Minutes – Executive Policy Committee – May 22, 2013

AUDIT COMMITTEE

Minute No. 304 Review of 2012 Consolidated Financial Statements

EXECUTIVE POLICY COMMITTEE DECISION:

The Executive Policy Committee, in its capacity as the Audit Committee, approved the consolidated financial statements of The City of Winnipeg for the year-ended December 31, 2012, and directed the Chief Financial Officer to submit the documents to Council for information.

DECISION MAKING HISTORY:

Moved by Deputy Mayor Wyatt,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: **Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2012**

Critical Path: **Audit Committee**

AUTHORIZATION

Author	Department Head	CFO	CAO
P. Olafson	Mike Ruta	Mike Ruta	D Joshi COO

RECOMMENDATIONS

That Audit Committee approve the consolidated financial statements of The City of Winnipeg for the year-ended December 31, 2012 and direct the Chief Financial Officer to submit these to Council for information.

REASON FOR THE REPORT

The City of Winnipeg Charter requires the Chief Financial Officer submit to Council within six months of the fiscal year-end of the City a report on the financial position of the City at the end of the fiscal year. Further, the Chief Financial Officer will submit this report to the Province of Manitoba within six months of the fiscal year-end.

EXECUTIVE SUMMARY

This report presents the City's 2012 consolidated financial statements that demonstrate strong fiscal management and growing investment balanced with responsible fiscal planning for the year ended December 31, 2012.

Council-approved investments in capital assets totaled $654M in 2012, the highest capital asset investment in the City's history. Major infrastructure projects such as the Disraeli Bridges Project, the new Winnipeg Police Service Headquarters and the Public Works East Yard Complex Project account for a significant amount of the this year's capital asset investments.

While investment has continued to increase, the City has achieved a disciplined balance to offset capital spending with increased revenues and responsible long-term borrowing. The

City's credit ratings affirm solid fiscal performance (*Standard and Poor's* as AA; *Moody's Investors Services* Aa1.)

The City continues, however, to face a very significant infrastructure deficit to address infrastructure needs relating to roads, sidewalks, transit and buildings and parks that will require $7.4 billion of investment over the next 10 years.

IMPLICATIONS OF THE RECOMMENDATIONS

The City of Winnipeg will meet this Charter requirement.

HISTORY

The City of Winnipeg annually prepares a set of consolidated financial statements. These are prepared in accordance with Canadian public sector accounting standards recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The consolidated financial statements have been audited by KPMG LLP.

The City's 2012 consolidated financial statements reflect the financial position and the results of operations of The City of Winnipeg, which includes organizations controlled by the City, as of and for the year ended December 31, 2012.

The City's financial position reflects Council's priority to invest in existing and new City infrastructure partially through the assumption of additional debt, including service concession arrangements. The consolidated net financial liabilities reported as $325.6 million reflects investments being made in facilities like the newly opened Disraeli Bridges and the ongoing new Winnipeg Police Service Headquarters and Public Works East Yard Complex projects. Considering these investments, the City's credit ratings have been affirmed (Standard & Poor's – AA; Moody's Investors Services – Aa1), confirming the City's stable financial position.

The City's total consolidated revenues were $1.497 billion, an increase of $27 million over 2011, while consolidated expenses totaled $1.300 billion, an increase of $26 million. This produced an annual surplus of $197 million. Almost the entire surplus is attributable to government transfers and developer contributions-in-kind in support of the City's investments in tangible capital assets. As such, this does not produce any cash resources for the City's general operations. Factoring out these capital purposed revenues, the City's consolidated operations resulted in a near break-even position, reporting a $4 million surplus.

In that regard, 2012 saw the first property tax increase in an unprecedented 14 years for The City of Winnipeg. The result of this is evident in that tax revenue has increased by $24 million over the previous year. At the same time, higher expenses for police and fire paramedic services largely contributed to the $28 million increase in Protection and Community Services.

The financial statements also include a consolidated budget. This disclosure is required by the aforementioned Canadian public accounting standards and is another source of transparency

and accountability for governments. For 2012, the consolidated annual surplus exceeded budget by $54 million. This variance is due to:

- Surplus realized in the General Revenue Fund of $15.9 million. Attributable, in large, to adjustments to accounting provisions as well as reduced corporate employee benefit costs, the 2013 Operating Budget planned on an estimated $12.5 million surplus. This amount assisted in balancing the 2013 revenues and expenses, reducing the mill rate increase that would have otherwise been required.

- Greater developer contributed assets associated with land development. Although positive, this factor does not result in cash resources available for the City's general operations. Higher than planned developer contributions mean the City has benefited through more roads and underground infrastructure being transferred to the City.

- Better than budgeted results in the utility operations generating cash resources retained for those operations. This cash is used to fund water and sewer capital improvements and provide rate stability, and will be factored into the utilities' future long-term rate and financial plans.

The net book value of tangible capital assets increased by $456 million over 2011. Total capital expenses of $654 million are $168 million more than the previous year. This is due largely to the opening of the Disraeli Bridges. This project, delivered under a public-private partnership, was recognized by the Canadian Council for Public-Private Partnerships with the C.W. Chuck Wills Award, recognizing P3 projects at the municipal level as part of its Annual Awards for Innovation and Excellence Program.

FINANCIAL IMPACT

Financial Impact Statement Date: May 2, 2013

Project Name:

Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2012

COMMENTS:

This report is prepared for information purposes.

"original signed by Paul Olafson, CA"
Corporate Controller

CONSULTATION

In preparing this report there was consultation with:

All City of Winnipeg Departments and Agencies (Consolidated Financial Statements)

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Paul Olafson
Date: May 2, 2013
File Name: 2012 Year End



2012 Consolidated
Financial Statements