



OAKVILLE

REPORT

Council

Meeting Date: October 23, 2023

FROM: Finance Department

DATE: October 10, 2023

SUBJECT: **Council Community Outreach and Professional Development Allocation Rollover Options**

LOCATION: Town-wide

WARD: Town-wide

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RECOMMENDATION:

1. That the Council Community Outreach and Professional Development allocation be maintained at its existing limits with no rollover provisions.
2. That the annual allocation be pro-rated each year to reflect the number of months each member of Council holds office within that year.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The annual budget includes funds for each member of Council to use for Community Outreach and Professional Development expenses.
- Council requested staff to report back on options to allow the rollover of these funds to be used throughout the election term.
- Three different options were considered, including maintaining the status quo (option 1), establishing a maximum amount per term (option 2), and carrying forward unused portions (option 3).
- Staff recommend option 1 for the reasons outline in this report (recommendation #1).
- Staff have also prepared a recommendation (#2) to address a very minor gap in the existing process.

BACKGROUND:

The town established a Community Outreach and Professional Development (COPD) annual allowance, which is defined in the Council Remuneration, Allowances, Benefits, Expenses, Conferences and Seminars Procedure as follows:

Annual allowance: The approved annual budget will include an annual allowance for each Member of Council to cover the cost of Community Outreach and Professional Development (COPD) expenses. This allowance will cover costs including attendance at conferences and seminars and maintaining a community profile. Community Profile Expenses can include such things as: attending community events, annual general meetings (AGM), fund-raising and events, advertising and sponsorship of local community group brochures and literature. A recap of expenses relating to the annual allowance will be prepared and distributed monthly by the Finance department to Members and posted on the town's website on a quarterly basis. Any amounts incurred over the annual allowance will be paid back by the member of Council, within 30 days of notification.

The annual allowance limits were raised in 2017 and are now \$9,000 per councillor per year and \$33,700 for the mayor per year. While this represents nearly \$160,000 in annual spending, the town budgets only \$126,000 per year as council as a group has historically not spent to the maximum. Since the limits were raised, the average annual spending is just over \$80,000, or ~\$5,300 per member of council.

At the March 27, 2023 Council meeting, Council requested the following:

That staff provide options to allow the rollover of the annual \$9,000 allocated for Council Community Benefits through their elected term of Office to be consistent with the Regional policy and allow Councillors to have more flexibility in supporting their communication and Ward needs.

Town staff contacted Regional staff and the Region provides an allotment of \$5,100 per term. As the amount is not significant to the Region's operations, the Region does not adjust each year and just absorbs any annual fluctuations.

COMMENT/OPTIONS:

If Council were to consider making a change, the following options could be considered:

Option 1 – Maximum for the year with no carry over (status quo)

Members of Council could spend up to their annual limit each year with no carry over provisions for the remainder of their term.

Pros:

- This approach falls in line with the town's budgeting principles.
- This approach results in the least fluctuations to the town's operating results.

- This approach is consistent with the reporting that is currently being followed and requires the least amount of administration (tracking and reporting).

Cons:

- This approach does not provide members of Council with flexibility on spending their funds throughout their term. While this would limit flexibility for members of Council, it may not be required. In the past term of Council, only four councillors used for than \$8,000 of their annual \$9,000 budget in a given year and, of these four, only two had this happen in more than one year during the term.

Staff recommendation – given the simplicity of this option from a budget and tracking perspective and due to the expected minimal need for carryover funds based on historic spending, staff would recommend this item, which is effectively the status quo. This is reflected in recommendation #1 above.

Option 2 – Maximum for the term regardless of budget year

Allow members of Council to spend up to their 4-year maximum of COPD at any point over the course of their term. The annual budget would remain the same. Any surpluses or deficits would be absorbed within the year. This is similar to the approach taken by the Region of Halton.

Pros:

- Provides members of Council with increased flexibility on when they spend the funds.

Cons:

- Budgeting principles for town staff requires them to stay within their allotted budgets each year; this approach would be a deviation from that.
- Budgeting principles discourage spending funds before they have been approved. As the budget is approved each year, there is a possibility that some members of Council could spend funds before budget approval.
- If COPD spending varies from year to year, there will be annual fluctuations which impact the town's operating results. As the town's current allotment is \$9,000 per year per councillor, this represents \$36,000 for each councillor for a full term of council, significantly more to absorb than the \$5,100 in the Region's program. As the mayor's allotment is even larger, this could add to the fluctuations.
- Staff would be required to track and report on the amounts for the entire term as opposed to on an annual basis. While this would not be a significant amount of extra work, it would require a different basis than is currently used (Council term reporting as compared to the calendar basis used for the town's financial reporting).

One other item to flag under this option. Though rare and probably unlikely, should a member of council have to step down from their role at any point and if they had already spent their allocation, the town would be faced with a budget shortfall should a new member of council be elected/appointed and be provided with the same COPD budget.

Option 3 – Carry forward unused portions

Allow members of Council to save any unspent COPD funds from one year for future years during their term. To carry forward these funds, a unique reserve would need to be established for each member of Council.

Note – it would not be an option to accrue the unused funds on the town's balance sheet each year as this would be a violation of the accounting rules the town must follow.

Pros:

- Provides members of Council with increased flexibility on when they spend the funds.
- Prevents members of Council from spending funds before they are approved by Council.

Cons:

- Town staff would need to create a separate reserve for each member of Council and track the annual contribution to or draw from this reserve based on each members' COPD spending. These reserve balances would need to be included in the annual COPD reporting that staff currently complete.
- These transfers to/from the Council reserves would need to be removed from the audited income statement in a similar manner to the existing reserve transfers.
- At the end of the Council term any reserves that remain unspent would need to be transferred to the town's overall results. This would cause fluctuations to the town's results as no variances would be recorded in years 1-3 of a Council term and only year 4 would have a variance as the reserve balance is eliminated. By way of example, had this method been utilized for the previous term of Council (where the average annual spend was ~\$79,000 and the town generated average surpluses of \$47,000 from COPD), the surplus in 2019 – 2021 would be \$0 and 2022 would have seen a surplus of \$191,000.

Gap identified as part of the COPD review:

In completing this analysis, staff did note one gap in the current COPD process. Currently, in a situation where a Council seat that is not retained by the incumbent during the election, the actual eligible COPD expenses could be double the budget.

Should the previous councillor spend the annual \$9,000 allotment from January 1 – election day and the new councillor spend the same annual \$9,000 allotment from inauguration day to December 31, the total expenditure for that position would be \$18,000. While unlikely to occur at these magnitudes, it does represent a gap whereby total spending could be higher than anticipated.

To address this, and regardless of which option Council selects above, staff would recommend that the annual amount be pro-rated for the period from council inauguration to the end of that fiscal year as well as being pro-rated for the final year of the term (January to election day). This is reflected in recommendation #2 above.

CONSIDERATIONS:

(A) PUBLIC

COPD funds are used for community outreach and to maintain a community profile. The use of these funds is reported to the public on a regular basis via the town's website.

(B) FINANCIAL

COPD funds are budgeted for on an annual basis. Should options 2 or 3 be selected by Council it will result in fluctuations to the town's operating results beyond those experienced in option 1 (status quo).

(C) IMPACT ON OTHER DEPARTMENTS & USERS

N/A

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:
Accountable Government – the use of the COPD funds is reported to the public on a regular basis via the town's website.

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

N/A

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Submitted by:
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