



STAFF REPORT ACTION REQUIRED

Association of Community Centres Settlement of Operating Results for Year 2012

Date:	March 12, 2014
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\Fp\Bc14007Fp (AFS #19243)

SUMMARY

This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2012 based on audited financial results.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. The accumulated surpluses of \$526 from two Association of Community Centres (AOCCs) be paid to the City of Toronto and be used to partially fund the payment of operating deficits of \$117,998 for the core administration operations of the other eight centres, resulting in a net payment of \$117,472 for operating over-expenditures as detailed in Appendix 1.

Financial Impact

The total surpluses of \$526 from two Community Centres will partially offset the funding of deficits totalling \$117,998, resulting in a net payment of \$117,472 from the City to the AOCCs in 2014 arising primarily from the Core Administration Operations' year end results for 2012. The deficit payment will be funded from City under-expenditures reported through the final 2013 year-end operating variance results.

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 Canadian Generally Accepted Accounting Principles (GAAP) that are applicable to the Public Sector Accounting Board (PSAB) requirements for government not for profit entities. Accounting and reporting under PSAB requires 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.

At its meeting on September 25, 26 and 27, 2006, City Council adopted Policy and Finance Report 7, Clause 17, entitled "Association of Community Centres (AOCCs), City of Toronto Relationship Framework". Among others, Council recommended that the AOCC Boards shall not make or incur liability for any capital work without first obtaining Council approval. Additionally, the Board shall not make, permit or allow any capital work including alterations, renovations, additions or improvements to the premises without first obtaining the consent of the Chief Corporate Officer. Council also recommended that the City must approve any policy or practice that affects employee compensation including changes to salary ranges, job evaluation, performance pay, salary and benefits.

In several instances, the AOCCs did not inform or seek approval from the City prior to incurring over-expenditures to their operating budgets.

Table 1 below summarizes the operating surplus/deficit and the net payment for operating over-expenditures from 2007 to 2011. Over the past 5 years the AOCCs have had an accumulated surplus of \$66,808 paid to the City of Toronto and used to partially fund the payment of operating deficits of \$493,573, resulting in a net payment of \$426,765 for operating over-expenditures.

Table 1

Association of Community Centres			
5 Year Summary of Net Payable to City / Community Centres from 2007 to 2011			
Budget Year	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/(Centre)
2011	\$5,272	(\$9,628)	(\$4,356)
2010	\$29,002	(\$45,778)	(\$16,776)
2009	\$2,179	(\$102,245)	(\$100,066)
2008	\$14,235	(\$107,740)	(\$93,505)
2007	\$16,120	(\$228,182)	(\$212,062)
TOTAL	\$66,808	(\$493,573)	(\$426,765)

COMMENTS

Settlement of 2012 Operating Results

The 2012 financial statements for AOCCs were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to the Public Sector Accounting Board (PSAB) requirements for government not for profit entities. 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. Accounting and reporting under PSAB requires entities to accrue all known liabilities on the financial statements. The unpaid employee benefits and the post-employment benefits are reported as liabilities on the Statement of Financial Position. As mentioned earlier, the City of Toronto is responsible for these benefits, and accordingly a corresponding receivable from the City is recorded on the Statement of Financial Position for each AOCC.

The City also funds AOCC capital expenditures. In accordance with Canadian GAAP-PSAB requirements, government not for profit entities are required to report capital expenditures on the Statement of Financial Position. For funding purposes, the City funds capital assets that the AOCCs have acquired, thus allowing them to expense required capital assets. As such, adjustments were made to each Community Centre's year-end statements to ensure consistency and comparability with its Approved Operating Budget which is based on cash expenses.

A review of the audited financial statements for the year ended December 31, 2012 indicates that AOCCs reported a deficit amounting to \$117,472. The deficit details are summarized in the table below:

Association of Community Centres			
Summary of Net Payable to City / Community Centres for 2012			
Community Centre	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/(Centre)
519 Church Street Community Centre		(\$31,966)	(\$31,966)
Applegrove Community Complex		(\$1,070)	(\$1,070)
Cecil Community Centre	\$392		\$392
Central Eglinton Community Centre		(\$14,971)	(\$14,971)
Community Centre 55	\$134		\$134
Eastview Neighbourhood Community Centre		(\$33,808)	(\$33,808)
Harbourfront Community Centre		(\$13,733)	(\$13,733)
Ralph Thornton Community Centre		(\$18,304)	(\$18,304)
Scadding Court Community Centre		(\$3,607)	(\$3,607)
Swansea Town Hall		(\$539)	(\$539)
TOTAL	\$526	(\$117,998)	(\$117,472)

As part of the AOCC Settlement of Operating Results for Year 2008 Council directed that AOCCs are required to adhere to the existing policy that they "seek approval from the Director of the Financial Planning Division prior to incurring expenditures that are not included in the Approved Operating Budget". Notwithstanding confirmation by Council in 2010, several AOCCs did not comply with this Council directive and the Financial Planning Division was not informed of certain 2012 over-expenditures prior to incurring the expenditures. Financial Planning Staff will work with AOCC staff to operationalize this review and approval process.

The main reasons for the operating variances are as follows:

519 Church Street Community Centre

The over-expenditure of \$31,966 is due to the following:

- Higher than budgeted expenditures of \$22,019 in utilities as a result of the first full year of operation of an expanded community centre;
- Increased maintenance coverage for computer, internet, and telephone support to effectively maintain systems and meet Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) obligations totalling \$23,747;
- Higher than budgeted telephone expenses, of \$9,837 and services, materials and supplies of \$4,296;
- An increase in the use of banking services at a cost of \$9,803.
- The total over-expenditure of \$67,702, as above, was partially offset by savings of \$37,736 in employee salaries and benefits as a result of temporary staff gapping.

Applegrove Community Complex

The over-expenditure of \$1,070 reflects payment of \$1,070 for an employee as a result of contractual obligations.

Central Eglinton Community Centre

The over-expenditure of \$14,971 is due to the following:

- Payment of \$4,800 in retiree benefits;
- An employee's re-earnable lump sum payment of \$9,400, approved for payment by City Council on July 11, 2012 (EX21.18); and
- Higher than budgeted utility expenditures of \$770.

Eastview Neighbourhood Community Centre

The over-expenditure of \$33,808 is due to the following:

- Payment of \$3,126 in retiree benefits;
- An employee's re-earnable lump sum payment of \$7,192, approved for payment by City Council on July 11, 2012 (EX21.18);
- Payment of \$4,824 in overlapping pay as a result of transition of a new Program Director;
- Higher than budgeted Maternity/Parental leave benefit costs of \$9,344; and
- Cost of backfilling of staff on sick leave in the amount of \$9,322.

Harbourfront Community Centre

The over-expenditure of \$13,733 is due to the following:

- An employee's re-earnable lump sum payment of \$13,733, approved for payment by City Council on July 11, 2012 (EX21.18).

Ralph Thornton Community Centre

The over-expenditure of \$18,304 is due to the following:

- Payment of \$15,000 for repairs required to address urgent building floor issues throughout the building; and
- Higher than budgeted expenditures for services, materials and supplies totalling \$3,304.

Scadding Court Community Centre

The over-expenditure of \$3,607 is for payment of \$3,607 to purchase a new photocopier to replace the existing malfunctioning photocopier.

As in prior years, it is recommended that the 2012 year-end net operating expenditure payable to the Community Centres of \$117,472 be funded from City under-expenditures that will be reported in the final 2013 Year End Operating Budget Variance Report.

CONTACT

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SIGNATURE

Roberto Rossini
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ATTACHMENTS

Appendix 1 – Summary of Net Payable to City / Community Centres 2012

APPENDIX 1

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