



STAFF REPORT ACTION REQUIRED

Association of Community Centres Settlement of Operating Results for Year Ended 2015

Date:	October 11, 2016
To:	Executive Committee
From:	Deputy City Manager & Chief Financial Officer
Wards:	All
Reference Number:	P:\2016\Internal Services\Fp\Ec16020Fp (AFS #23421)

SUMMARY

This report recommends settlement with the 10 Community Centres (Association of Community Centres or AOCCs) on their Core Administration Operations for 2015 based on audited financial results.

RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer recommends that:

1. City Council direct the accumulated surpluses of \$7,391 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 \$38,544 for the core administration operations of the other five centres, resulting in a net payment of \$31,154 for operating over-expenditures as detailed in Table II.

Financial Impact

The total surpluses of \$7,391 from five Community Centres will partially offset the funding of deficits totalling \$38,544, resulting in a net payment of \$31,154 from the City to the AOCCs in 2015 arising primarily from the Core Administration Operations' year end results for 2015. The deficit payment will be funded from City's under-expenditures reported through the final 2016 year-end operating variance results.

ISSUE BACKGROUND

At its meeting of 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 of 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 of 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.

Table I below summarizes the operating surplus/deficit and the net payment for operating over-expenditures from 2010 to 2014. Over the past 5 years the AOCCs have had an accumulated surplus of \$44,483 paid to the City of Toronto which was used to partially fund the payment of operating deficits of \$275,657 resulting in a net payment of \$231,174 for operating over-expenditures.

Association of Community Centres 5 Year Summary of Net Payable to City/ Community Centres from 2010 to 2014			
Budget Year	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/ (Centre)
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)
2014	1,594	(\$79,423)	(\$77,829)
TOTAL	44,483	(\$275,657)	(\$231,174)

COMMENTS

Settlement of 2015 Operating Results

The 2015 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, 2015 indicates that AOCCs reported a net deficit amounting to \$31,154. The details are summarized in Table II.

Table II

Association of Community Centres			
Summary of Net Payable to City / Community Centres for 2015			
Community Centre	Net Surplus (payable to City)	Net (Deficit) (payable to Centre)	Total Net Adjusted Settlement to City/(Centre)
519 Church Street Community Centre		(\$14,334)	(\$14,334)
Applegrove Community Complex	\$287		\$287
Cecil Community Centre	\$2,847		\$2,847
Central Eglinton Community Centre		(\$11,941)	(\$11,941)
Community Centre 55	\$120		\$120
Eastview Neighbourhood Community Centre		(\$103)	(\$103)
Harbourfront Community Centre	\$19		\$19
Ralph Thornton Community Centre	\$3,846		\$3,846
Scadding Court Community Centre		(\$12,167)	(\$12,167)
Swansea Town Hall	\$272		\$272
TOTAL	\$7,391	(\$38,544)	(\$31,154)

At its meeting of November 9th, 2015, while considering the report [EX.10.9 Association of Community Centres Settlement of Operating Results for Year 2014](#), City Council requested the City Manager to write to the Association of Community Centre Boards and reinforce with the Boards the requirement to seek Council's approval for over-expenditures before incurring them and remind them of their obligation to comply with the City's financial policies.

In keeping with this direction, an "Over-Expenditure" Pre-Approval process was established in 2016 by the Financial Planning Division and was communicated by the City Manager to the Association of Community Centre Boards. Consequently, the Centres adopted the process which has resulted in significant improvement in seeking prior-approval for over-expenditures.

The operating variances as noted below were pre-approved by the City except for the building repairs required at Scadding Court which were deemed urgent due to health and safety issues.

519 Church Street Community Centre

The over-expenditure of \$14,334 is due to Management Overtime paid out during PanAm games with prior authorization from the City.

Central Eglinton Community Centre

The over-expenditure of \$11,941 relates to the repayment to the Ministry of Finance for Employee Health Tax (EHT) exemption claimed in error for years 2013-2015.

Scadding Court Community Centre

The over-expenditure of \$12,167 is mainly due to higher than budgeted salary costs of \$8,400 to backfill a position on extended sick leave; as well as other urgent building repairs of \$3,400. As in prior years, it is recommended that the 2015 year-end net operating expenditure payable to the Community Centres of \$31,154 be funded from City's under-expenditures that will be reported in the final 2016 Year-End Operating Budget Variance Report.

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SIGNATURE

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