



STAFF REPORT ACTION REQUIRED

Funding for Severance Costs for Councillors' and Councillors' Staff and the Establishment of a Reserve

Date:	January 3, 2007
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\FP\bc07004Fp - tn (AFS 3431)

SUMMARY

The purpose of this report is to seek Council's authority to pay Councillors' and Councillors' staff severance costs as a result of the November 13, 2006 election from the projected year-end underspending in the City Council's 2006 Approved Budget.

Authority is also requested to establish a Reserve Account for future severance costs, funded annually in the amount of \$0.175 million from the City Council Operating Budget, beginning in 2007.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that Recommendation #1 below, be approved and forwarded to City Council; and that Recommendations #2-#6 be referred for consideration with the 2007 Operating Budget process:

1. The severance costs for Councillors and Councillors' staff as a result of the 2006 Municipal Election be paid from the projected year-end underspending in City Council's 2006 Approved Budget ;
2. Council establish a reserve account entitled "Council Severance Cost Reserve Account" for the purpose of providing funding for future severance costs for Council members and their staff;

3. The Council Severance Cost Reserve Account be administered by the Deputy City Manager and Chief Financial Officer;
4. Municipal Code Chapter 227 (Reserves and Reserve Funds) be amended by adding the “Council Severance Cost Reserve Account” to schedule “1”, ‘Corporate Reserves’;
5. The Council Severance Cost Reserve Account be funded through annual contributions from the City Council Operating Budgets in the amount of \$0.175 million, beginning in 2007; and
6. The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto, and that leave be granted for the introduction of any necessary bills in Council to give effect thereto.

FINANCIAL IMPACT

Annual funding in the amount of \$0.175 million is required to provide contribution to the Councillor Severance Cost Reserve and is recommended to be absorbed from within the City Council Operating Budgets, beginning in 2007.

DECISION HISTORY

Severance remuneration for Members of Council is stipulated in the City's By-law Chapter 223, Article II, adopted in 1999 http://www.toronto.ca/legdocs/municode/1184_223.pdf. The by-law states that all members of Council who have served for a minimum of 30 days shall be paid severance remuneration upon ceasing to be a member. The amount shall be equivalent to 1/12 of the members' annual remuneration, at the rate in force immediately before he or she ceases to be a member, for each year of consecutive service to a maximum of 12 years.

At its meeting of November 25, 26 and 27, 1998, City Council adopted Report No. 17 of the Corporate Services Committee and directed that Council staff members be eligible for three weeks severance per year of service and be required to follow the City's policy of not being re-hired during the next two years by either the City or its Agencies, Boards or Commissions, and permanent Council staff members employed by a former municipality which had a severance practice greater than two weeks per year of service be grandparented at the level of severance payment through the former practice for their service prior to January 1, 1998.

<http://www.toronto.ca/legdocs/agendas/council/cc/cc981125/cs17rpt/cl002.htm>

ISSUE BACKGROUND

There is currently no budget for the payment of Councillors and Councillors' staff separation (including the Mayor and his staff). Previously, these severance costs were paid out of the Employee Liability Reserve Fund; which does not meet the purpose of that Fund.

COMMENTS

Under the current policy, every year that a Councillor and/or his or her staff is in office, an expense in the form of future severance costs is incurred annually. This is usually paid out at the end of his or her term of office, either as a result of choosing not to run or being defeated in the election. For staff, severance is paid after their employment has ceased. No funds have been set aside to meet the current liability.

The total severance costs (Councillors and Councillors' staff) following the 2000 election were \$1.213 million (the year that the number of Councillors was reduced from 57 to 44); following the 2003 election were \$0.992 million; and following the 2006 election, the costs were \$0.614 million (preliminary estimate).

Projected underspending in the 2006 City Council Operating Budget based on the third quarter variance report is approximately \$0.823 million. It is recommended that the current severance liability be funded from within the underspending in the City Council budget.

It is also recommended that Council establish an account within the Corporate Reserves called the Council Severance Cost Reserve Account to provide funding for future severance costs for members of Council and their staff. The account will be administered by the Deputy City Manager and Chief Financial Officer and will be administered via the criteria as set out in Appendix A. It is further recommended that an amount of \$0.175 million be contributed annually from the City Council Budget, identified as a separate line item and that this amount be absorbed from within current budget levels, given historic underspending, beginning in 2007. The recommended annual contribution of \$0.175 million represents approximately one quarter of historic underspending in the City Council budget. The recommended funding level will result in \$0.700 million in the Reserve Account following the 2010 election.

The adequacy of the reserve account to meet severance costs will be reviewed following the election in 2010.

CONTACTS

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SIGNATURE

Joseph P. Pennachetti
Deputy City Manager and Chief Financial Officer

ATTACHMENT

Appendix A: Criteria for Council Severance Cost Reserve Account

Appendix A

Criteria for Council Severance Cost Reserve Account

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #1– Corporate Reserves

- (b) Statement of Purpose

This account will be used to fund future severance costs for members of Council and their staff.

- (c) Service Area or Beneficiary Program

The Deputy City Manager and Chief Financial Officer shall have primary responsibility for the account.

- (d) Initial Contribution:

Funding is provided initially from the projected year-end underspending in the City Council 2006 Operating Budget, and, beginning in 2007, included as part of the City Council's Operating Budgets.

- (e) Contribution Policy

Funding will be provided annually from the Council Operating Budget, in the amount of \$175,000 for the remainder of the Council term 2007-2010 and adjusted via the Operating Budget process as required for future Council terms.

- (f) Withdrawal Policy:

Funds may be withdrawn for the purposes stated in the Statement of Purpose, subject to the availability of funds and the review by the Deputy City Manager/Chief Financial Officer and Council approval as part of the budget process.

- (g) Review Cycle

At the end of the Council term 2006-2010, an evaluation will be undertaken as to whether a reserve account is the appropriate mechanism to support the Council member severance liability.