

Analyst Briefing Notes

Budget Committee Review

(January 28, 2008)

2008 OPERATING BUDGET

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January 11, 2008

2008 OPERATING BUDGET

Executive Summary

- The Association of Community Centres (AOCC) is comprised of ten community centres:

519 Church Street Community Centre	Applegrove Community Complex
Cecil Street Community Centre	Central Eglinton Community Centre
Community Centre 55	Eastview Neighbourhood Community Centre
Harbourfront Community Centre	Ralph Thornton Community Centre
Scadding Court Community Centre	Swansea Town Hall Community Centre
- Based on the 3rd Quarter Operating Budget Variance Report, the AOCC is projecting a 2007 year-end over-expenditure of \$0.157 million, mainly attributable to the ongoing harmonization costs arising from the compensation review of AOCC non-union staff. The impact on the 2008 Recommended Operating Budget is \$0.205 million.
- The 3-Year Operating Budget supports increases in cost of living, merit, step, and other economic factors required to ensure continuous services provided to local residents. In addition, it also supports delivering services to vulnerable areas and at-risk youth.
- The 2008 Recommended Operating Budget of \$6.761 million net represents an increase of \$0.524 million or 8.4% over the 2007 Approved Operating Budget mainly due to staffing costs including ongoing harmonization costs of \$0.2 million arising from the compensation review, merit and step increases of \$0.1 million and increases due to COLA, economic factors and leap day of \$0.2 million.

Table 1: 2008 Recommended Budget

	2007		2008 Recomm'd Operating Budget			Change 2008 Recommended Operating Budget v. 2007 Approvd. Budget		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Projected Actual	2008 Recomm'd Base	2008 Rec. New /Enhanced	2008 Rec. Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
GROSS EXP.	6,987.9	7,145.0	6,914.9	15.8	6,930.7	(57.2)	(0.8)	92.7	112.5
REVENUE	750.9	750.9	169.9	0.0	169.9	(581.0)	(77.4)		
NET EXP.	6,237.0	6,394.1	6,745.0	15.8	6,760.8	523.8	8.4	92.7	112.5
Approved Positions	91.2	91.2	91.2	0.0	91.2	0.0	0.0	91.2	91.2

TARGET	6,237.0	6,237.0
\$ Over / (Under) Program Target	508.0	523.8
% Over / (Under) Program Target	8.1%	8.4%

- Increasing reception relief coverage hours is also recommended at Eastview Neighbourhood Community Centre (\$0.016 million) to ensure security is maintained during weekend and evening program times.
- The 2008 Recommended Operating Budget of \$6.761 million net is comprised of base funding of \$6.745 million (net) and \$0.016 million (net) for new/enhanced services.
 - The 2009 and 2010 Outlook represent a net increase of \$0.093 million net and \$0.113 million net respectively, and include step and merit increases. The 2009 Outlook also includes a reversal of leap day costs of \$0.015 million net.
- The 2008 Recommended Operating Budget provides funding for administrative costs to support AOCCs strategic initiatives and overall program objectives which include the following:
 - Provide a wide range of quality programs and services to meet residents' needs.
 - Maintain a community base that is representative of the neighbourhood.
 - Provide opportunities for local residents to improve their communities.
 - Provide and preserve community access to space.

Recommendations

The Deputy City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for the Association of Community Centres of \$6.931 million gross and \$6.761 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
519 Church Street	1,128.9	1,128.9
Applegrove	375.4	375.4
Cecil	645.8	645.8
Central Eglinton	561.5	561.5
Community Centre 55	653.7	653.7
Eastview Neighbourhood	506.8	506.8
Harbourfront	1,150.8	1,150.8
Ralph Thornton	652.1	612.7
Scadding Court	833.0	833.0
Swansea Town Hall	<u>422.7</u>	<u>292.2</u>
Total Program Budget	<u>6,930.7</u>	<u>6,760.8</u>

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals	2007 Apprvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	% Unspent
GROSS EXP.	5,897.2	6,987.9	7,145.0	157.1	2.2
REVENUES	206.1	750.9	750.9	0.0	0.0
NET EXP.	5,691.1	6,237.0	6,394.1	157.1	2.5
Approved Positions	91.2	91.2	91.2	0.0	0.0

*Projected Actual based on 3rd Quarter Variance Report

2007 Experience

As of the Third Quarter Variance Report, the 2007 projection to year-end is \$6.394 million net, representing an unfavorable variance of \$0.157 million, or 2.2% over the 2007 Approved Budget. The variance is mainly attributed to the 6 months (July to December 2007) payment to AOCC non-union staff (\$0.138 million) resulting from the compensation review that covered the period April 15, 2003 to June 30, 2007.

The 2007 projected year-end salary pressure of \$0.138 million is a result of the harmonization of AOCC non-union staff. The retroactive amount of \$0.589 million for the period of April 15, 2003 to June 30, 2007 was funded from the City's Employee and Retiree Benefits Reserve, but the harmonization of salary and benefits for the ongoing portion for the July 1st to December 31st 2007 period was to be absorbed within the AOCC budget as adopted by Council in its July 16-19th meeting.

Vacation payout expenses of \$0.018 million further contribute to the projected 2007 year-end variance.

2007 Cost Containment Savings:

There are no 2007 cost containment savings.

Impact of 2007 Operating Variance on 2008 Recommended Budget

As the draw from the reserve was identified to only fund the retroactive payments (from April 15, 2003 through June 30, 2007) arising from the wage review of the AOCC non-union employees, the ongoing increase in salaries results in a \$0.205 million base pressure for 2008.

The harmonization impact is summarized in the table below.

Wage Harmonization Summary		
(\$ millions)	2007	2008
Retroactive payments	0.589	0
Ongoing cost pressure	0.138	0.205
Employee and Retiree Benefits Reserve Fund Draw	0.589	0
Net Cost	0.138	0.205

The impact of wage harmonization alone results in a 3.3% increase over the 2008 target.

Section B: 2008 Operating Budget Overview

3-Year Operating Budget Overview

The AOCC Board model is a hybrid between a City board and an independent not-for-profit community-based organization. The core administration activities are treated like a City board and the program component is treated like an independent not-for-profit community-based organization. As a result of the corporate administrative restructuring in 2006, the AOCC Program has been functionally aligned with the Social Development, Finance and Administrative Division (SDFA) as the strategic directions outlined in the SDFA Strategy for the City relate directly to the Community Centres' activities.

The City funds defined core administrative costs: all salary and benefit; facility operation; and maintenance costs except those directly associated with a specific program. Core funding includes:

- salary and benefits of centre personnel involved in:
 - Administration;
 - Program and Volunteer Coordination;
 - Secretarial and Reception; and
 - Building Maintenance;
- materials and supplies related to centre administration and maintenance;
- furniture and equipment of general use to the centre; and
- purchased services such as utility costs, printing, photocopying, auditing and minor building repairs.

The City recovers any year-end surplus from core administration activities, and the Centres retain surpluses generated by program delivery. Also, the City covers deficits for core administration costs, but the Centres fund any deficits arising from programs. AOCCs are eligible to apply for City grants to fund program activities. The City funds 100% of the Centres' Core Administrations costs or approximately 50% of the total AOCC Operating Budget with the remaining funding from a combination of City and non-City grants and user fees.

For 2008, AOCCs will focus on strengthening individual and community capacity; contributing to social infrastructure, quality of life and community safety; acting as a social hub and gathering place; and encouraging residents to participate in community life.

Funding forecasted in 2009 and 2010 Outlooks will strive to provide the same level of services as in 2008.

Based on the 2007 and prior years' trend of actual performance, achieving a 0% target for 2008 without impacting the core service program delivery and overall public service, is very difficult to achieve. There are no other efficiency initiatives including service reviews and/or service rationalizations identified to achieve the 0% target in 2008.

Challenges and Issues

The AOCCs continue to face a number of challenges as they operate in diverse communities consisting of families living on low incomes, immigrants and newcomers, underemployment and families on social assistance.

The key issue for the AOCCs in 2008 and in the future, is to continue maintaining the level of service standards and performance in the face of increasing expectations and demand for service. The AOCCs have thus far, managed to maintain the current level of programming and activities through fundraising, staff training and motivation, and networking with other organizations, however, this has presented an on-going challenge to meet their expectations without an increase in staffing and budget resources where required. Third party funding to the Community Centres is unpredictable, making planning for a 3-year horizon difficult.

The demand for resources required to achieve program goals and provide the same level of service as in past years presents challenges and opportunities that need to be addressed in light of the 2008 budget target which does not adequately cover key base budget pressures.

Over the years, Community Centres have experienced increased workload in payroll, administration, banking transactions, fund raising and registrations as a result of their engagement in new program initiatives, activities and events, and a growing clientele base. This has necessitated centres to request additional hours for administrative/relief coverage as well as volunteer co-ordinators in order to keep up with the increased service demand.

Each centre faces its own and unique challenges dependant on community demographics, centre location and size, and funding. Due to a growing client base, building and space limitations are creating a challenge, as are funding limitations due to donor fatigue. Meeting community needs remains a top challenge since changing community demographics and increased demand for services require staff training and retention, as well as repairs and upkeep of equipment and furniture under extreme cost pressures and rising cost of living.

Strategic Priorities

The 2008 Recommended Operating Budget provides funding for administrative costs to support AOCCs strategic initiatives and overall program objectives which include the following:

- Provide a wide range of quality programs and services to meet residents' needs.
- Maintain a community base that is representative of the neighbourhood.
- Provide opportunities for local residents to improve their communities.
- Provide and preserve community access to space.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

	2007 Appvd. Budget	2008 Recommended Base	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook	
					2009	2010
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	6,987.9	6,914.9	(73.0)	(1.0)	92.7	112.5
REVENUE	750.9	169.9	(581.0)	(77.4)		
NET EXP.	6,237.0	6,745.0	508.0	8.1	92.7	112.5
Approved Positions	91.2	91.2	0.0	0.0	0.0	0.0
NET TARGET			6,237.0			
\$ Over / (Under) Program Target			508.0			
% Over / (Under) Program Target			8.1%			

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$6.745 million net is 8.1% or \$0.508 million over the 2007 Approved Budget and the 2008 target, while maintaining the same level of service in 2008.
- The 2008 Recommended Operating Budget provides funding for base budget pressures of administrative costs to support AOCCs.
- The revenue decrease from \$0.751 million in 2007 to \$0.170 million in 2008 is due to the reversal of one-time funding of \$0.589 million for retroactive harmonization payouts as well as increased user fees of \$0.008 by Swansea Town Hall.

2008 Base Budget Key Cost Drivers and Reduction Strategies

- Key cost drivers include salary costs for AOCCs non-union staff resulting from a wage harmonization award (\$0.205 million); Cost of Living Adjustments (COLA), fringe benefit and non-labour inflationary increases (\$0.193 million); merit/step (\$0.113 million); leap day costs (\$0.015 million)

2009 and 2010 Outlook: Net Incremental Impact:

The net incremental impact of \$0.093 million in 2009 and \$0.113 million in 2010 represents increases in staffing costs mainly for step and merit.

The 2009 and 2010 Outlooks do not take into account a number of anticipated pressures as well as revenues, driven by inflation and future collective agreement negotiations.

Section D: 2008 Recommended Service Priorities

Table 4: Summary of 2008 New / Enhanced Service Priorities (In \$000s)

Priority	Description	2008 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2009	2010
		\$	\$		#	\$
(a) Enhanced Service Priorities - Council Approved:						
(b) Enhanced Service Priorities - Program Initiated: Security/Relief Coverage Increase security/relief coverage on weekends by 15 hours per week for health and safety reasons at Eastview Neighbourhood C.C.		15.8	15.8			
Sub-Total Enhanced Service Priorities		15.8	15.8	0.0	0.0	0.0
(a) New Service Priorities - Council Approved:						
(b) New Service Priorities - Program Initiated:						
Sub-Total New Service Priorities		0.0	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities		15.8	15.8	0.0	0.0	0.0

As a result of a restructuring initiative in 2006, a full time reception position was eliminated at Eastview Neighbourhood Community Centre. The Centre is open to public and provides extensive programs on evenings and weekends, with most of the participants being children, youth and young families. The inability to staff the reception area on weekends and certain evenings during staff vacations and illnesses, has left the Centre vulnerable to risks and has resulted in loss of property and vandalism. To address these concerns, funding of \$0.016 million to increase weekend relief staffing coverage by 15 hours per week is recommended for 2008.

Section E: Issues for Discussion

2008 Operating Budget Issues

2008 Recommended Operating Budget vs. Guideline

Association of Community Centres' 2008 Recommended Operating Budget of \$6.761 million net, represents an increase of 8.4% or \$0.508 million over the 2008 target for the Program. Below is a table summarizing increases over target by each Centre.

AOCC - 2008 Recommended Budget Comparison to Target				
\$ (000's)	2008 Recommended Operating Budget (net)	2008 Budget Target (net)	Variance	
			\$	%
Centre				
519 Church	1,128.9	1,076.5	52.4	4.9%
Applegrove	375.4	351.6	23.8	6.8%
Cecil	645.8	602.9	42.9	7.1%
Central Eglinton	561.5	505.6	55.9	11.1%
Centre 55	653.7	612.0	41.8	6.8%
Eastview Neighbourhood	506.8	451.2	55.6	12.3%
Harbourfront	1,150.8	1,032.3	118.5	11.5%
Ralph Thornton	612.7	572.8	39.9	7.0%
Scadding Court	833.0	758.3	74.7	9.9%
Swansea Town Hall	292.2	273.9	18.3	6.7%
Total	6,760.8	6,237.0	523.8	8.4%

Achieving target for 2008 and future years without impacting the core service program delivery and overall public service, is very difficult to achieve. Budget pressures in 2008 are driven solely by staffing costs and economic factors, which are not controlled directly by Centres. As a means to offset budget pressures, Centres have reviewed reduction options, which are not recommended due to service level implications. Any significant reductions would be derived from reduction options such as centre closures and/or staff eliminations, which would greatly impact service delivery and the centre's ability to meet community needs.

Appendix 1

**Summary of Recommended Base Budget Changes
From 2007 Approved Budget**

	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
(\$000's)		\$	\$	\$	\$	\$
2007 Approved Operating Budget	91.2	6,394.1	161.9	6,232.2	0.0	0.0
In-year approvals and technical adjustments	0.0	593.8	589.0	4.8	0.0	0.0
2007 Approved Operating Budget	91.2	6,987.9	750.9	6,237.0	0.0	0.0
Prior year impacts		(398.1)	(589.0)	190.9	(19.8)	
Zero base items						
Economic factors		305.3	0.0	305.3	112.5	112.5
Adjusted Base Budget	91.2	6,895.1	161.9	6,733.2	92.7	112.5
Other base changes	0.0	19.8	0.0	19.8		
Base revenue changes	0.0	0.0	8.0	(8.0)		
Recommended Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
2008 Recommended Base Budget	91.2	6,914.9	169.9	6,745.0	92.7	112.5
2007 Program Operating Target	N/A	N/A	N/A	6,237.0		
% Over (Under) Program Target				8.1		
% Over (Under) 2006 Approved Budget				8.1		

Appendix 3

Summary of 2008 Recommended New/Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Balance as of June 2006	Proposed Withdrawals (-) / Contributions (+)		
				2007	2008	2009
			\$	\$	\$	\$
Employee and Retiree Benefits Reserve Fund				589,044.7	0.0	0.0
Total Reserve / Reserve Fund Draws / Contributions				589,044.7	0.0	0.0