



OTTAWA TAX PAYERS ADVOCACY GROUP

"The Silent Majority is Silent No More"

The Ottawa Taxpayer Advocacy Group Releases Detailed Plan for 2 Year Budget Freeze – No New Money

Administration, Executive & Service Administration Costs

Ottawa spent 1.8% of the operating budget on the finance department; this is 55% more than a similar percentage for the finance department in Winnipeg. It is therefore hard to understand why we needed a consultant to tell us how the HST will impact city finances. The focus for this section is Administration costs like finance or about 25% of the budget for each department.

1. Executive / Board / Management Costs \$75.8 million
2. Other Services Administration Costs \$246.9 million (excluding hydro)
3. Non departmental costs \$68.2 million (excluding hydro)
4. Administration costs for core and non core services \$202.7 million

What does each of the services below spend on each of the following 25 costs: research, recruitment, training, cost engineering, finance analyst, general reporting, performance measurement, corporate communication and online content, Administration, planning, billing and revenue collection, expenditure management, advertising, executive, printing, office stationary, promotional items, office furniture, computers, procurement, facilities maintenance and cleaning, knowledge management & record keeping, management of federal & provincial legislation, travel, hospitality, memberships.

If all administration budgets or services below are frozen or cut by 10%, there will be limited or no impact to service. If you have a different opinion, kindly review each line item below and use the appropriate level of detail to prove which service will be impacted and how?

City Response

To respond to the analysis submitted by OTAG, a definition of "administration" must first be established. Although there are many ways to define what constitutes an "administrative" cost, in general, most sources found on the internet describe it in the following way:

"Administrative costs are all executive, organizational, and clerical costs associated with the general management of an organization rather than with manufacturing, marketing, or selling."

(Source: BusinessDictionary.com)

Previous City Responses to questions from Council on the costs of administration (or general government) have focused on the corporate support departments that provide support to the front-line operating departments of the City who deliver the services and programs to residents along with the offices of the City Manager, and the two Deputy City Managers. Using the above definition, the offices of the operational general managers and directors have also been included along with budgets for the governance function. Attached as Document 1 is a chart that chart summarizes the administrative costs under 4 categories – Governance, City Corporate Management, Corporate Support and Operational Management.

The analysis submitted by OTAG attempts to extract administrative costs from the City's budget and classify them into 4 categories by either taking a fixed percent (3% or 10%) of the budget for a particular branch / program or in some cases, 100% of the budget. Attached as Document 2 are the administrative items as submitted by OTAG and numbers each item from 1 to 102 for ease of reference along with a brief staff comment. In some cases, staff were not able to identify the source of the numbers presented by OTAG. No comments have been provided on items related to Ottawa Hydro and Business Improvement Areas (BIA's). Items that are included in the City's definition of "administration" have been highlighted on the schedule.

The following provides a high level general comment of the items identified by OTAG under their 4 categories.

A) Admin for Services Operating Cost - \$202,743

Applying a fixed percentage to the budget of an operational program or taking 100% of the budget, to arrive at a value that represents "administration" cannot be done in this manner. The vast majority of the programs listed from #1 to #21, support the delivery of the service provided to residents. The budgets of some of these branches include expenditures that are not "administrative", as per the definition outlined above. In the case of #2, the majority of costs are transfer payments to residents who are on social assistance. In #3, the majority of costs are transfers to housing agencies. Item #16 represents debt servicing costs and contributions to capital reserve funds.

B) Non Service Admin Costs Operating Cost - \$246,958

The budgets of a number of services listed in this category are ones that are included in the City's definition of "administration". The remainder represents services that are linked to the provision of service to residents.

C) Non Departmental - \$68,191

None of the items listed are "administrative".

D) Executive / Board % of total budget - \$75,878

The budgets of a number of services listed in this category are ones that are included in the City's definition of "administration".

Document 1	
Department / Branch	2010 Budget Exp. \$000
<u>1) Governance</u>	
City Council	10,354
- Auditor General	1,765
Police Services Board	708
Library Services Board	38
	12,865
<u>2) City Management</u>	
City Managers Office	341
Deputy City Manager Office - City Operations	872
Deputy City Manager Office - Infra. Serv. & Comm. Sust.	1,100
Police Executive Command	1,505
Chief Librarian	875
	4,693
<u>3) Corporate Support</u>	
City Manager Functions	3,831
Real Estate Partnership Development Services	6,885
Financial Services	33,751
City Clerk & Solisitor	22,919
Organizational Development & Performance*	11,789
Human Resources	13,848
Information Technology	41,445
Communications*	4,802
Community Sustainabilty - Economic Development	2,700
	141,970

4) Operational Management - Office Budgets	
Infrastructure Services & Community Sustainability	
- Director of Community Sustainability	223
- General Manager Infrastructure Services	504
- General Manager Environmental Services	258
- General Manager Planning & Growth Management	555
Director Building Services	653
- General Manager Transit Services	662
Performance Measurement	1,179
City Operations	
- General Manager Parks & Recreation	563
- General Manager Emergency & Protective Services	270
Paramedic Chief	254
Fire Chief	287
By-law Chief	324
Integrated Public Safety Chief	774
- General Manager Public Works	792
- General Manager Community & Social Services	290
- Medical Officer of Health	420
Police Services	
Operational Support Functions	22,104
Library Services	
Operational Support Functions	1,609
	31,721
Total Administrative Costs	191,249
Total City Budget	2,515,814
% of Administrative Costs of Total Budget	7.6%
* Reflects reorganization of Client Services from Communications to ODP	

Follow Up Question Administration, Executive & Service Administration Costs

Our question is that if each item was cut by 10%, what will be the impact on services? Ottawa spent 1.8% of the operating budget on the finance department; this is 55% more than a similar percentage for the finance department in Winnipeg. So if we cut the Finance department budget by 10% what is the impact?

25% is our estimate for admin costs within each department. This means that a 10% cut in admin is actually a 2.5% cut in the entire budget.

Non service admin costs and non departmental costs are stand alone departments, so there is no confusion on what we mean. In each case what is the impact of a 10% budget cut?

Executive costs are self explanatory and each time you see 3% that is our estimate for executive costs. In each case what is the impact of a 10% budget cut?

In order to describe the impact kindly use the following terms; research, recruitment, training, cost engineering, finance analyst, general reporting, performance measurement, corporate communication and online content, Administration, planning, billing and revenue collection, expenditure management, advertising, executive, printing, office stationary, promotional items, office furniture, computers, procurement, facilities maintenance and cleaning, knowledge management & record keeping, management of federal & provincial legislation, travel, hospitality, memberships, executive management.

Alternatively, what does each of the 147 items in your response spend on the items above? (See general comments) Without a detailed budget we have to assume that each department spends 25% of their budget on admin. This is an industry norm. If the City does not agree, then tell us what % of each department budget is used on the items listed above?

Area Identified as "Administration" by OTAG	Amount \$000	Staff Comment	Included in City Definition of Administration
A) - Admin for Services Operating Cost - \$202,743			
1- <u>Ottawa Police Service</u> (Admin Reporting, HR, Training, Outreach, Communication, Court) 36,319	36,319	Operational support (Finance, IT, HR, Legal, Planning, Communications)	22,104
2 - Employment & Financial Assistance Admin (10% estimate) 23,445	23,445	Total budget \$233.759m / Transfer payments \$177.5m / General Manager Office shown in #88	
3 - Housing Admin (10% estimate) 14,333	14,333	Total budget \$142.2m / Transfers \$134.2m	
4 - Parks & Sports Buildings & Grounds Admin (10% estimate) 13,151	13,151	Total budget \$131.5 (gross) - \$58.6m net after recoveries / Material, contracts, fleet costs = \$75.4m / General Manager office budget shown in #58	
5 - Roads & Traffic Maintenance Admin (10% estimate) 12,570	12,570	Total budget \$113.3m / Materials, contracts & fleet costs = \$72.8m	
6 - Drinking Water Customer Service 12,206	12,206	Program budget \$12.206m - direct service delivery	
7 - Transit Services, Performance Measurement, Marketing & Customer Services, Service Design 10,662	10,662	Marketing & Service design direct service delivery / Performance Mgt included in admin	1,179
8 - Parking Operations, Parking, Off Street 10,603	10,603	Total Parking budget \$14m / fully funded by parking revenues - no tax impact / Direct service delivery	
9 - Parks Recreation Services Admin (10% estimate) 10,532	10,532	Direct service delivery / General Manager office budget shown in #54	
10 - Ottawa Fire Services Communication & Operational Support 8,890	8,890	Direct service delivery / Fire Chief office budget	287
11 - Ottawa Public Library Planning & Governance 8,121	8,121	Excluding Board and Chief Librarian office budget	1,609
12 - Waste Water Services Water Customer Service 8,032	8,032	Direct service delivery	
13 - <u>Hydro Operations</u> , Main. & Admin (2008) Admin (10% estimate) 6,813	6,813	N/A	
14 - Ottawa Paramedic Services Admin (10% estimate) 6,474	6,474	Direct service delivery - Chiefs office shown in #92	
15 - Public Health Foundational Standards 6,337	6,337	Direct service delivery	
16 - Solid Waste Non Departmental 5,368	5,368	Total budget \$5.368m - includes budget for debt charges and contributions to capital reserve fund - no admin.	
17 - Community & Protective Services Childcare Admin 3,045	3,045	Direct service delivery	
18 - Long Term Care, Support, Outreach 2,721	2,721	Direct service delivery	
19 - Building Code Services Admin (10% estimate) 1,531	1,531	Total budget \$15.3m gross @10% = 1.531m / \$19.3m revenues from fees / Office of the Chief Building Officer shown in #102	
20 - Committee of Adjustment 944	944	Fully recovered from fees - direct service delivery	
21 - Office of Emergency Management Admin (10% estimate) 646	646	Total budget \$6.464m @10% = \$0.646m - Integrated public Safety Chief office budget shown in #95	
	202,743		25,179

B) - Non Service Admin Costs Operating Cost - \$246,958			
22 - IT Services 45,125	45,125	Included in City's definition of Administration	41,445
23 - Financial Services 41,721	41,721	Included in City's definition of Administration	33,751
24 - City Clerk & Legal 28,864	28,864	Included in City's definition of Administration	22,919
25 - Infrastructure Services 26,417	26,417	Delivers City capital program	
26 - Planning & Growth Management 20,780	20,780	Supports City operations and capital planning / General manger office budget shown in #75	
27 - By-Law & Regulatory Services 17,965	17,965	Direct service delivery	
28 - Employee Services 14,666	14,666	Included in City's definition of Administration	13,848
29 - Communications & Customer Service 11,446	11,446	Included in City's definition of Administration	10,555

Area Identified as "Administration" by OTAG	Amount \$000	Staff Comment	Included in City Definition of Administration
30 - Forestry Services (Public Works) 10,062	10,062	Direct service delivery	
31 - Real Property Asset Management 7,236	7,236	Included in City's definition of Administration	6,885
32 - Organizational Development & Performance 6,036	6,036	Included in City's definition of Administration	6,036
33 - Economic & Environmental Sustainability 3,530	3,530	Included in City's definition of Administration / excludes transfer payments	2,700
34 - Transportation Planning 3,346	3,346	Supports City operations and capital planning	
35 - Planning Branch (Construction, Rural) 3,324	3,324	Direct service delivery	
36 - Environmental Sustainability 2,355	2,355	Included in City's definition of Administration	
37 - Service Excellence Program 1,654	1,654	Unable to locate quoted number in 2010 Budget	
38 - Corporate Planning & Performance Reporting 1,158	1,158	Unable to locate quoted number in 2010 Budget	
39 - Fleet Services 654	654	Direct service delivery	
40 - Building Code Services - Other Permits & Compl Rep 619	619	Direct service delivery	
	246,958		138,139
C) - Non Departmental - \$68,191			
41 - Sick Leave Banks 5,920	5,920	Contractual provision rquired by collective agreements	
42 - Retiree Costs 21,376	21,376	Benefit coverage required by collective agreements	
43 - Benefits Adjustment 75	75	In-year adjustments to benefit plans	
44 - Election Expense 1,125	1,125	Annual contribution to Election reserve fund. Used to fund elections costs every 4 years	
45 - Self Insurance 7,976	7,976	Account for insurance claims, insurance premiums	
46 - MPAC 11,921	11,921	Mandatory payment to MPAC for providing assessment services	
47 - Tax Rebates & Remissions 19,102	19,102	Manadatory payments to fund vacancy / charitable rebate programs and assessment appeals	
48 - BIA 696	696	NA	
	68,191		-

D) - Executive / Board % of total budget - \$75,878			
49 - Elected Officials 10,851	10,851	Budgets for all elected officials	10,354
50 - Ottawa Police Service 7,925	7,925	Ottawa Police Services Board governance \$708k plus Executive Command \$1505	2,213
51 - Employment & Financial Assistance 7,034 est: 3% of program	7,034	Gross budget \$233.759m @ 3% = \$7.012m - comment provided in #2	
52 - Housing 4,270 est: 3% of program	4,270	Gross budget \$142.327m @3% = \$4.270m - comment provided in #3	
53 - City Manager 4,219	4,219	City Manager office budget \$0.341m plus corporate support \$3.831m	4,172
54 - Parks & Sports Buildings & Grounds 3,945 est: 3% of program	3,945	General Manager of Parks & Rec office budget	563
55 - Surface Operations - Integrated Road & Water 3,771 est: 3% of program	3,771	Unable to locate quoted number in 2010 Budget	
56 - Community & Protective Services Childcare 2,859 est: 3% of program	2,859	Total budget \$95.315m @3% = \$2.859m - comment provided in #17	
57 - Hydro Operations, Maintenance & Admin (2008) 2,044 est 3% of operating	2,044	NA	
58 - Deputy Manager Public Works 2,006	2,006	General Manager Public Works office budget	792
59 - Executive Director Business Transformation 1,902	1,902	Unable to locate quoted number in 2010 Budget	
60 - Fleet Services 1,830 est: 3% of program	1,830	Fleet Services costs are charged to the departmental users of fleet & equipment - comment provided in #39	
61 - Auditor General 1,765	1,765	Total budget of AG's office	1,765
62 - Drinking Services 1,602	1,602	General Manager Environmental Services office budgets (rate supported)	258
63 - Long Term Care 1,475 est: 3% of program	1,475	Direct service delivery	
Area Identified as "Administration" by OTAG	Amount \$000	Staff Comment	Included in City Definiton of Administration
64 - Public Health 1,446 est: 3% of program	1,446	Medical Officer of Health office budget	420
65 - Cultural Services & Community Funding 1,358 est 3% of operating	1,358	Direct service delivery	
66 - Deputy Manager- Planning, Construction, Environment 1,349	1,349	Unable to locate quoted number - DCM PGM office budget \$1.100m	1,100
67 - Deputy Manager Operating Resource 1,250	1,250	Unable to locate quoted number in 2010 Budget	
68 - Ottawa Public Library 913	913	Ottawa Library Board governance & Chief Librarian office budget	913
69 - Deputy Manager Operations 872	872	Deputy City Manager - City Operations office budget	872
70 - City Clerk & Legal 712	712	Included in #24	
71 - Transit Services 662	662	General Manager Transit Services office budget	662
72 - Waste Water Services 619	619	Direct service delivery	
73 - Parks Recreation Services 592	592	General Manger office budget	
74 - Solid Waste 564	564	Direct service delivery	
75 - Planning & Growth Management 555	555	General Manager Planning & Growth Management office budget	555
76 - Organizational Development & Performance 547	547	Included in #32	
77 - Financial Services 538	538	Included in #23 above	
78 - Infrastructure Services 504	504	General Manger Infrastructure Services office budget	504
79 - IT Services 460	460	Included in #22 above	
80 - Building Code Services 459 est: 3% of program	459	Direct service delivery	
81 - Traffic & Parking Operations 421 est: 3% of program	421	Direct service delivery	
82 - Ops, Engineering & Technical Services 417 est: 3% of program	417	General Manager Public Works office budget / included in #58 above	
83 - IT Productivity Driven 395 est 3% of operating	395	Unable to locate quoted number in 2010 Budget	
84 - Employee Services 343	343	Included in #28 above	
85 - Communications & Customer Service 334	334	Included in #29 above	
86 - By-Law & Regulatory Services 324	324	By-law Chief office budget	

			324
87 - Forestry Services (Public Works) 302 est 3% of operating	302	Total budget \$10.062m @3%= 302k / Direct service delivery	
88 - General Manager Social Services 290	290	GM Community & Social Services office budget	290
89 - Ottawa Fire Services 287	287	Fire Chief office budget	
90 - Real Property Asset Management 284	284	Included in #31 above	
91 - Deputy Manager- Community & Protective Services 270	270	General Manager Emergency & Protective Services	270
92 - Ottawa Paramedic Services 254	254	Paramedic Chief office budget	254
93 - Environmental Sustainability 223	223	Director Community Sustainability office budget	223
94 - Legal Services 204 est 3% of operating	204	Included in #24 above	
95 - Office of Emergency Management / Integrated Public Safety 194 est: 3% of program	194	Integrated Public Safety Chief office budget	774
96 - Economic & Environmental Sustainability 106 est: 3% of program	106	Total budget \$3.530m @3%= 106k / Included in #33 above	
97 - Transportation Planning 100 est: 3% of program	100	Total budget \$3.346m @3%= 100k / Comment provided in #34 above	
98 - Planning Branch (Construction, Rural) 100 est: 3% of program	100	Total budget \$3.324m @3%= 100k / Comment provided in #35 above	
99 - Service Excellence Program 50 est 3% of operating	50	Unable to locate quoted number in 2010 Budget	
100 - Corporate Planning & Performance Reporting 35 est 3% of operating	35	Unable to locate quoted number in 2010 Budget	
101 - Committee of Adjustment 28 est: 3% of program	28	100% recovered by fees / Comment provided in #20 above	
102 - Building Code Services - Other Permits & Compl Rep 19 est 3% of operating	19	Director Building Services office budget	653
	75,878		27,931
Total Administration: OTAG / City Definition	593,770		191,249