



STAFF REPORT ACTION REQUIRED

Association of Community Centres Settlement of Operating Results for Year 2014

Date:	November 9, 2015
To:	Executive Committee
From:	Deputy City Manager & Chief Financial Officer
Wards:	All
Reference Number:	P:\2015\Internal Services\Fp\Ec15031Fp

SUMMARY

This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2014 based on audited financial results.

RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer recommends that:

1. City Council direct the accumulated surpluses of \$1,594 from five Association of Community Centres (AOCCs) be paid to the City of Toronto and be used to partially fund the payment of operating deficits of \$79,423 for the core administration operations of the other five centres, resulting in a net payment of \$77,829 for operating over-expenditures as detailed in Table II.
2. City Council reaffirm the need for AOCCs to seek approval from Financial Planning of all over-expenditures before they are incurred and direct the City Clerk to transmit this directive to all AOCC Chairs.

Financial Impact

The total surpluses of \$1,594 from five Community Centres will partially offset the funding of deficits totalling \$79,423, resulting in a net payment of \$77,829 from the City

to the AOCCs in 2014 arising primarily from the Core Administration Operations' year end results for 2014. The deficit payment will be funded from City's under-expenditures reported through the final 2015 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. The Financial Planning Division will work with the Association of Community Centres (AOCCs) in 2016 to reinforce the above requirement and establish an approval process that ensures any expenditures over the Centre's approved budget are approved before they are incurred.

Table I below summarizes the operating surplus/deficit and the net payment for operating over-expenditures from 2009 to 2013. Over the past 5 years the AOCCs have had an

accumulated surplus of \$45,068 paid to the City of Toronto which was used to partially fund the payment of operating deficits of \$298,479 resulting in a net payment of \$253,411 for operating over-expenditures.

Table I

Association of Community Centres			
5 Year Summary of Net Payable to City/ Community Centres from 2009 to 2013			
Budget Year	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/ (Centre)
2009	2,179	(\$102,245)	(\$100,066)
2010	29,002	(\$45,778)	(\$16,776)
2011	5,272	(\$9,628)	(\$4,356)
2012	526	(\$117,998)	(\$117,472)
2013	8,089	(\$22,830)	(\$14,741)
TOTAL	45,068	(\$298,479)	(\$253,411)

COMMENTS

Settlement of 2014 Operating Results

The 2014 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, 2014 indicates that AOCCs reported a net deficit amounting to \$77,829. The details are summarized in Table II.

Table II

Association of Community Centres			
Summary of Net Payable to City / Community Centres for 2014			
Community Centre	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/(Centre)
519 Church Street Community Centre		(\$17,462)	(\$17,462)
Applegrove Community Complex	\$815		\$815
Cecil Community Centre	\$233		\$233
Central Eglinton Community Centre	\$251		\$251
Community Centre 55	\$30		\$30
Eastview Neighbourhood Community Centre		(\$1,993)	(\$1,993)
Harbourfront Community Centre		(\$26,316)	(\$26,316)
Ralph Thornton Community Centre		(\$28,185)	(\$28,185)
Scadding Court Community Centre		(\$5,466)	(\$5,466)
Swansea Town Hall	\$264		\$264
TOTAL	\$1,594	(\$79,423)	(\$77,829)

As in previous years, the AOCCs are required, as per City Council directive in 2008, reaffirmed in 2010, to adhere to the existing policy that they "seek approval from the Executive Director of Financial Planning prior to incurring expenditures that are not included in the Approved Operating Budget". Several AOCCs did not comply with this directive and Financial Planning was not informed of certain 2014 over-expenditures prior to incurring the expenditures. The Financial Planning Division will establish and communicate to the AOCC's an approval process that ensures any expenditures over the Centre's approved budget are approved before they are incurred. This process will be implemented in 2016.

The main reasons for the operating variances are as follows:

519 Church Street Community Centre

The over-expenditure of \$17,462 is mainly due to major elevator malfunction which required urgent emergency repairs.

Eastview Neighbourhood Community Centre

The over-expenditure of \$1,993 is mainly due to the cost of IT refreshment setup at the Community Centre not covered by Corporate IT.

Harbourfront Community Centre

The over-expenditure of \$26,316 is primarily attributed to the following:

- Higher than budgeted salary and benefits of \$22,122

- One time expenditure for computer services related to the refresh of computers, server and services related to ACCPAC financial upgrades to effectively maintain systems in compliance with City of Toronto IT infrastructure standards for a total cost of \$6,763;
- The over-expenditures as stated above were partially offset by savings of \$3,346 in material and supplies.

Ralph Thornton Community Centre

The over-expenditures of \$32,000 related to the repayment to the Ministry of Finance for Employee Health Tax (EHT) Exemption claimed in error for years 2010-2014 were partially offset by savings of \$3,815 in computer maintenance for a net deficit of \$28,185.

Scadding Court Community Centre

- The over-expenditure of \$5,466 can be attributed to higher than budgeted pay for performance of \$12,250 and non-budgeted settlement costs of \$14,117; as well as other non-budgeted urgent building repairs of \$9,080.
- The over-expenditures as stated above were partially offset by savings of \$30,745 in non-salary expenses.

As in prior years, it is recommended that the 2014 year-end net operating expenditure payable to the Community Centres of \$77,829 be funded from City's under-expenditures that will be reported in the final 2015 Year-End Operating Budget Variance Report.

CONTACT

Josie La Vita, Executive Director, Financial Planning Division, Tel: (416) 397-4229, Fax: (416) 397-4465, E-mail: jlavita@toronto.ca

Shairoz Murji, Acting Director, Accounting Services, Tel: (416) 397-4438, Fax: (416) 392-8003,
E-mail: smurji@toronto.ca

SIGNATURE

Roberto Rossini
Deputy City Manager & Chief Financial Officer