



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

AOCC Settlement of Operating Results for Year 2007

Date:	December 15, 2008
To:	Executive Committee
From:	Acting Deputy City Manager and Chief Financial Officer
Wards:	All
Reason for Confidential Information:	This report is about labour relations or employee negotiations
Reference Number:	P:\2008\Internal Services\FP\ec08024Fp (AFS #6996)

SUMMARY

This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2007 based on audited financial results.

RECOMMENDATIONS

The Acting Deputy City Manager and Chief Financial Officer recommends that:

1. The accumulated surpluses of \$16,120 be paid to the City of Toronto for three AOCCs and be used to partially fund the payment of operating deficits of \$228,182 for the other seven AOCC's core administration operations resulting in a net payment of \$212,062 to AOCC (as detailed in Attachment 1) to be funded from under-expenditures reported through the final 2008 year-end variance report.

Financial Impact

The total surpluses of \$16,120 from three Community Centres will partially offset the funding of total deficits of \$228,182 resulting in a net payment of \$212,062 from the City to the AOCCs arising mainly from the Core Administration Operations' year end results

for 2007. The amount will be funded from under-expenditures reported through the final 2008 year-end variance report. Reasons for the over-expenditures are provided in the confidential attachment.

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 2007 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, 2007 indicates that AOCCs reported a deficit amounting to \$212,062, with \$109,432 resulting from wage harmonization of management staff and \$102,630 from miscellaneous expenditures including vacation payout, maintenance costs, and other miscellaneous costs. Details are provided in the confidential attachment.

A compensation review was undertaken to review job classifications for all Association of Community Centre management staff as directed in the report entitled “The Governance Review”, and approved by Council in April 2003. The report addressed the complex employment status of AOCC staff and directed that “the City reconcile existing AOCC human resource policies with those applicable to City 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. 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 staff. The financial impact of the compensation review arising from the Governance Review of AOCCs was \$109,432 for 2007 for the period of July 1st to December 31st, 2007 (excluding the retroactive payments from April 15, 2003 to June 30, 2007). The retroactive payment of \$589,039 for the period from April 15, 2003 to June 30, 2007 was approved and funded from the Employee and Retiree Benefits Reserve Fund.

Wherever possible, AOCCs have offset the higher expenditures for the harmonization of management staff through gapping, and curtailed discretionary expenditures of materials, supplies, and maintenance. However, the cost containment measures have not been sufficient to offset the 2007 impact of harmonization costs for the period of July 1st to December 31st, 2007 and the other over-expenditures, resulting in a \$212,062 deficit. The 2007 year-end settlement has been accrued in 2008 and will be funded from under-expenditures reported through the final 2008 year-end variance report.

CONTACT

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SIGNATURE

Cam Weldon
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ATTACHMENT 1 - Confidential Information