predicted costs of moving staff to an offsite location, unfinished planned staff restructuring and goods and services contracts, as well as staff turnover and salary variances experienced by 519 Church, Eastview Neighbourhood, Swansea Town Hall and Cecil Street Community Centres.

Compensation Review:

The Governance Review report, approved by Council in April 2003, addressed the complex employment status of AOCC staff. Unlike other Agencies, Boards and Commissions, the City had been deemed to be the employer in accordance with the Ontario Labour Relations Act and the Pay Equity Act. The report directed that "the City reconcile existing AOCC human resource policies with those applicable to City staff". Subsequent to this direction, the Director of Employment Services, Director of Pension, Payroll and Employee Benefits and Director of Community Resources worked with the 10 Community Centres to complete the compensation review for management non-union staff.

The compensation review process has now determined initial ratings for the 35 management non-union positions and identified the resultant budget pressure due to retroactive payments for the period of April 15, 2003 to June 30, 2007.

The compensation review determined the retroactivity date and placement within the new range.

As indicated in the “Governance Review of the Association of Community Centres (AOCCS)”, AOCC staff have been deemed to be City staff and AOCC human resource policies have been reconciled with those applicable to City staff. As consistent with recommendations made in “Compensation Review of the 10 Executive Directors of City Community Centres (AOCC) administered by Boards of Management” report, April 15, 2003, was chosen as the effective retroactive date.

Once a wage grade was identified, individuals were placed at the beginning of the range as of the retroactive date (April 15, 2003), assuming their prior salary was below the starting wage of the new range. This is consistent with the application of compensation review for City management staff. The variation in size, scope and complexity between Centres was raised as an issue during the compensation review. This was taken into consideration and resulted in the 35 management non-union positions being slotted into 6 different pay grades. All 35 management non-union AOCC positions have now undergone a compensation review and salary grades are harmonized and consistent across all AOCC and similar jobs in the City.

Each Community Centre has calculated the impact of the compensation review that results in an ongoing cost of \$266,218 and retroactive payments of \$589,044 from April 15, 2003 to June 30, 2007 as summarized in Appendix 1. It is recommended that the retroactive payments be funded from the Employee and Retiree Benefits Reserve Fund, as consistent with past practice. Ongoing costs will be managed within the AOCCs’ 2007 and future year operating budgets.

CONTACT

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SIGNATURE

Joseph Pennachetti
Deputy City Manager and Chief Financial Officer

Appendix 1

Association of Community Centres Summary of net payable to City / Community Centres					
Community Centre	2005				Compensation Review Retro Payments (Apr 15/03 - Jun 30/07)
	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/(Centre)*	% of Budget	
519 Church Street Community Centre	36,590		36,590	3.6%	(36,705)
Applegrove Community Complex		(4,772)	(4,772)	-1.5%	(29,399)
Cecil Community Centre	7,287		7,287	1.3%	(38,761)
Central Eglinton Community Centre		(1,367)	(1,367)	-0.3%	(70,998)
Community Centre 55		(882)	(882)	-0.2%	(96,679)
Eastview Neighbourhood Community Centre	13,633		13,633	3.2%	(35,299)
Harbourfront Community Centre	20		20	0.0%	(165,787)
Ralph Thornton Community Centre	112		112	0.0%	(23,539)
Scadding Court Community Centre	194		194	0.0%	(91,877)
Swansea Town Hall	12,444		12,444	5.3%	-
TOTAL	70,280	(7,021)	63,258	1.7%	(589,045)

* Includes 2005 Program Staff COLA Adjustment