



## STAFF REPORT ACTION REQUIRED

### AOCC Settlement of Operating Results for Year 2006

<b>Date:</b>	January 22, 2008
<b>To:</b>	Budget Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2008\Internal Services\FP\bc08001FP – (AFS#6526)

#### SUMMARY

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This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2006 based on audited financial results.

#### RECOMMENDATIONS

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The Deputy City Manager and Chief Financial Officer recommends that:

1. the accumulated surpluses of \$3,265 be paid to the City of Toronto for two AOCCs and be used to partially fund the payment of operating deficits of \$46,737 for the other eight AOCC Community Centres core administration operations resulting in a net payment of \$43,472 as detailed in Appendix 1.

#### Financial Impact

The total surpluses of \$3,265 from two Community Centres will partially offset the funding of total deficits of \$46,737, resulting in a net payment of \$43,472 from the City to the AOCCs in 2007 arising mainly from the Core Administration Operations' year end results for 2006. The amount will be funded from under-expenditures reported through the final 2007 year-end variance report.

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

## **ISSUE BACKGROUND**

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.

## **COMMENTS**

The AOCC 2006 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. Therefore, adjustments were made to year-end statements to determine the year-end cash flow position of each Community Centre as to ensure consistency and comparability with its Approved Operating Budget.

A review of the audited financial statements for the year ended December 31, 2006 indicates that AOCCs reported a deficit amounting to \$43,472. The deficit details are summarized in the table below:

Association of Community Centres Summary of net payable to City / Community Centres				
2006				
Community Centre	Total Net Adjusted Settlement to City/(Centre)	Executive Director Harmonization Cost July to Dec 31/06	\$	Other Variance
				Description
519 Church Street Community Centre	(7,386)	(7,386)		
Applegrove Community Complex	(7,264)	(6,155)	(1,109)	Overspending in Materials, Supplies, and Purchased Services
Cecil Community Centre	3,030	(6,023)	9,053	Gapping savings of \$8,810; underspending in Materials & Supplies \$243
Central Eglinton Community Centre	(2,544)	(4,206)	1,662	Savings of \$1,662 driven by unforeseen gapping
Community Centre 55	235	(7,127)	7,362	Deferred maintenance
Eastview Neighbourhood Community Centre	(14,845)	(6,981)	(7,863)	Personnel severance pay
Harbourfront Community Centre	(40)	(14,976)	14,936	Funded ED's harmonization costs from Program Budget (as approved by Board)
Ralph Thornton Community Centre	(3,566)	(4,508)	942	Underspending in materials and purchasing
Scadding Court Community Centre	(8,107)	(8,329)	222	Underspending in materials and purchasing
Swansea Town Hall	(2,986)	(4,065)	1,079	Higher user fees
<b>TOTAL</b>	<b>(43,472)</b>	<b>(69,756)</b>	<b>26,284</b>	

A compensation review was undertaken to review job classifications for all AOCC executive directors as directed in the report entitled "The Governance Review", approved by Council in April 2003, which 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 executive directors. The financial impact of the compensation review arising from the Governance Review of AOCCs was \$120,940 for 2006 (excluding the retroactive payments from April 15, 2003 to December 31, 2005). The retroactive payment of \$294,233 for the period from April 15, 2003 to June 30, 2006 was approved to be funded from the Employee and Retiree Benefits Reserve Fund. However, the ongoing cost for the period of July 1<sup>st</sup> to December 31<sup>st</sup>, 2006 of \$69,756.00 contributed to the year-end deficit.

Wherever possible, AOCCs have offset the higher expenditures for the harmonization of executive directors through gapping, and curtailed discretionary expenditures of materials, supplies, and maintenance. However, the cost containment measures have not been

sufficient to offset the 2006 impact of harmonization costs for the period of July 1<sup>st</sup> to December 31<sup>st</sup>, 2006, resulting in a \$43,472 deficit. The 2006 year-end settlement has been accrued in 2007 and will be funded from under-expenditures reported through the final 2007 year-end variance report.

## **CONTACT**

Alan Cohen, Manager, Financial Planning Division  
Tel: (416) 392-3740 ; Fax: (416) 392-3649 ; E-mail: [ajcohen@toronto.ca](mailto:ajcohen@toronto.ca)

Chris Brillinger, Director, Community Resources  
Tel: (416) 392-8608 ; Fax: (416) 392-8492 ; E-mail: [cbrillin@toronto.ca](mailto:cbrillin@toronto.ca)

## **SIGNATURE**

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Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENT**

Appendix 1 - Association of Community Centres  
Summary of net payable to City/Community Centres

## Appendix 1

Association of Community Centres Summary of net payable to City / Community Centres				
	2006			
Community Centre	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/(Centre)	% of Budget
519 Church Street Community Centre		(7,386)	(7,386)	0.7%
Applegrove Community Complex		(7,264)	(7,264)	2.3%
Cecil Community Centre	3,030		3,030	0.5%
Central Eglinton Community Centre		(2,544)	(2,544)	0.5%
Community Centre 55	235		235	0.0%
Eastview Neighbourhood Community Centre		(14,845)	(14,845)	3.5%
Harbourfront Community Centre		(40)	(40)	0.0%
Ralph Thornton Community Centre		(3,566)	(3,566)	0.7%
Scadding Court Community Centre		(8,107)	(8,107)	1.1%
Swansea Town Hall		(2,986)	(2,986)	1.2%
<b>TOTAL</b>	<b>3,265</b>	<b>(46,737)</b>	<b>(43,472)</b>	<b>0.7%</b>