



Staff Report

Finance and IT Services

Report To: Committee of the Whole
Meeting Date: June 30, 2020
Report Number: FAF.20.099
Subject: Interfunctional Transfer Policy
Prepared by: Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets

A. Recommendations

THAT Council receive Staff Report FAF.20.099 entitled "Interfunctional Transfer Policy";

AND THAT Council Approve the Interfunctional Transfer Policy attached to this Report;

AND THAT Council recommend that Staff build the Proposed 2021 Interfunctional Transfer Budgets based on the attached Policy.

B. Overview

This report outlines the revised Interfunctional Transfer Policy and the forecasted impact on the 2021 Proposed Budget.

C. Background

At the June 10, 2019 Committee of the Whole meeting, Committee received staff report FAF.19.092 which directed Staff to implement electronic timesheets/time tracking software to track and assign actual staffing costs to divisions and projects.

Staff in the Administration Departments have been using excel to track their time since summer 2019 while the implementation of electronic timesheets occurs. Staff used this data to complete zero-based budgeting in the 2020 Budget.

At the April 21, 2020 Committee of the Whole Meeting, Committee received staff report FAF.20.059 which outlined multiple Interfunctional Transfer options for Council's consideration for inclusion in the 2021-2023 Proposed Budgets. Based off of this Report, Council passed the following Resolution:

Moved by: Peter Bordignon Seconded by: Andrea Matrosovs

THAT Council receive Staff Report FAF.20.059 entitled "Interfunctional Transfers Policy";

AND THAT Council direct staff to compile the 2021 to 2023 Proposed Budgets using Option 2 and Allocation Method 2;

AND THAT Council direct staff to bring back an Interfunctional Transfers Policy implementing Option 2 and Allocation Method 2;

AND THAT Council direct staff to bring the Interfunctional Transfers Policy back to Council for review, two years from the date of enactment of the Policy (June 2022), Carried.

Staff have drafted an Interfunctional Policy and attached to this report (Attachment 3) for Council's consideration.

Interfunctional transfers are the cost of a service that one Town Division supplies to another Town Division. For example, Human Resources is responsible for payroll for the entire corporation.

The Town has other interfunctional transfers that are not included in this report as staff are recommending that no changes be made to the way they are calculated. These transfers include equipment rental between divisions that are similar to a fee for service that would be paid to an outside contractor. For example, the Cemetery rents the Roads and Drainage backhoe for certain activities. The Cemetery is then charged a per hour rate for the use of the equipment. Staff are not recommending a change to these types of transfers.

Facility Maintenance

The Facility Maintenance Division is a specific Division that is not part of the Interfunctional calculations being discussed in this report, but will be charged out completely, as if it were an Administrative Division. These expenses will be charged out directly to the applicable Divisions. The OPP Budget will be fully charged the OPP Facility Maintenance Budget, the Town Hall Facility Budget will be charged out to those Divisions with office space at Town Hall, The Depot and LE Shore Facility Maintenance budget will be fully charged to the Library and the two small Halls will be charged to Community Services.

D. Analysis

The Interfunctional Transfer Policy has been based on Option #2 and Allocation Method #2 from Staff Report FAF.20.059. This Option would transfer actual time that the Administrative Divisions specifically spend on other Divisions, based on time tracking, as well as an hourly overhead rate. This Option would also address the time staff spend on tasks that cannot be accurately or realistically allocated to another Division. For example, staff would allocate the time that is sent on the financial audit to other Divisions, based on Divisional budgets, as outlined in Attachment 2.

Allocation Method #2, which is known as the step method, transfers costs to all non-Administrative Divisions in a sequential process. The order of the Administrative Divisions is outlined in the Policy as follows:

1. Finance
2. Information Technology
3. CAO
4. Human Resources
5. Communications and Economic Development
6. Clerk's
7. Council
8. Legal Services

The step method generally bases the sequence of allocation with the service department that has incurred the greatest costs. After this department's costs have been allocated, the service department with the next highest costs has its costs allocated, and so forth until the service department with the lowest costs has had its costs allocated. Staff have used this method in conjunction with looking at the amount of hours that each Administration Division charges to other Administration Divisions to build the order of Divisions. The steps are ordered in a way that the highest hours of billed out time are first.

Based on the data that staff have accumulated since last summer, Finance staff have calculated the proposed Interfunctional I Transfers for the 2021 Proposed Budget, as presented in the following chart, with the 2020 Approved Budget as a comparator.

Division	2021 Amount	2020 Budget	Impact
CAO	(\$371,753)	(\$105,340)	(\$266,413)
Clerks	(\$199,280)	(\$72,210)	(\$127,070)
HR	(\$370,631)	(\$98,595)	(\$272,036)
Communication and Economic Development	(\$304,786)	(\$11,805)	(\$292,981)
Finance	(\$1,119,789)	(\$336,311)	(\$783,478)
IT	(\$1,024,499)	(\$133,473)	(\$891,026)
Council	(\$378,823)	(\$81,462)	(\$297,361)
Committees of Council	\$32,844	\$0	\$32,844
Abandoned Orchard Committee	\$2,717	\$0	\$2,717
Agricultural Advisory Committee	\$8,488	\$9,520	(\$1,032)
Attainable Housing Corporation	\$36,954	\$53,275	(\$16,321)
Code of Conduct Committee	\$7,560	\$9,950	(\$2,390)
Committee of Adjustment	\$22,911	\$0	\$22,911
Communications Advisory Committee	\$26,696	\$18,270	\$8,426
Council Compensation Committee	\$10,878	\$0	\$10,878
Covid Task Force	\$5,542	\$0	\$5,542
Economic Development Advisory Committee	\$34,066	\$22,210	\$11,856
Fence Viewer Committee	\$6,683	\$0	\$6,683

Division	2021 Amount	2020 Budget	Impact
Grants & Donations Committee	\$23,005	\$15,000	\$8,005
Physician Retention Committee	\$8,986	\$8,395	\$591
Police Services Board	\$2,763	\$4,790	(\$2,027)
Property Standards Committee	\$2,159	\$0	\$2,159
Sustainability Committee	\$34,927	\$16,325	\$18,602
Transportation Committee	\$12,328	\$13,980	(\$1,652)
Corporate/Town Hall Loan	(\$255,100)	(\$70,293)	(\$184,807)
Fire	\$256,523	\$3,465	\$253,058
Police	\$214,111	\$0	\$214,111
Health and Social Services	\$1,627	\$0	\$1,627
Legal	\$49,935	\$0	\$49,935
By-law	\$217,205	(\$905)	\$218,110
Community Services	\$153,115	(\$7,905)	\$161,020
Facility Maintenance	\$47,665	\$0	\$47,665
Library (Facility)	(\$53,782)	\$10,000	(\$63,782)
OPP Station (Facility)	(\$35,133)	\$2,500	(\$37,633)
Depot (Facility)	(\$23,045)	\$5,000	(\$28,045)
Craigleith Community Centre (Facility)	(\$7,359)	\$2,500	(\$9,859)
Town Hall (Facility)	(\$162,845)	(\$35,745)	(\$127,100)
Ravenna Hall (Facility)	(\$18,857)	\$0	(\$18,857)
Beaver Valley Community Centre	\$87,331	\$0	\$87,331
Cemetery	\$46,011	\$36,000	\$10,011
Parks and Trails	\$35,622	(\$74,000)	\$109,622
Tomahawk	\$13,756	\$0	\$13,756
Transit	\$14,465	\$0	\$14,465
Operations	\$49,762	(\$309,753)	\$359,515
Roads	\$454,149	\$1,500	\$452,649
Solid Waste	\$282,358	\$65,000	\$217,358
Planning	\$335,754	(\$8,815)	\$344,569
Library and Depot	\$275,541	\$0	\$275,541
Conservation Authority	\$26,930	(\$82,374)	\$109,304
Thornbury BIA	\$29,476	\$15,520	\$13,956
Development Engineering	\$140,526	\$0	\$140,526
Short Term Accommodation	\$39,658	\$0	\$39,658
Building	\$290,774	\$249,349	\$41,425
Harbour	\$68,200	\$45,758	\$22,442
Wastewater	\$352,233	\$354,510	(\$2,277)
Water	\$563,446	\$466,169	\$97,277
Total	\$0	\$0	\$0

The chart above includes both actual and budgeted Interfunctional Transfers. Based on this information, it is estimated that Interfunctional transfers being charged to the non-Taxation Funded Divisions (Water, Wastewater, Building, Harbour, Development Engineering and Short Term Accommodation) would lower taxation by about \$340,000.

Staff have provided examples of the Finance and CAO Divisions 2021 Proposed Budgets, based on this revised Interfunctional Transfer Policy in Attachments 1 and 2. These charts show the 2020 Approved Budgets with the current Interfunctional Transfers as well as an early look at what the 2021 Proposed Budget would look like with the new Policy in place.

Legal Services Division

As noted above, staff have included the newly created Legal Services Division as an “Administrative” Division. However, staff do not have any statistics for time tracking yet and therefore there is no way to calculate an estimate of where this time will be allocated. However, Legal Services staff will begin to track their time much like the other Administrative Divisions. Finance staff will then bill out this time to the specific divisions based on time tracking data.

E. The Blue Mountains’ Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence
Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

None.

G. Financial Impact

The chart below summarizes the impact on the taxation and user-fee funded Divisions based on the new Interfunctional Transfer Policy.

Division/Funding Source	2021 Amount	2020 Budget	Impact (\$)
Taxation	(\$1,454,837)	(\$1,115,786)	(\$339,051)
Development Engineering (User-Fee)	\$140,526	\$0	\$140,526
STA (User-Fee)	\$39,658	\$0	\$39,658
Building (User-Fee)	\$290,774	\$249,349	\$41,425
Harbour (User-Fee)	\$68,200	\$45,758	\$22,442
Wastewater (User-Fee)	\$352,233	\$354,510	(\$2,277)
Water (User-Fee)	\$563,446	\$466,169	\$97,277
Total	\$0	\$0	\$0

The taxation funded Divisions will be an increase in transfers to them in 2021, which will result in an estimated 2.0% decrease in taxation. As a result, with the exception of Wastewater, all User-Fee funded Divisions will see an increase in transfers from them in 2021.

Although staff believe there may be a need to phase these transfers in over a few years in order for some user-fee divisions to not see large spikes in their rates, the ultimate impact in each division will be determined throughout the 2021 budget process. Because of this, staff are not recommending any specific phase in periods at this time but will instead include this in the 2021 budget process.

H. In consultation with

Katherine Dabrowa, Budget Analyst

I. Public Engagement

The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets at finance@thebluemountains.ca.

J. Attached

1. Draft Financial Services 2021 Operating Budget
2. Draft Chief Administrative Officer 2021 Operating Budget
3. Draft Interfunctional Transfer Policy

Respectfully Submitted,

Sam Dinsmore
Deputy Treasurer/Manager of Accounting and Budgets

Ruth Prince
Director of Finance and IT Services

For more information, please contact:
Sam Dinsmore
finance@thebluemountains.ca
519-599-3131 extension 274

Financial Services – 2021 Operating Budget

	Approved 2020 Budget	Projected 2021 Budget
Expenses		
Salaries and Benefits	1,218,732	1,260,633
Administrative Expenses	9,575	9,575
Operating Expenses	0	0
Communications	6,150	6,150
Personnel and Training	25,500	25,500
Utilities	0	0
Equipment Related	4,000	4,000
Vehicle and Fleet Related	0	0
Legal Expenses	75,000	0
Consulting	30,000	5,000
Purchased Services	50,500	36,250
Debt Payments	0	0
Financial Expenses	7,200	7,200
Premise and Site	0	0
Total Expenses	1,426,657	1,354,308
Transfers		
Transfers to Capital	0	0
Transfers to Capital Levy	0	0
Transfers to Reserves	0	0
Transfers from Obligatory Reserves	0	0
Transfers from Other Reserves	0	0
Interfunctional Transfers	-336,311	-1,119,789
Total Transfers	-336,311	-1,119,789
Total Transfers and Expenses	1,090,346	234,519
Revenue		
Grants and Donations	2,500	2,500
External Revenue	30,000	30,000
Subsidies	0	0
Total Revenue	32,500	32,500
Net Cost of Service (Taxation)	1,057,846	202,019

The chart above illustrates the 2020 Approved Financial Services Budget, including Additions, as well as the 2021 Projected Budget with the new Interfunctional Transfers. The Net Cost of Service for 2021 only includes the Salaries and Benefits cost of Finance staff for vacation, sick time and statutory holiday allotment. All other costs have been allocated out to other Divisions based on the Draft Interfunctional Transfer Policy.

Chief Administrative Officer – 2021 Operating Budget

	Approved 2020 Budget	Projected 2021 Budget
Expenses		
Salaries and Benefits	413,189	425,901
Administrative Expenses	1,740	2,400
Operating Expenses	0	0
Communications	710	710
Personnel and Training	13,375	18,600
Utilities	0	0
Equipment Related	0	0
Vehicle and Fleet Related	0	0
Legal Expenses	0	0
Consulting	0	0
Purchased Services	0	0
Debt Payments	0	0
Financial Expenses	0	0
Premise and Site	0	0
Total Expenses	429,014	447,611
Transfers		
Transfers to Capital	0	0
Transfers to Capital Levy	0	0
Transfers to Reserves	10,000	10,000
Transfers from Obligatory Reserves	0	0
Transfers from Other Reserves	0	0
Interfunctional Transfers	-105,340	-371,753
Total Transfers	-95,340	-361,753
Total Transfers and Expenses	333,674	85,858
Revenue		
Grants and Donations	0	0
External Revenue	0	0
Subsidies	0	0
Total Revenue	0	0
Net Cost of Service (Taxation)	333,674	85,858

The chart above illustrates the 2020 Approved Chief Administrative Officer Budget, including Additions, as well as the 2021 Projected Budget with the new Interfunctional Transfers. The Net Cost of Service for 2021 only includes the Salaries and Benefits cost of the CAO staff for vacation, sick time and statutory holiday allotment. All other costs have been allocated out to other Divisions based on the Draft Interfunctional Transfer Policy.



Policy

POL.COR.15.03 Interfunctional Transfer Policy

Policy Type: Corporate Policy (Approved by Council)

Date Approved:

Department: Financial Services

Staff Report: FAF.15.62, FAF.20.099

By-Law No.: N/A

Policy Statement

The Interfunctional Transfer Policy will provide the framework and formulas required for calculating and charging any Divisions for the services provided to them by the various Administration Departments.

Purpose

This policy will outline which services are to be charged back to the applicable Taxation and User-Fee funded Divisions, as well as how the annual cost is calculated. This policy will also clearly outline what services are charged out, how these services are charged out and why they are being charged out to the various Divisions throughout the Town.

Application

This policy applies to all Town officials and employees with respect to the annual Approved Budget.

Definitions

Administration Division means any Division that is listed in Schedule A.

Approved Budget means the annual budget for the given year that has been approved by Council.

Council means the Council of The Corporation of The Town of The Blue Mountains.

Director means a person holding a senior management position of Director within a department and includes the Treasurer, and Chief Administrative Officer (CAO), and any other title approved by Human Resources as a staff position equivalent to that of a Director.

Manager means a person holding a management position of Manager within a department and includes the Project Manager, Clerk, and any other title approved by Human Resources as a staff position equivalent to that of a Manager.

Non-Administration Division means any Division that is listed in Schedule A.

Taxation Funded Division means any division that is funded using taxation collected through property taxes; this includes Finance, Council and Human Resources.

Town means The Corporation of The Town of The Blue Mountains.

Treasurer means the Council appointed Treasurer of The Corporation of the Town of The Blue Mountains.

User-Fee funded Division means any divisions that are 100% funded through self-generated revenue; this includes Water, Wastewater, Harbour, and Building.

Procedures

Actual versus Budget Interfunctional Transfers

The Town has two different types of interfunctional transfers; actual and calculated or estimated. Actual Interfunctional transfers refer to services provided that can be easily, accurately and quantitatively identified/valued, such as grass cutting at the Harbour. For example, the Parks Division keeps track of the hours used for cutting at the Harbour and the staff and vehicle costs are then charged back to the Harbour. By doing this two things are accomplished; first, the Town gets an accurate view of what the Harbour costs to operate, and the users that benefit from the Harbour are funding these costs rather than having all of the Town's taxpayers fund these costs. These types of Interfunctional transfers will continue to be budgeted based on the actual service delivery costs as well as other budgeting factors.

Facility Maintenance will be fully charged out as an "Actual Interfunctional Transfer" to the applicable Divisions. For example, The OPP Detachment Facility Maintenance will be charged fully to the OPP Budget, and the Town Hall Facility Maintenance Budget will be fully charged out to those Divisions that have office space in Town Hall.

The second type of Interfunctional transfer is the calculated or estimated transfer; this type of transfer has historically been based on budget percentages as the costs could not be easily, accurately or quantified/valued. However, with the staff in the Administrative Divisions now tracking their time accurately, these items can now be better quantified.

Administrative Divisions

The Purpose of the Interfunctional Transfers is to allocate all costs from the Administrative Divisions to the Non-Administrative Divisions, except for any Benefits costs associated with Vacation, Sick, or Statutory Holiday pay, which will stay in the applicable Division.

There will be two types of Budget Interfunctional Transfers – the time that staff in the Administrative Divisions specifically spend on other Divisions, as well as Calculated Transfers.

Time Tracked Transfers

Staff will transfer actual time that the Administrative Divisions specifically spend on other Divisions, based on time tracking, as well as an hourly overhead rate.

This is a very straight-forward transfer, as the hours and applicable over-head rate is directly charged to the Division that the Administrative Staff is doing the work for.

Calculated/Estimated Transfers

Once any time tracked hours are transferred out of the Administrative Divisions, staff will then address the time staff spend on tasks that cannot be accurately or realistically allocated to another Division, such as the time that Finance staff spend on the financial audit.

This time will be allocated to the various Town Divisions based on various calculation methods, as outlined in Schedule B.

Allocation Method

Staff will use a step method to transfer costs to all non-Administrative Divisions in a sequential process. In the step method, staff will start with one Administrative Division and allocate out all time tracked and calculated transfers to all remain Divisions, both Administrative and Non-Administrative. Once the first Administrative Division is allocated, staff will move on to the second Administrative Division and repeat the same steps but will not charge any time back to any Administrative Division that came before it. These steps are repeated until all Administrative Divisions have been allocated to the non-Administrative Divisions. The order that staff will use to allocate out the costs of the Administrative Divisions is outlined in Schedule C.

Exclusions

There are no exclusions to this policy and any deviations must be approved by Council.

References and Related Policies

N/A

Consequences of Non-Compliance

N/A

Review Cycle

This policy will be reviewed once per term of Council.

Schedule A

Division Classifications

Administrative Divisions	Non-Administrative Divisions
Council	Attainable Housing
Chief Administrative Officer	Beaver Valley Community Centre
Clerks	Building Services
Human Resources	By-law
Finance	Cemetery
Information Technology	Committees of Council
Legal Services	Community Services
	Conservation Authority
	Development Engineering
	Fire
	Garbage Collection
	Harbour
	Health and Social Services
	Landfill
	LE Shore Library and Craigleith Depot
	Ontario Provincial Police
	Operations
	Parks and Trails
	Planning
	Roads and Drainage
	Short Term Accommodation
	Thornbury BIA
	Tomahawk
	Transit
	Waste Diversion
	Wastewater
	Water

Schedule B

Calculation Methods

Allocation Calculation Method	Task
Percentage of Corporate Budget	Accounts Payable, Accounts Receivable, Asset Management, Audit, Bank Deposits, Bid Opportunities, Budget, Capital Projects, CEDC General, Communications General, Communications Outreach, Communications Strategy, Corporate Strategic Plan, Economic Development General, Economic Development Outreach, Economic Development Strategy, FOI's, Front Counter – Customers, GIS, Grant Applications, Grants and Donations, Legal, Licenses, Main, Month End, P-Cards, Policy Development, Purchase Orders, Records Retention, Service Delivery Review, Tourism Development, Year End.
Percentage of Taxation Corporate Budget	Assessment, Taxation
Number of Employees	Accessibility Initiatives, Advertisements, Background Checks, Benefits Administration, Bereavement, Coaching and Mentoring, Compensation, Conference/Training, Disability Management, Drivers Abstract, Email/Phone, Employee Relations, Event Planning, External or Internal Complaint Investigation, Facilitating Training, Health and Safety Investigations, Health and Safety Audit, HR Audit, Integrity Commissioner/Ombudsmen, Training, Interviews, Labour Relations, Management Time, MOL Initiatives, On and Off-Boarding, OMERS, Organizational Design, Payroll, Recruitment, Staff Meetings, Succession Management, Surveys, Timesheet System, WSIB Administration.
Percentage of COW & Council Staff Reports	Committee Meetings, Council Registrations, Council and Committee Action Items, Council Meetings, Election, Mayor/Council, Meet the Mayor, Prepare Minutes, Report Writing, Report and Notice Preparation.
Percentage of Insurance Premium	Insurance, Claims
Percentage of Computers/IT Devices	After Hours Email and Phone, After Hours Service, Applications and Other Databases, CityView, CityWorks, Client Computer and Printer Support, Great Plains, HelpDesk, Infrastructure, Land Line Phones, Licensing, Network Support, Public Support, Smart Phones, Website Administration
Development Charges Collected	Development Charges
Water and Wastewater Billing	Water Billing, Wastewater Billing
Development Agreements	Development Agreements

Schedule C

Administrative Divisions - Step Sequence

The following table outlines the order that will be used to allocate costs out using the step method.

Order	Administrative Division
1	Finance
2	Information Technology
3	Chief Administration Officer
4	Human Resources
5	Communication and Economic Development
6	Clerk's Office
7	Council
8	Legal Services