**Agenda – Council – December 15, 2010**

**Report – Standing Policy Committee on Finance – December 3, 2010**

**Item No. 2 Financial Status Report and Forecast to October 31, 2010 – 2010 Year End**

STANDING COMMITTEE RECOMMENDATION:

On December 8, 2010, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submits the following to Council:

1. That the Financial Status Report and Forecast to October 31, 2010 be received as information.

2. That if the General Revenue Fund reports a surplus at year-end, it be transferred to the General Purpose Reserve Fund.

3. That in the event the General Revenue Fund reports a deficit at year-end, the following measures be utilized, in the order specified, to sufficiently eliminate a 2010 deficit in the General Revenue Fund:

    A. Reduce the transfer required to the Fiscal Stabilization Reserve Fund in respect of net supplementary taxes and tax roll adjustments to the budget in 2010 up to the amount required to avoid a deficit in the General Revenue Fund.

    B. The Fiscal Stabilization and Mill Rate Stabilization Reserves forgo their 2010 interest earnings, net of investment management fees, up to the amount required to avoid a deficit in the General Revenue Fund.

    C. For 2010 an additional transfer occur from the General Purpose Reserve Fund to the General Revenue Fund of up to $3,709,900, noting that an $8.0 million transfer from the General Capital Fund to the General Purpose Reserve Fund in 2011 is set out in the 2010 Adopted Capital Budget and the 2011 to 2015 Capital Forecast. As such, prior to the adoption of the 2011 Capital Budget, a first charge in the amount of $3,709,900 for this transfer to the General Purpose Reserve Fund be approved in accordance with Subsection 288(2) of The City of Winnipeg Charter.

**Report – Standing Policy Committee on Finance – December 3, 2010**

D. The Mill Rate Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund.

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

**Report – Standing Policy Committee on Finance – December 3, 2010**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 8, 2010, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On December 3, 2010, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

# ADMINISTRATIVE REPORT

**Title:** **Financial Status Report and Forecast to October 31, 2010**

**Issue:**

**Critical Path:** **Standing Policy Committee on Finance – Executive Policy Committee – City Council**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| Patricia Bodnar | M. Geer<br>Acting CFO | M. Geer<br>Acting CFO | M. Ruta<br>Acting CAO |

## RECOMMENDATIONS

1) That the Financial Status Report and Forecast to October 31, 2010 be received as information.
2) That if the General Revenue Fund reports a surplus at year-end, it be transferred to the General Purpose Reserve Fund.
3) That in the event the General Revenue Fund reports a deficit at year-end, the following measures be utilized, in the order specified, to sufficiently eliminate a 2010 deficit in the General Revenue Fund:
    a. Reduce the transfer required to the Fiscal Stabilization Reserve Fund in respect of net supplementary taxes and tax roll adjustments to the budget in 2010 up to the amount required to avoid a deficit in the General Revenue Fund;
    b. The Fiscal Stabilization and Mill Rate Stabilization Reserves forgo their 2010 interest earnings, net of investment management fees, up to the amount required to avoid a deficit in the General Revenue Fund;
    c. For 2010 an additional transfer occur from the General Purpose Reserve Fund to the General Revenue Fund of up to $3,709,900, noting that an $8.0 million transfer from the General Capital Fund to the General Purpose Reserve Fund in 2011 is set out in the 2010 Adopted Capital Budget and the 2011 to 2015 Capital Forecast. As such, prior to the adoption of the 2011 Capital Budget, a first charge in the amount of $3,709,900 for this transfer to the General Purpose Reserve Fund be

approved in accordance with Subsection 288(2) of The City of Winnipeg Charter; and

d. The Mill Rate Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund.

## REASON FOR THE REPORT

On December 17, 1997, City Council approved clause 1 of the report of the Standing Committee on Fiscal Issues, which requires that a periodic report be approved on a quarterly basis by the Standing Committee on Fiscal Issues. Since that time, the Standing Committee on Fiscal Issues has been renamed to the Standing Policy Committee on Finance.

## IMPLICATIONS OF THE RECOMMENDATIONS

As at October 31, 2010, the Public Service anticipates a projected surplus of $3.8 million for the General Revenue Fund which, if achieved, would automatically transfer to the Mill Rate Stabilization Reserve Fund. Instead the Public Service is recommending that any surplus amounts attained at year-end be transferred to the General Purpose Reserve Fund for future use to be approved by City Council. However, there is potential for a deficit to occur relating to several factors including possible inclement weather during November and December impacting snow clearing costs and the claim from the gas and electricity tax audit not being resolved with Manitoba Hydro by year-end. The recommendations identified in this report concerning a potential deficit or surplus in the General Revenue Fund all include transfers between City of Winnipeg funds and under Section 288(1) of The City of Winnipeg Charter require approval of City Council.

### Actual Year-end Scenario - General Revenue Fund Surplus

Annual operating General Revenue Fund surpluses automatically transfer to the Mill Rate Stabilization Reserve Fund. Should the actual year-end General Revenue Fund 2010 operations result in a surplus, the Public Service is instead recommending that the surplus be transferred to the General Purpose Reserve Fund for future use to be approved by City Council.

### Actual Year-end Scenario - General Revenue Fund Deficit

Should the actual year-end General Revenue Fund 2010 operations result in a deficit, the following measures, in the order specified, would be utilized, to sufficiently eliminate that deficit:

Net supplementary taxes and tax roll adjustments to the budget

On March 22, 2005, City Council approved a report from the Executive Policy Committee to amend Council's approved operating criteria of the Fiscal Stabilization Reserve Fund to permit transfers to or from the Reserve to offset any variance in the revenue projections for net supplementary taxes and tax roll adjustments used in the budget and the actual amounts achieved.

During the year, taxes are reported in the General Revenue Fund and at year-end a transfer based on the variance between budget and actual is recorded and reported in the Fiscal Stabilization Reserve Fund. In 2010, taxes are forecasted to be greater than budget that would result in a transfer into the Fiscal Stabilization Reserve Fund. This recommendation reduces the transfer from the General Revenue Fund to the Fiscal Stabilization Reserve Fund up to the amount of the potential deficit.

Interest Revenue – Stabilization Reserves

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Stabilization Reserves – the Fiscal
Stabilization Reserve Fund and the Mill Rate Stabilization Reserve Fund – do not have a separate bank account. Cash transactions are credited or charged to the "Due from the General Revenue Fund" in each reserve. Interest revenue is credited to the reserves. This recommendation increases the interest revenue in the General Revenue Fund by forgoing interest revenue, less investment management fees, in the Stabilization Reserves up to the remaining amount of the potential deficit.

Transfer from the General Purpose Reserve Fund

On December 16, 2009, City Council approved that the 2009 General Revenue Fund surplus of $8,993,000 be transferred to the General Purpose Reserve Fund for future use to be approved by City Council. The General Revenue Fund's 2010 operating budget included a transfer from the General Purpose Reserve Fund of $5,283,100, leaving a remaining balance of $3,709,900. The transfer is requested up to the remaining amount of the potential deficit, noting that an $8.0 million transfer from the General Capital Fund to the General Purpose Reserve in 2011 is set out in the 2010 Adopted Capital Budget and the 2011 to 2015 Capital Forecast. As such, this measure also requires approving a first charge on the 2011 Capital Budget in the amount of $3,709,900 to be transferred to the General Purpose Reserve Fund.

Transfer from the Mill Rate Stabilization Reserve Fund

Even after the above recommendations are implemented a deficit may still remain in the General Revenue Fund. To avoid this situation a transfer is being requested from the Mill Rate Stabilization Reserve Fund to eliminate the deficit. As at December 31, 2009,

the Mill Rate Stabilization Reserve Fund had an accumulated surplus of $41.9 million. This amount will remain unchanged if the reserve foregoes its interest earnings during 2010. However, the use of the Mill Rate Stabilization Reserve Fund's accumulated surplus is subject to certain operating criteria including no charges to the Reserve shall be made unless the reserve balance exceeds 5% of the General Revenue Fund expenses, in which case, half the excess is automatically transferred as General Revenue Fund revenue the following year. Changes in any one year are limited to no more than 20% of the prior year's Mill Rate Stabilization Reserve Fund balance to a maximum of 50% of any deficit in the General Revenue Fund.

City Council is being requested to approve a transfer from the Mill Rate Stabilization Reserve Fund in 2010 to avoid a deficit in the General Revenue Fund, which may be in excess of the amount specified in the operating criteria.

In the event the deficit avoidance measures are implemented fully, the projected year end balances of the Stabilization Reserves will be less than the 10% target.

## HISTORY

The Corporate Finance Department has prepared a report showing forecasted revenues and expenses to December 31, 2010, for the General Revenue Fund, Service Funds and Utility Funds. This information was obtained from departments and was based on actual data as at October 31, 2010.

As at October 31, 2010, the City is forecasting a General Revenue Fund surplus of $3.8 million. The reasons for the surplus are indicated in the schedule entitled "Budget Variances Arising from the October 31, 2010 Forecast".

Attachments included are the following:

Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status Report and Forecast;

Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;

Schedule 3 – The City of Winnipeg – General Revenue Fund – Reconciliation of March to October Forecast;

Schedule 4 – The City of Winnipeg – Summary by Fund; and

Schedule 5 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department.

## FINANCIAL IMPACT

**Financial Impact Statement Date: November 24, 2010**

**Project Name:**

**Financial Status Report and Forecast to October 31, 2010**

**COMMENTS:**

This report is prepared for information purposes.

**Patricia Bodnar**
Senior Fiancial Accountant

## CONSULTATION

**In preparing this report there was consultation with:**

All City of Winnipeg Departments

Legal Services Department

## SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Patricia Bodnar
Date: November 26, 2010
File No.



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## THE CITY OF WINNIPEG - GENERAL REVENUE FUND
## FINANCIAL STATUS REPORT AND FORECAST

**Schedule 1**

*Actual for the ten month period ended October 31, 2010*
*forecasted for the year ending December 31, 2010*
*(in thousands of dollars)*
*(unaudited)*

| | Adopted Budget | Forecast | Variance From Budget | Year to Date Actual |
|---|---|---|---|---|
| ***REVENUES*** | | | | |
| Taxation | $ 521,377 | $ 521,911 | $ 534 | $ 432,742 |
| Government transfers | 102,768 | 102,820 | 52 | 75,553 |
| Sale of goods and services | 76,142 | 76,077 | (65) | 64,824 |
| Transfer from other funds | 40,631 | 41,328 | 697 | 21,245 |
| Regulation fees | 35,385 | 36,844 | 1,459 | 30,978 |
| Payments-in-lieu of taxes | 30,519 | 30,519 | - | 25,848 |
| Interest | 10,142 | 10,098 | (44) | 8,540 |
| Other | 722 | 566 | (156) | 352 |
| Total Revenues | 817,686 | 820,163 | 2,477 | 660,082 |
| ***EXPENSES*** | | | | |
| Assessment and taxation | 22,565 | 19,618 | 2,947 | 14,608 |
| Audit | 847 | 845 | 2 | 661 |
| Chief administrative offices | 1,257 | 1,153 | 104 | 948 |
| City clerks | 10,703 | 10,418 | 285 | 8,949 |
| Community services | 103,479 | 103,347 | 132 | 81,947 |
| Corporate | 59,437 | 57,687 | 1,750 | 44,534 |
| Corporate finance | 7,543 | 6,980 | 563 | 5,964 |
| Corporate support services | 31,252 | 30,986 | 266 | 24,130 |
| Council | 2,801 | 2,777 | 24 | 2,197 |
| Fire paramedic service | 137,648 | 136,191 | 1,457 | 110,377 |
| Legal services | 2,429 | 2,193 | 236 | 1,749 |
| Mayor's office | 1,746 | 1,728 | 18 | 1,482 |
| Museums | 1,092 | 1,073 | 19 | 991 |
| Planning, property and development | 38,791 | 41,270 | (2,479) | 31,933 |
| Police services | 189,909 | 191,663 | (1,754) | 156,818 |
| Public works | 161,510 | 163,099 | (1,589) | 134,530 |
| Street lighting | 10,854 | 10,535 | 319 | 8,739 |
| Water and waste | 33,823 | 34,783 | (960) | 27,848 |
| Total Expenses | 817,686 | 816,346 | 1,340 | 658,405 |
| ***FORECASTED SURPLUS*** | $ - | $ 3,817 | $ 3,817 | $ 1,677 |

Notes:
(1) See Schedule 5 for comparable departmental view.

## THE CITY OF WINNIPEG - GENERAL REVENUE FUND
## BUDGET VARIANCES ARISING FROM THE OCTOBER 31, 2010 FORECAST
## FOR THE YEAR ENDING DECEMBER 31, 2010

**Schedule 2**

*(in millions of dollars)*
*(unaudited)*

| | | |
|---|---|---|
| The Assessment and Taxation Department is anticipating to be below their expense budget mainly because of better than expected results on assessment appeals. | $ | **2.9** |
| Corporate expenses are lower than budget due to lower long-term disability payments and other employee benefit charges and provisions. | | **1.8** |
| Building Manitoba Fund - General Assistance grant is lower than budget due to allocations of grant revenue to specific expenditures.<br>*Action Plan: The Public Service continues to control expenditures without impacting the delivery of core services.* | | **(2.1)** |
| Other departmental revenues and expenses | | **1.2** |
| ***Forecasted Surplus*** | **$** | **3.8** |

## THE CITY OF WINNIPEG - GENERAL REVENUE FUND
## RECONCILIATION OF MARCH TO OCTOBER FORECAST
## OCTOBER 31, 2010 FORECAST
## FOR THE YEAR ENDING DECEMBER 31, 2010

**Schedule 3**

*(in millions of dollars)*
*(unaudited)*

| | | |
|---|---|---|
| Forecasted General Revenue Fund Deficit - March 31, 2010 | **$** | **(4.7)** |
| Assessment appeal costs are anticipated to be under budget. | | **3.0** |
| Corporate expenses are lower than budget due to lower long-term disability payments and other employee benefit charges and provisions. | | **1.9** |
| Public Works department's expenses have improved primarily due to snow clearing and street cleaning. | | **1.5** |
| Water and Waste department's expenses have increased primarily due to higher operations and maintenance costs for land drainage. | | **(1.0)** |
| Other departmental revenues and expenses | | **3.1** |
| Forecasted General Revenue Fund Surplus - October 31, 2010 | **$** | **3.8** |

## THE CITY OF WINNIPEG - SUMMARY BY FUND
## FINANCIAL STATUS REPORT AND FORECAST

**Schedule 4**

*Actual for the ten month period ended October 31, 2010*
*forecasted for the year ending December 31, 2010*
*(in thousands of dollars)*
*(unaudited)*

| | Adopted Budget | Forecast | Variance From Budget | Actual |
|---|---|---|---|---|
| **General Revenue Fund** | | | | |
| Revenues | $ 817,686 | $ 820,163 | $ 2,477 | $ 660,082 |
| Expenses | 817,686 | 816,346 | 1,340 | 658,405 |
| Surplus | $ - | $ 3,817 | $ 3,817 | $ 1,677 |
| **Transit System** | | | | |
| Revenues | $ 99,976 | $ 100,586 | $ 610 | $ 82,236 |
| Expenses | 132,089 | 132,361 | (272) | 106,746 |
| | (32,113) | (31,775) | 338 | (24,510) |
| Transfer to Reserves | (11,089) | (11,184) | (95) | (11,184) |
| Transfer from General Revenue Fund | 43,202 | 43,202 | - | 35,656 |
| Surplus (Deficit) | $ - | $ 243 | $ 243 | $ (38) |
| **Waterworks System** | | | | |
| Revenues | $ 93,606 | $ 89,645 | $ (3,961) | $ 72,381 |
| Expenses | 77,903 | 68,198 | 9,705 | 62,298 |
| | 15,703 | 21,447 | 5,744 | 10,083 |
| Transfer to Water Main Renewal Reserve | (10,500) | (10,500) | - | (10,500) |
| Surplus (Deficit) Prior to Principle Debt Repayments | 5,203 | 10,947 | 5,744 | (417) |
| Principle Debt Repayments | (5,869) | (5,869) | - | - |
| Surplus (Deficit) | $ (666) | $ 5,078 | $ 5,744 | $ (417) |

## THE CITY OF WINNIPEG - SUMMARY BY FUND
## FINANCIAL STATUS REPORT AND FORECAST

**Schedule 4**

*Actual for the ten month period ended October 31, 2010*
*forecasted for the year ending December 31, 2010*
*(in thousands of dollars)*
*(unaudited)*

| | Adopted Budget | Forecast | Variance From Budget | Actual |
|---|---|---|---|---|
| **Sewage Disposal System** | | | | |
| Revenues | $ 142,821 | $ 129,887 | $ (12,934) | $ 105,936 |
| Expenses | 67,856 | 64,241 | 3,615 | 59,483 |
| | 74,965 | 65,646 | (9,319) | 46,453 |
| Transfer to Reserves | (20,993) | (19,806) | 1,187 | (7,266) |
| Transfer to General Revenue Fund | (13,441) | (13,441) | - | (11,201) |
| Surplus Prior to Principle Debt Repayments | 40,531 | 32,399 | (8,132) | 27,986 |
| Principle Debt Repayments | (6,647) | (6,647) | - | - |
| Surplus | $ 33,884 | $ 25,752 | $ (8,132) | $ 27,986 |
| **Solid Waste Disposal** | | | | |
| Revenues | $ 23,289 | $ 22,695 | $ (594) | $ 14,916 |
| Expenses | 18,977 | 18,387 | 590 | 12,935 |
| | 4,312 | 4,308 | (4) | 1,981 |
| Transfer to Reserve | (182) | (173) | 9 | (130) |
| Transfer to General Revenue Fund | (3,852) | (3,849) | 3 | (4,662) |
| (Deficit) Surplus Prior to Principle Debt Repayments | 278 | 286 | 8 | (2,811) |
| Principle Debt Repayments | (62) | (62) | - | - |
| (Deficit) Surplus | $ 216 | $ 224 | $ 8 | $ (2,811) |

## THE CITY OF WINNIPEG - SUMMARY BY FUND
## FINANCIAL STATUS REPORT AND FORECAST

**Schedule 4**

*Actual for the ten month period ended October 31, 2010*
*forecasted for the year ending December 31, 2010*
*(in thousands of dollars)*
*(unaudited)*

| | Adopted Budget | Forecast | Variance From Budget | Actual |
|---|---|---|---|---|
| **Civic Accommodations Fund** | | | | |
| Revenues | $ 37,076 | $ 37,243 | $ 167 | $ 31,167 |
| Expenses | 21,574 | 22,034 | (460) | 18,580 |
| | 15,502 | 15,209 | (293) | 12,587 |
| Transfer to: | | | | |
| Building Services Fund | (11,104) | (10,811) | 293 | (8,403) |
| General Revenue Fund | (4,398) | (4,398) | - | (3,822) |
| Surplus | $ - | $ - | $ - | $ 362 |
| **Building Services Fund** | | | | |
| Revenues | $ 28,048 | $ 28,370 | $ 322 | $ 19,634 |
| Expenses | 39,082 | 39,111 | (29) | 30,999 |
| | (11,034) | (10,741) | 293 | (11,365) |
| Transfer from (to): | | | | |
| Civic Accommodations Fund | 11,104 | 10,811 | (293) | 8,403 |
| General Revenue Fund | (70) | (70) | - | (59) |
| Deficit | $ - | $ - | $ - | $ (3,021) |

## THE CITY OF WINNIPEG - GENERAL REVENUE FUND
## FINANCIAL STATUS REPORT AND FORECAST

**Schedule 5**

*forecasted for the year ending December 31, 2010*
*(in thousands of dollars)*
*(unaudited)*

| | *Revenues* | | | *Expenses* | | | *Net Mill Rate* |
|---|---|---|---|---|---|---|---|
| | **Adopted Budget** | **Forecast** | **Variance Budget/ Forecast** | **Adopted Budget** | **Forecast** | **Variance Budget/ Forecast** | **Variance Budget/ Forecast** |
| Assessment and taxation | $ 537,273 | $ 538,172 | $ 899 | $ 22,565 | $ 19,618 | $ 2,947 | $ 3,846 |
| Audit | - | - | - | 847 | 845 | 2 | 2 |
| Chief administrative offices | - | - | - | 1,257 | 1,153 | 104 | 104 |
| City clerks | 16 | 17 | 1 | 10,703 | 10,418 | 285 | 286 |
| Community services | 21,126 | 21,250 | 124 | 103,479 | 103,347 | 132 | 256 |
| Corporate | 99,829 | 98,942 | (887) | 59,437 | 57,687 | 1,750 | 863 |
| Corporate finance | 5,381 | 4,668 | (713) | 7,543 | 6,980 | 563 | (150) |
| Corporate support services | 1,612 | 1,612 | - | 31,252 | 30,986 | 266 | 266 |
| Council | - | - | - | 2,801 | 2,777 | 24 | 24 |
| Fire paramedic service | 39,863 | 38,169 | (1,694) | 137,648 | 136,191 | 1,457 | (237) |
| Legal services | 129 | 132 | 3 | 2,429 | 2,193 | 236 | 239 |
| Mayor's office | - | - | - | 1,746 | 1,728 | 18 | 18 |
| Museums | 56 | 56 | - | 1,092 | 1,073 | 19 | 19 |
| Planning, property and development | 32,883 | 35,485 | 2,602 | 38,791 | 41,270 | (2,479) | 123 |
| Police services | 32,998 | 34,976 | 1,978 | 189,909 | 191,663 | (1,754) | 224 |
| Public works | 30,603 | 30,522 | (81) | 161,510 | 163,099 | (1,589) | (1,670) |
| Street lighting | - | - | - | 10,854 | 10,535 | 319 | 319 |
| Waterworks and waste | 15,917 | 16,162 | 245 | 33,823 | 34,783 | (960) | (715) |
| ***Forecasted Surplus*** | $ 817,686 | $ 820,163 | $ 2,477 | $ 817,686 | $ 816,346 | $ 1,340 | $ 3,817 |