

## **Expenses of Members of Council**

**The Audit Committee recommends that:**

- (1) business travel expenses incurred by Councillors be processed through the Council Services Unit of the Clerk's Division and charged to the business travel account in the Council budget, and that the Council business travel budget and the travel budgets of the respective departments, agencies, boards and commissions be adjusted to reflect this change in policy;**
- (2) all business meeting, entertainment or other general expenses incurred by Councillors as Council appointees of an agency, board, commission or other body, be charged directly to the respective Councillor's global budget, and that the City Clerk advise all agencies, boards, commissions and other bodies accordingly;**
- (3) the current practice of allowing Councillors to spend \$100 annually for sponsorships and donations per organization be formally included in the Councillors' Expense Policy;**
- (4) payments by Councillors of expenses incurred by an outside party (e.g., outreach groups) not be eligible for reimbursement through the Councillors' global budget;**
- (5) with respect to Councillors paying for City souvenirs for community groups promoting the City, that only gifts available in the City's Protocol office or the City Hall Gift Shop be reimbursed with the limitation that the unit cost cannot exceed \$50 per item and that the total amount expended per annum cannot exceed \$1,000;**
- (6) the receipt of donations of cash, goods, services, gifts and other benefits by Councillors be restricted to those allowed under the Code of Conduct Policy for Members of Council, as approved by City Council on September 28, 1999;**
- (7) if a Councillor wishes to use an outside company for printing services that quotes, including one from the City's internal printing function be obtained, and the Council Services Unit be advised accordingly;**
- (8) the Commissioner of Corporate Services report to the Administration Committee by June 30, 2000 on an office space charge back policy for Councillors, which takes into account the constituency needs of Councillors and any applicable budgetary implications, and ensures the optimal use of office space across the City;**
- (9) the establishment of a charge back policy for Councillors who occupy office space as a constituency office in the former civic centres be reviewed in a corporate context, in terms of the office space requirements of all departments in the City, and be consistent with the city-wide policy currently being developed by the Corporate Services and Finance Departments in this regard;**

- (10) the Chief Financial Officer and Treasurer follow up with the Province on the status of the City's request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free, take any appropriate action to expedite the handling of this request by the Province and report to the Audit Committee by February 28, 2000 on the Province's response; and**
- (11) the Office Administration and Expense Policy for Members of Council be amended to reflect the changes recommended in this report, as adopted by Council, and that the City Clerk advise all Councillors and their staff accordingly.**

**The Audit Committee submits the following joint report (November 29, 1999) from the City Clerk and the City Auditor:**

Purpose:

To respond to various requests from the Audit Committee with respect to Councillors' expenses.

Recommendations:

It is recommended that:

- (1) business travel expenses incurred by Councillors, acting in their capacity as a chair or vice-chair of an agency, board or commission be subject to the same approval requirements as those of a chair or vice-chair of a standing committee, be processed through the Council Services Unit of the Clerk's Division and charged to the business travel account in the Council budget, and that the Council business travel budget and the travel budgets of the respective agencies, boards and commissions be adjusted to reflect this change in policy;
- (2) all business meeting, entertainment or other general expenses incurred by Councillors as Council appointees of an agency, board, commission or other body, be charged directly to the respective Councillor's global budget, and that the City Clerk advise all agencies, boards, commissions and other bodies accordingly;
- (3) the current practice of allowing Councillors to spend \$100 annually for sponsorships and donations per organization be formally included in the Councillors' Expense Policy;
- (4) payments by Councillors of expenses incurred by an outside party (e.g., outreach groups) not be eligible for reimbursement through the Councillors' global budget;
- (5) with respect to Councillors paying for City souvenirs for community groups promoting the City, that only gifts available in the City's Protocol office or the City Hall Gift Shop

be reimbursed with the limitation that the unit cost cannot exceed \$50 per item and that the total amount expended per annum cannot exceed \$1,000;

- (6) the receipt of donations of cash, goods, services, gifts and other benefits by Councillors be restricted to those allowed under the Code of Conduct Policy for Members of Council, as approved by City Council on September 28, 1999;
- (7) if a Councillor wishes to use an outside company for printing services that quotes, including one from the City's internal printing function be obtained, and the Council Services Unit be advised accordingly;
- (8) the Commissioner of Corporate Services report to the Administration Committee by June 30, 2000 on an office space charge back policy for Councillors, which takes into account the constituency needs of Councillors and any applicable budgetary implications, and ensures the optimal use of office space across the City;
- (9) the establishment of a charge back policy for Councillors who occupy office space in the former civic centres be reviewed in a corporate context, in terms of the office space requirements of all departments in the City, and be consistent with the city-wide policy currently being developed by the Corporate Services and Finance Departments in this regard;
- (10) the Chief Financial Officer and Treasurer follow up with the Province on the status of the City's request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free, take any appropriate action to expedite the handling of this request by the Province and report to the Audit Committee by February 28, 2000 on the Province's response; and
- (11) the Office Administration and Expense Policy for Members of Council be amended to reflect the changes recommended in this report, as adopted by Council, and that the City Clerk advise all Councillors and their staff accordingly.

#### Background:

The Audit Committee, on March 1, 1999, had before it a report (January 15, 1999) from the City Auditor respecting the Review of Staff, Councillors' and Mayor's Office Expenses. In considering this report, the Audit Committee adopted the report of the City Auditor and requested that:

- (1) the City Clerk prepare a policy with respect to expenditures incurred by members of Council in their capacities as members of local boards, including whether such expenditures should be charged to Councillor's global office;
- (2) the City Clerk clarify in a detailed manner what is permitted and what is not, particularly, whether a Councillor paying for City pins and T-shirts for community groups promoting

the City, or a Councillor paying for the costs of advertising activities done by local groups, would be permitted;

- (3) the City Auditor, in consultation with the Chief Administrative Officer and the City Solicitor, report to the Audit Committee on a policy on the receipt of donations of cash, goods, services and other benefits by Members of Council;
- (4) the City Auditor report to the Audit Committee on whether the cost of design, lay-out and printing of Councillors' newsletters being done by the City Clerk is on a full cost recovery charge-back basis;
- (5) the City Auditor report to the Audit Committee on the establishment of a charge-back policy for those Councillors who use civic space for second offices; and
- (6) Council request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free.

The Audit Committee also directed that it receive:

- (a) a detailed breakdown of each individual Councillor's office expenses, including the Mayor's office and staff; and
- (b) a list of remuneration and expenses received by each individual Councillor for activities in their duties as a Member of a local Agency, Board or Commission.

#### Comments:

#### Policy Regarding Expenditures Incurred by Councillors

Councillors may incur certain expenses in carrying out their duties as a Council appointee to an agency, board or commission. While the majority of these expenses relate to travel, there are instances where business meeting and related expenditures are also incurred.

The current travel policy for Councillors requires that travel to attend conferences and seminars be charged to the respective Councillor's global budget. Business travel, with the exception of travel incurred by a Councillor in carrying out his or her duties as a chair or vice-chair of a City agency, board or commission, is charged to the business travel account in the Council budget and requires Council approval in accordance with the expense policy for Members of Council. In the case of a Councillor who is the chair or vice-chair of a local board, his or her travel expenses are charged to the respective agency, board or commission, and do not require Council approval. Consequently, the business travel expenses of a Councillor who is the chair of a standing committee of Council are treated differently than those of a Councillor who is a chair or vice-chair of an agency, board or commission.

In order to promote consistency and maintain a degree of equity among Councillors, the business travel expenses incurred by the chair or vice-chair of an agency, board or commission should be

provided for and charged to the business travel account in the Council budget, and be subject to the same approval requirement as those of standing committee chairs. This would also ensure that the City's policies with respect to expenses incurred by Councillors are complied with and would facilitate the reporting of these expenses at year end.

In order to accommodate this change in policy, it will be necessary to determine the funding implications so that the Council business travel budget and the travel budgets of the respective agencies, boards and commissions can be adjusted accordingly.

*It would also be appropriate that other types of expenses incurred by Councillors such as those for business meetings and entertainment be charged to the respective Councillor's global budget, including those incurred by Councillors acting in their capacity as a member of an agency, board, commission or other body. Again, this would promote equity and consistency among Councillors, better ensure that the City's policies are complied with and facilitate the reporting of these expenses at year end. In addition, it would eliminate an indirect subsidy of a Councillor's global budget by the respective agency, board, commission or other body, by requiring that these expenses be charged directly to the Councillor's global budget.*

*Recommendations:*

1. Business travel expenses incurred by Councillors, acting in their capacity as a chair or vice-chair of an agency, board or commission be subject to the same approval requirements as those of a chair or vice-chair of a standing committee, be processed through the Council Services Unit of the Clerk's Division and charged to the business travel account in the Council budget, and that the Council business travel budget and the travel budgets of the respective agencies, boards and commissions be adjusted to reflect this change in policy;
2. **All business meeting, entertainment or other general expenses incurred by Councillors as Council appointees of an agency, board, commission or other body, be charged directly to the respective Councillor's global budget, and that the City Clerk advise all agencies, boards and commissions accordingly.**

Clarification of Allowable Expenses Charged to the Global Office Budget

City Council approved a global budget of \$59,000 for each Councillor to cover the cost of general office requirements, communication and constituency office accommodation. The global budget does not cover expenses that are corporate in nature, such as sponsorships and donations as these types of expenses are similar in nature to grants and should therefore be considered by Council as a whole. Current practice, however, does allow Councillors to spend up to \$100 annually for sponsorships and donations per organization and it is reasonable for this practice to continue.

The policy with respect to office administration and expenses of Members of Council covers the requirements with respect to the office, travel and other expenses of Members of Council. The policy defines to a certain extent, what are considered permitted expenditures and related

administrative requirements. It is, however, difficult to have a policy that covers every situation. Consequently, good judgement is required in terms of the types of expenditures incurred.

From time to time Councillors purchase gifts for constituents, staff or other employees of the City of Toronto. Some of these expenses could be considered personal in nature and therefore it is inappropriate that they be paid for out of a Councillor's global budget. These types of expenditures should only be charged to a Councillor's global budget where they are clearly related to City business (e.g., visiting official dignitaries).

In keeping with Council policy, any community event or meeting must be arranged by the Councillor's office to be eligible for reimbursement through the Councillor's global budget. Payment of expenses, including advertisement for community events run by a third party, should not be paid by Councillors.

Expenditures relating to community events/meetings arranged by the Councillor's office should be restricted to items such as room/space rentals, beverages (e.g., tea or coffee) and food (e.g., cookies and muffins). If outside assistance is required to organize or work at the event, prior arrangements must be made through the Council Services Unit to ensure that City purchasing and staffing policies are adhered to.

With respect to the issue of whether to permit Councillors to pay for City souvenirs for community groups promoting the City, Council recommended that the City review the procedures followed by the Members of Parliament and Members of Provincial Parliament. As part of the review, Clerk's staff undertook a survey of the Province of Ontario and the Federal Government and examined their best practices as possible solutions to this requirement. The Province of Ontario's policy only allows payments from the Member's budget where the item purchased for community groups is of minimal value (e.g., lapel pins, fridge magnets, pens). Items that are generally not allowed to be reimbursed are of a more significant value and are considered personal in nature (e.g., watches, baseball caps, T-shirts, paperweights, etc.).

The Federal Government's policy allows Members to purchase pins, desk flags, paperweights, etc., but the unit cost cannot exceed \$25 per item, and the total amount per annum cannot exceed \$3,000. These items are charged against the Member's office budget and are not in addition to this budget.

In recognizing Council's need to promote the City to various community groups and organizations, only gifts available in the City's protocol office or the City Hall Gift Shop should be reimbursed with the limitation that the unit cost not exceed \$50 per item and that the total amount per annum not exceed \$1,000.

#### Recommendations:

3. The current practice of allowing Councillors to spend \$100 annually for sponsorships and donations per organization be formally included in the Councillors' Expense Policy.

4. Payments by Councillors of expenses incurred by an outside party (e.g., outreach groups) not be eligible for reimbursement through the Councillors' global budget.
5. With respect to Councillors paying for City souvenirs for community groups promoting the City, that only gifts available in the City's Protocol Office or the City Hall Gift Shop be reimbursed with the limitation that the unit cost cannot exceed \$50 per item and that the total amount expended per annum cannot exceed \$1,000.

#### Policy on the Receipt of Donations of Cash, Goods, Services by Members of Council

On September 28, 1999 (Administration Committee Report No. 5, Clause No. 2), City Council approved a Code of Conduct Policy for Members of Council. This policy, among other things, indicates that Members should not accept a fee, advance, gift or personal benefit that is connected directly or indirectly with the performance of their duties of office, with certain specific exceptions.

In order to protect Members of Council from any perceived or real conflicts of interest, the receipt of donations of cash, goods, services, gifts and other benefits by Councillors should not be allowed other than those permitted under the Code of Conduct Policy for Members of Council. Any receipt of cash, goods or services beyond this policy may be viewed as a means of Councillors subsidizing their global office budget and should therefore be prohibited.

#### Recommendation:

6. **The receipt of donations of cash, goods, services, gifts and other benefits by Councillors be restricted to those allowed under the Code of Conduct Policy for Members of Council, as approved by City Council on September 28, 1999.**

#### Charge Back for Printing of Councillors' Newsletters

Prior to January 1, 1998, the former Metro was the only municipality in which the charge back rate for the printing of Councillors' newsletters was limited to the costs of materials and supplies. All the other former municipalities included a labour component in their charge back rates for printing services.

With the amalgamation of the print shops in 1998, under the common service delivery model, all printing service is charged back on a full cost recovery basis which includes an overhead component. There is no standard rate as each job is separately quoted based on the requirements of the request. High volume printing (flyers, newsletters, stationery, Council minutes and agendas) is produced internally at 90 Niagara Street.

Some Councillors send their newsletters and other printing requirements to an external print shop rather than utilize the printing services that are available internally. Currently, there is no policy requiring that the printing be done internally. While the Corporate printing function would be more cost effective if Councillors were to utilize the services of this function rather than an

external print shop, it is acknowledged that being able to obtain the lowest cost for these services is also a factor.

In order to ensure that the City printing function is able to compete for these services, all printing requests should be processed through that function.

Recommendation:

7. If a Councillor wishes to use an outside company for printing services, that quotes, including one from the City's internal printing function be obtained, and the Council Services Unit be advised accordingly.

Charge Back Policy for Councillors' Office Space

*Currently, every Councillor has office space at City Hall, free of charge. In addition, some Councillors occupy a second office without charge in a civic centre. There are concerns about equity with the present situation, since some Councillors have use of a second office without charge in their local civic centre while other Councillors whose wards are not near a local civic centre may choose to use part of their office budget to establish a constituency office in their ward.*

In addition, there is a potential opportunity cost associated with Councillors utilizing office space in the civic centres. If this space was not used by Members of Council, it could potentially accommodate City staff, thus reducing the amount of office space that the City needs to lease, build or buy.

The City's current policy direction is to move towards a charge back approach for all municipal office space. The establishment of any charge back policy for Councillors who occupy office space in the former civic centres should therefore be reviewed in the corporate context in terms of optimizing the use of office space across the City. The policy should also take into account the constituency needs of Councillors, ensure a reasonable degree of equity among Councillors, consider any budget implications and be consistent with the city-wide policy currently being developed by Corporate Services and Finance in this regard.

Recommendations:

8. The Commissioner of Corporate Services report to the Administration Committee by June 30, 2000 on an office space charge back policy for Councillors, which takes into account the constituency needs of Councillors and any applicable budgetary implications, and ensures the optimal use of office space across the City.
9. The establishment of a charge back policy for Councillors who occupy office space in the former civic centres be reviewed in a corporate context, in terms of the office space requirements of all departments in the City, and be consistent with the city-wide policy currently being developed by the Corporate Services and Finance Departments in this regard.



## Amend Provision Regarding Members of Council Receiving a Third of Their Salary Tax-Free

The tax-free portion of the Councillor's salary was meant to cover out of pocket expenses incurred by Members of Council in conducting the business of the City. Since each Councillor now has a \$59,000 global office budget to cover general office expenses, a one third tax-free salary for Members of Council may no longer be appropriate.

A request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free, was forwarded by the City Clerk to the Minister of Municipal Affairs and Housing, Province of Ontario on May 31, 1999. To date, the City has not received a response from the Province.

### *Recommendation:*

10. *The Chief Financial Officer and Treasurer follow up with the Province on the status of the City's request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free, take any appropriate action to expedite the handling of this request by the Province and report to the Audit Committee by February 28, 2000 on the Province's response.*

## Breakdown of Councillor's Office Expenses, Mayor's Office and Staff

*A report on Councillors' expenses, including remuneration received from agencies, boards and commissions, for the period January 1 to December 31, 1998, was forwarded to Council in April 1999. This report also included the expenses of the Mayor's Office. The City Auditor forwarded a memo dated May 28, 1999, to the Chief Financial Officer and Treasurer, requesting that a detailed breakdown of the Mayor's Office expenses be provided to the Audit Committee, as requested. The Finance Department is currently developing this more detailed report.*

### Conclusions:

This report clarifies various policy issues with respect to the expenses and other requirements of Members of Council. In order to implement some of the recommendations, changes to the current Office Administration and Expenses Policy for Members of Council are required.

In order that the requests from Audit Committee were dealt with in a comprehensive manner, this report was jointly prepared by the City Auditor and the City Clerk, in consultation with Legal Services and Finance Department staff.

### Contact:

Tony Veneziano, Action Director, Audit Services, Tel: 392-8353, [Tvenezia@city.toronto.on.ca](mailto:Tvenezia@city.toronto.on.ca)  
Jim Hart, Director, Council and Support Services, Tel: 392-8676, [Jhart@city.toronto.on.ca](mailto:Jhart@city.toronto.on.ca)

(A copy of a One page summary report (undated) from the Director, Accounting Services Division respecting the Review of Conversion of Financial Data for Metro and All Former Municipalities was forwarded to all Members of the Audit Committee, and a copy thereof is on file in the office of the City Clerk).