Agenda - Council - December 14, 2005

Report - Standing Committee on Fiscal Issues - December 6, 2005

Item No. 2 Deficit Avoidance - Commitment Reserve, the Waterworks System, Sewage Disposal Fund, Solid Waste Disposal Fund, Fleet Management Agency and Idea Bank Reserve Fund
File FE-5

STANDING COMMITTEE RECOMMENDATION:

On December 7, 2005 the Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues and submits the following to Council:

1. That for the year-ended December 31, 2005, commitments considered surplus be transferred from the Commitment Reserve to the General Revenue Fund in accordance with clause 289(4)(a) of The City of Winnipeg Charter.

2. That for the year-ended December 31, 2005:

   A. A maximum of $1.5 million in deficit avoidance savings be transferred from the Waterworks Fund to the General Revenue Fund.

   B. Approximately $600,000.00 be transferred from the Sewage Disposal Fund to pay for expenses relating to flood costs incurred by the Land Drainage program accounted for in the General Revenue Fund.

   C. Approximately $1.3 million be transferred from the Solid Waste Disposal Fund to pay for increased expenses incurred with respect to residential waste accounted for in the General Revenue Fund in accordance with Section 288 of The City of Winnipeg Charter.

3. That for the year-ended December 31, 2005, interest payments to departments on their loan accounts be waived and a maximum of $500,000.00 in related savings be transferred from the Fleet Management Agency to the General Revenue Fund.

4. That for the year-ended December 31, 2005, a maximum of $500,000.00 be transferred from the Idea Bank Reserve to the General Revenue Fund.

5. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Committee on Fiscal Issues - December 6, 2005

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 7, 2005, the Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On December 6, 2005, the Standing Committee on Fiscal Issues concurred in the administrative recommendation contained in the report from the Chief Financial Officer dated December 1, 2005, and submitted the matter to the Executive Policy Committee and Council

Further, on December 6, 2005, the Standing Committee on Fiscal Issues filed the report from the Chief Financial Officer dated November 7, 2005.

On November 8, 2005, the Standing Committee on Fiscal Issues laid over consideration of the matter (administrative report dated November 7, 2005) to its meeting to be held on December 6, 2005.

ADMINISTRATIVE REPORT

RE: Deficit Avoidance – Commitment Reserve, the Waterworks System, Sewage Disposal Fund, Solid Waste Disposal Fund, Fleet Management Agency and Idea Bank Reserve Fund

FOR SUBMISSION TO: Standing Committee on Fiscal Issues

ORIGINAL REPORT SIGNED BY: Chief Financial Officer

REPORT DATE: December 1, 2005

RECOMMENDATIONS:

(1) That for the year-ended December 31, 2005, commitments considered surplus be transferred from the Commitment Reserve to the General Revenue Fund in accordance with clause 289(4)(a) of The City of Winnipeg Charter;
(2) That for the year-ended December 31, 2005,
    a. a maximum of $1.5 million in deficit avoidance savings be transferred from the Waterworks Fund to the General Revenue Fund,
    b. approximately $600,000 be transferred from the Sewage Disposal Fund to pay for expenses relating to flood costs incurred by the Land Drainage program accounted for in the General Revenue Fund,
    c. approximately $1.3 million be transferred from the Solid Waste Disposal Fund to pay for increased expenses incurred with respect to residential waste accounted for in the General Revenue Fund,
    in accordance with Section 288 of The City of Winnipeg Charter.
(3) That for the year-ended December 31, 2005 interest payments to departments on their loan accounts be waived and a maximum of $500,000 in related savings be transferred from the Fleet Management Agency to the General Revenue Fund.
(4) That for the year-ended December 31, 2005, a maximum of $500,000 be transferred from the Idea Bank Reserve to the General Revenue Fund.

REPORT SUMMARY:

Key Issues:

A 2005 deficit is being projected for the General Revenue Fund. Some of the initiatives that have been identified to avoid a deficit include transfers from several City of Winnipeg funds. These transfers require Council approval.

Implications of the Recommendation(s):

General implications:
X **None**
□ **For the organization overall &/or for other departments**
□ **For the community and/or organizations external to the City**
□ **Involves a multi-year contract**
Comment(s):

Policy implications:
X **No**
□ **Yes Comment(s):**

Environmental implications:
X **No**
□ **Yes Comment(s):**

Human Resources implications:
X **No**
□ **Yes Comment(s):**

Financial implications:
□ **Within approved current and/or capital budget**
X **Current and/or capital budget adjustment required**
Comment(s): Council approval is required to approve the transfer amongst City of Winnipeg Funds.

REASON FOR THE REPORT:

As at August 31, 2005, the City forecasted a 2005 General Revenue Fund deficit of $17.0 million. Based on the forecast the Administration identified several deficit avoidance initiatives. Some of the initiatives were: delaying the filling of vacant positions; curtailing discretionary spending; and the transfer of funding from various City of Winnipeg Funds to the General Revenue Fund. Under Section 288(1) of The City of Winnipeg Charter, Council approval is required for the transfer amongst Funds.

HISTORY:

On December 17, 1997, Council approved Clause 1 of the report of the Standing Committee on Fiscal Issues, which requires that the Standing Committee on Fiscal Issues approve a periodic Financial Status and Forecast report. The December 31, 2005 Financial Status and Forecast report based on actuals for the eight month period ended August 31, 2005 was presented at the

October 11, 2005 meeting of the Standing Committee on Fiscal Issues. The report identified a $17.0 million forecasted deficit.

DISCUSSION:

(1) Commitment Reserve Fund

Each year Council approves the current operating budget thereby giving departments the authority to incur expenses. However, according to generally accepted accounting principles, expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay. As a result, actual expenses may not be realized in the same fiscal year as the adopted budget. Therefore, Council approved the establishment of the Commitment Reserve Fund to allow departments to carry forward committed budget dollars to the succeeding fiscal year thereby eliminating the need to re-budget.

Council also approved that contributions to the Reserve must be spent in the year following the transfer. However, commitments can be retained in the Reserve beyond the following year only if approved by the Chief Financial Officer; otherwise the unspent amounts must be transferred to the Mill Rate Stabilization Reserve.

Under clause 289(4)(a) of The City of Winnipeg Charter, the chief financial officer can certify that the amount in the fund is greater than the amount required for the purpose for which the fund was established". The chief financial officer is in the process of examining the current balance in the Reserve along with the commitments relating to the Reserve and anticipates that surplus funds will be identified which will not be required for the purpose for which the funds were placed in the Reserve. Therefore, to avoid a deficit in the General Revenue Fund, Council is being requested to approve, for 2005, that unspent commitments certified by the chief financial officer as being surplus to the requirements of the Reserve be transferred to the General Revenue Fund.

At the time of preparing this report, the amount of saving which could be generated by this initiative is not known since departments are still incurring expenditures. The amount will be determined by mid-January 2006.

(2) Transfers from Waterworks Fund, Sewage Disposal Fund, Solid Waste Disposal Fund, and Fleet Management Agency

In July, 2005, the CAO requested the assistance of Department Heads to identify opportunities to reduce the projected 2005 year-end deficit. The Water and Waste Department identified additional savings of up to $1.5 million in the Waterworks Fund that could be transferred to assist with deficit avoidance.

In addition, transfers are required from:

1. the Sewage Disposal Fund of approximately $600,000 to pay for flood costs incurred by the Land Drainage program
2. the Solid Waste Disposal Fund of approximately $1.3 million to pay for additional costs relating to garbage collection due to increases in the amount of residential garbage.

Further, Council's approval is requested to waive interest payments on departmental loan accounts in the Fleet Management Agency which will result in an additional $500,000 available for transfer to the General Revenue Fund.

As previously indicated, under Section 288(1) of The City of Winnipeg Charter, Council is being requested to approve that these amounts be transferred to the General Revenue Fund.

(3) Idea Bank Reserve Fund

In April, 1997, Council authorized the establishment of the Idea Bank Reserve Fund to provide financing for innovative ideas presented outside the normal budget process. The Idea Bank Reserve is set up as a revolving fund, which is self-sustaining. There is potentially an uncommitted balance in the reserve of approximately $500,000 that could be transferred to the General Revenue Fund if approved by Council pursuant to Section 288 of the City of Winnipeg Charter Act.

Financial Impact Statement **Date:** November 29, 2005

Project Name: **First Year of Program** **2005**

Deficit Avoidance Plan

	2005	2006	2007	2008	2009
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Total Additional Debt Required	$ -	$ -	$ -	$ -	$ -
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: At the time of issuing this report the financial impact on the General Revenue Fund is unknown. The impact will be determined by mid-January 2006, after the transactions are recorded in the Fund.

M. Ruta
Corporate Controller

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

Public Works Department
Legal Services – Corporate Services Department
Water and Waste Department

THIS REPORT SUBMITTED BY:

Prepared by: Mike Ruta
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