

10

REVIEW OF CHARACTER COMMUNITY BUDGET AND EXPENDITURE CONTROL PROCESS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 30, 2005, from the Chief Administrative Officer:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council continue its commitment to character values through continued support, promotion and contribution to the Character Community initiative.
2. The Executive Director for York Region's Character Community Initiative present the Character Community 2006 work plan, including all anticipated expenditures and revenues, to the Finance & Administration Committee as part of the 2006 Regional Business Plan and Budget process.
3. Regional Council authorize the re-allocation, at year end, of savings from the 2005 Regional Budget to an upset limit of \$35,000, in support of the anticipated funding shortfall for the Character Community Initiative in 2005.
4. Regional Council endorse the principle whereby any future Regional funding considerations for the Character Community initiative be limited to the salary, benefits, and appropriate personal expenses of the Executive Director for York Region's Character Community Initiative; and that all other program expenditures for the Character Community initiative be funded through the initiative's other sources of revenue.

2. PURPOSE

As part of the Region's continuing efforts to evaluate program efficiencies and effectiveness, the Strategy & Administration Branch of the Office of the Chief Administrative Officer undertakes various program reviews of organizational effectiveness, controllership, and process control issues.

The purpose of this report is to provide clarity and suggest improvement areas regarding budgeting and expenditure control procedures for the Region's portion of funding support of the Character Community initiative.

3. BACKGROUND

The idea that York Region could become a “Character Community” was born at an international Quest for Character Symposium hosted in April 2001 by the York Region District School Board. A Character Community is generally recognized as a community in which the elected officials, community leaders, businesses, school boards, and citizens recognize and promote the importance of good character. On June 7, 2001 York Regional Council approved the establishment of a Steering Committee to develop a proposal for a Character Community in York Region.

On January 24, 2002 York Regional Council approved a resolution to establish York Region as the first municipality in Eastern Canada to become a “Character Community”. At this time, a “Character Council” was also established to act as a steering committee and help direct the Character Community initiative across the Region. Current membership on this council/committee include Markham Mayor Donald Cousens, Co-Chair; Aurora Mayor Tim Jones, Co-chair; Regional Chair and CEO Bill Fisch, Whitchurch-Stouffville Mayor Sue Sherban, as well as representatives from the York Region Catholic School Board, York Region District School Board, and many other leaders from local businesses and community groups.

To assist the Character Community Council in the development of its activities, programs and administration, a secondment position entitled Executive Director for York Region’s Character Community Initiative has been created. The Regional Municipality of York is designated as the seconding organization for this position, with the position historically being filled by a current employee of one of the local school boards.

4. ANALYSIS AND OPTIONS

As part of York Region’s commitment to the Character Community initiative, Regional Council has approved funding of \$100,000 for each of the 2003, 2004 and 2005 budget years. The majority of this amount has been allocated to fund the salary and benefit costs for a full-time Executive Director position, with the balance of the amount used to fund business expenditures related to the secondment position.

4.1 Total Program Expenditures and Funding

The Regional financial contribution towards the Character Community program is only a portion of the overall funding the initiative receives. Other funding sources include fees from memberships, events and the annual conferences.

A breakdown of the 2004 and 2005 budget as well as 2004 actual and 2005 forecasted revenues and expenditures for the Character Community program are shown in Table 1.

Table 1
Character Community Program
Summary of Revenue and Expenditures

	2004 Budget	2004 Actual	2005 Budget	2005 Forecast
Expenditures:				
Staff expenses	\$ 74,000	\$ 57,769	\$ 74,000	\$ 108,403
Program expenses	26,000	36,221	26,000	29,325
Membership/Event expenses		9,433	10,000	20,000
Conference expenses		54,828	57,000	54,923
Total Expenditures	\$ 100,000	\$ 158,251	167,000	212,651
Revenues:				
York Region funding	\$ 100,000	\$ 93,990	100,000	100,000
Membership/Event fees		19,123	20,000	12,000
Conference fees		76,484	63,000	62,543
Total Revenues	\$ 100,000	\$ 189,597	183,000	174,543
Surplus/(Shortfall)	\$0	\$31,346	\$18,000	(38,108)

4.2 Budget Variance

For 2004, revenues received from conferences, events, and membership fees exceeded the costs of these initiatives. In addition, staff salary and benefit expenditures of \$29,516 (the final four month instalment for 2004), that reimburses the York Region District School Board, was not received and expensed until the 2005 budget year. These circumstances resulted in a surplus of funds in 2004 for the Character Community program.

For 2005, the additional salary and benefit expenditures from 2004 compounded with higher than anticipated membership/event expenses, lower than expected revenues, and a projected increase in salary costs for the newly seconded employee, is anticipated to result in a funding shortfall of approximately \$38,000 for the Character Community program.

As the intent of the secondment agreement was to reimburse salary, benefit and appropriate personal expenses of the Executive Director, it is proposed that Regional Council authorize the re-allocation of unexpended funds from the 2005 Regional Budget. It is suggested that this re-allocation be limited to an additional \$35,000 commitment of Regional funding and that any shortfall that exceeds this amount be funded through the prior year surplus of the Character Community program.

4.3 Expenditure Control

Historically, expenditures for the Character Community program have been incurred by the Executive Director and then subsequently submitted to the Region for reimbursement.

This process as it currently exists can be improved as:

- i. detailed expenses are not necessarily pre-authorized by the Region and therefore the Regional accountability and control is “after-the-fact”;
- ii. expenses incurred that may generate revenue (i.e. promotions of business membership, event administrative costs, printing, advertising) are not necessarily being funded through the receipt of these revenues, and are often a component of expenditures reimbursed by the Region;
- iii. expenses related to the program (i.e. legal costs, office supplies) and not necessarily the secondment position may be billed to the Region; and
- iv. instances where invoices and expense reimbursement requests have been received subsequent to the Region’s financial year-end.

In an effort to simplify the expenditure control process and clearly define the expenditure need that the Regional portion of funding supports, it is proposed that the Region endorse the principle whereby any future Regional funding considerations for the Character Community initiative be limited to the salary, benefits, and appropriate personal expenses of the Executive Director of the York Region Character Council; and that all other program expenditures for the Character Community initiative be funded through the initiative’s other sources of revenue.

5. FINANCIAL IMPLICATIONS

In support of the anticipated 2005 funding shortfall in the Character Community Initiative, it is proposed that Regional Council authorize the re-allocation, at year end, of savings from the 2005 Regional Budget to an upset limit of \$35,000. This proposal will have no additional tax levy impact.

To better understand future program pressures and overall funding requirements, it is further proposed that the Executive Director for York Region’s Character Community Initiative present the Character Community 2006 work plan, including all anticipated expenditures and revenues, to the Finance & Administration Committee as part of the 2006 Regional Business Plan and Budget process.

6. LOCAL MUNICIPAL IMPACT

The recommendations of this report have no local municipal impact.

7. CONCLUSION

As the Region's funding commitment to the Character Community Initiative is only a portion of the total program funding requirements, further understanding of overall program expenses and revenue expectations is needed to facilitate future funding decisions and avoid potential funding shortfalls in future years.

The Senior Management Group has reviewed this report.