

Update to the Town's Inter-functional Policy

Terminology

- ▶ Department vs Division

- ▶ The Town has 7 Departments

- ▶ Council

- ▶ Administration

- ▶ Finance and IT Services

- ▶ Fire and Enforcement Services

- ▶ Planning and Development Services

- ▶ Community Services

- ▶ Infrastructure and Public Works

- ▶ Within the departments are divisions, for example, under Administration is the Office of the CAO, Clerks, Human Resources, and Communications and Economic Development

Assumptions

- ▶ To calculate the impact on the user-fees, staff have used the main source of revenue for each division for illustration purposes. Other fees could be adjusted to offset changes to the inter-functional transfers or operation efficiencies could be found
- ▶ All calculations for the impact on the tax levy are based on the 2019 tax levy of \$15,982,367

What are inter-functional transfers?

- ▶ An inter-functional transfer arises when one division supplies a good or service to another division within the corporation
- ▶ Some of the transfers are based on actual costs. For example, the Roads and Drainage division rents the backhoe to the Cemetery for 8 hours
- ▶ Some are based on a pre-determined allocation rate, which is what this report focuses on

Who pays inter-functional transfers?

- ▶ Attachment #1 of the report breaks down all divisions into three categories
 - ▶ Administration – divisions that will be charged out
 - ▶ Operating – Taxation funded divisions that will pay
 - ▶ User-Fees – non-taxation funded divisions that will pay

How to charge out inter-functional transfers

- ▶ Staff have compiled three options for Council's consideration
 - ▶ Option #1 Salaries and Benefits
 - ▶ Option #2 Full Cost Recovery (By Budget Percentage)
 - ▶ Option #3 Full Cost Recovery (By Allocation Method)
- ▶ Included in all three of the options is the transfer of the facility costs (included in the Facility Maintenance Budget) to the corresponding operating division
 - ▶ OPP Detachment to the Police Division
 - ▶ Small Halls to the Community Services Division
 - ▶ LE Shore Memorial Library and Craigleith Heritage Depot to the Blue Mountains Public Library
 - ▶ Please note that in all cases this is a taxation to taxation transfer and therefore has no effect on the Town's taxation levy

Option #1 Salaries and Benefits

- ▶ Similar to how the transfers are currently done, this option uses the salaries and benefit budget as the allocation bases for the inter-functional transfers
 - ▶ Harbour is 1.44% of the corporate salary and benefit budget and therefore pays 1.44% of the administration salaries and benefits
 - ▶ Building is 6.91% of the corporate salary and benefit budget and therefore pays 6.91% of the administration salaries and benefits
 - ▶ Water is 7.42% of the corporate salary and benefit budget and therefore pays 7.42% of the administration salaries and benefits
 - ▶ Wastewater is 5.17% of the corporate salary and benefit budget and therefore pays 5.17% of the administration salaries and benefits

Option #1 Salaries and Benefits

- ▶ In addition to the transfer from the administration divisions, each of the four user-fees is also assigned a cost of the department to which they belong
 - ▶ For the Harbour, they represent 12.88% of the Community Services Department therefore they pay 12.88% of the Director and Administrative Assistants Salaries and Benefits
 - ▶ For Building they pay for 41.29% of the Director (the Administrative Assistant cost has not been included as Building has their own assistant)
 - ▶ For Water (25.66%) and Wastewater (18.18%) they are charged for all salaries and benefits of the Infrastructure and Public Works division which includes the Director, Administrative Assistant, Construction Coordinator and Engineering Design Technologist

Option #1 Salaries and Benefits

Division	2019	2020	\$ Change	Impact on User-Fee	Impact on Tax Levy
Harbour	\$37,939	\$78,862	\$40,923	\$6.00	(0.26%)
Building	\$168,231	\$304,172	\$135,941	-	(0.85%)
Water	\$403,377	\$388,995	(\$14,382)	-	0.09%
Wastewater	\$336,643	\$272,800	(\$63,843)	-	0.40%
Total	\$946,190	\$1,044,828	\$98,638		(0.62%)

Option #2 Full Cost Recovery (By Budget Percentage)

- ▶ This options uses the total cost of each division as the bases for allocating out the full cost of the administration divisions. This method is similar to Option #1; however, when the transfers are completed the administration divisions have a zero tax levy.
 - ▶ Harbour would have a 2.64% inter-functional transfer
 - ▶ Building would have a 4.86% inter-functional transfer
 - ▶ Water would have a 16.19% inter-functional transfer
 - ▶ Wastewater would have a 12.26% inter-functional transfer

Option #2 Full Cost Recovery (By Budget Percentage)

Division	2019	2020	\$ Change	Impact on User-Fee	Impact on Tax Levy
Harbour	\$37,939	\$185,511	\$147,572	\$ 23.00	(0.92%)
Building	\$168,231	\$309,824	\$141,593	\$ -	(0.89%)
Water	\$403,377	\$956,316	\$552,939	23%	(3.46%)
Wastewater	\$336,643	\$723,990	\$387,347	26%	(2.42%)
Total	\$946,190	\$2,175,640	\$1,229,450	\$ -	(7.69%)

Option #3 Full Cost Recovery (By Allocation Method)

- ▶ This option assigns an allocation method to each one of the administration divisions as to how it will be costed out to the operating and user-fee divisions
 - ▶ Council, Clerk, Communications and Economic Development, Finance and Corporate Administration will all be allocated based on the percentage of overall corporate budget
 - ▶ Office of the CAO, Human Resources and Information Technology will all be allocated based on the number of employees within the division
 - ▶ Town Hall Maintenance and Loan will be allocated based on the number of employees that are in Town Hall

Option #3 Full Cost Recovery (By Allocation Method)

- ▶ For Water and Wastewater, the Infrastructure and Public Works division will be allocated based on the number of employees within each division under the IPW umbrella
- ▶ For Building, the Director's costs will be allocated at 1/3 as there are 3 divisions under the Director's care and control
- ▶ For Harbour, the Director and Administrative Assistant costs will be allocated at 1/8 as there are 8 divisions under the Director's care and control

Option #3 Full Cost Recovery (By Allocation Method)

Division	2019	2020	\$ Change	Impact on User-Fee	Impact on Tax Levy
Harbour	\$37,939	\$145,495	\$107,556	\$ 17.00	(0.67%)
Building	\$168,231	\$428,033	\$259,802	\$ -	(1.63%)
Water	\$403,377	\$816,126	\$412,749	17%	(2.58%)
Wastewater	\$336,643	\$604,282	\$267,639	20%	(1.67%)
Total	\$946,190	\$1,993,935	\$1,047,745	\$ -	(6.56%)

Option #2 and #3

- ▶ To avoid a 20%+ increase to some of the revenues that if one of these options is approved by Council, a further report will detail an implementation plan to slowly increase the inter-functional transfers (5 to 10 years)

Comparison – Water and Wastewater

Charge	Meaford	Collingwood	TBM – Current	TBM – Option 2	TBM – Option 3
Fixed – Water	\$41.37	\$22.46	\$26.96	\$29.16	\$28.58
Consumption – Water	\$2.02m ³	\$0.667m ³	\$1.91m ³	\$2.35m ³	\$2.23m ³
Fixed – Wastewater	\$35.50	\$51.50	\$22.78	\$24.87	\$24.39
Consumption – Wastewater	\$1.92m ³	\$0.776m ³	\$1.61m ³	\$2.03m ³	\$1.93m ³

- The Town has a tiered rate for consumption, the amount shown above is the first tier

Comparison - Harbour

Charge	Meaford	Collingwood	TBM – Current	TBM – Option 2	TBM – Option 3
Seasonal Mooring	\$56/ft	\$54/ft	\$65/ft	\$88/ft	\$82/ft