Minutes – Executive Policy Committee – December 8, 2010

Minute No. 36
Report – Standing Policy Committee on Finance – December 3, 2010

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

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

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:

Moved by Councillor Fielding,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Carried

Moved by Councillor Fielding,

That the recommendation of the Standing Policy Committee on Finance be concurred in and forwarded to Council.

Carried

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 Acting CFO	M. Geer Acting CFO	M. Ruta 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. *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