Agenda – Council – October 23, 2013

Report – Standing Policy Committee on Finance – October 10, 2013

Item No. 1 Financial Status Report and Forecast to August 31, 2013

STANDING COMMITTEE RECOMMENDATION:

On October 16, 2013, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submitted the following to Council:

1. That the Financial Status Report and Forecast to August 31, 2013 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 2013 deficit in the General Revenue Fund:

    A. Reduce the transfer required to the Financial Stabilization Reserve Fund in respect of net supplementary taxes and tax roll adjustments to the budget in 2013 up to the amount required to avoid a deficit in the General Revenue Fund;

    B. The Financial Stabilization Reserve Fund forgo its 2013 interest earnings, net of investment management fees, up to the amount required to avoid a deficit in the General Revenue Fund; and

    C. The Financial 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 – October 10, 2013

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On October 16, 2013, 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 October 10, 2013, 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 August 31, 2013**

Issue:

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

AUTHORIZATION

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

RECOMMENDATIONS

1) That the Financial Status Report and Forecast to August 31, 2013 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 2013 deficit in the General Revenue Fund:
    a. Reduce the transfer required to the Financial Stabilization Reserve Fund in respect of net supplementary taxes and tax roll adjustments to the budget in 2013 up to the amount required to avoid a deficit in the General Revenue Fund;
    b. The Financial Stabilization Reserve Fund forgo its 2013 interest earnings, net of investment management fees, up to the amount required to avoid a deficit in the General Revenue Fund; and
    c. The Financial 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 Standing Policy Committee on Finance.

Recommendations 2 and 3 of this report concerns transfers amongst City of Winnipeg funds and under Section 288(1) of The City of Winnipeg Charter, this requires approval of City Council. As well, the funding mechanism for the Financial Stabilization Reserve Fund has been approved by Council. Finally, recommendation 3c. requires the approval of City Council where the required draw reduces the Financial Stabilization Reserve balance below its 8% target.

IMPLICATIONS OF THE RECOMMENDATIONS

The Public Service anticipates a projected deficit of $7.7 million.

Based upon experience of the past few years it is not unusual for the August forecast to report a projected deficit which is eliminated by the end of the year. The forecasted results for the General Revenue Fund at August 31 for the past five years were as follows:

Year	Surplus/(Deficit) in millions
2012	$ 5.4
2011	(9.9)
2010	N/A (no October SPC meeting)
2009	(3.8)
2008	2.2

The recommendations identified in this report concerning transfers amongst City of Winnipeg funds fall under Section 288(1) of The City of Winnipeg Charter, which requires approval from City Council. As well, the funding mechanism for the Financial Stabilization Reserve Fund has been approved by Council.

The exception to this is recommendation 3c. In this case, City Council approved that funds above the 8% target may be used for major unforeseen expenditures and deficits in any given year. Accessing these funds for unforeseen expenditures and deficits in any given year only require City Council approval if the required draw would reduce the reserve balance below the 8% target.

Actual Year-end Scenario - General Revenue Fund Surplus

Annual operating General Revenue Fund surpluses automatically transfer to the Financial Stabilization Reserve Fund. Should the actual year-end General Revenue Fund 2013 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 General Revenue Fund report a 2013 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 September 28, 2011, City Council approved a report from the Executive Policy Committee to permit transfers to or from the Financial Stabilization Reserve to offset any variance in the revenue projections for net supplementary taxes and tax roll adjustments used in the General Revenue Fund 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 Financial Stabilization Reserve Fund. In 2013, taxes are forecasted to be greater than budget thereby resulting in a transfer to the Financial Stabilization Reserve Fund. After considering the foregoing measure, this recommendation reduces the transfer from the General Revenue Fund up to the amount of the potential deficit.

Interest Revenue – Financial Stabilization Reserve Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Financial Stabilization Reserve Fund does not have a separate bank account. Cash transactions are credited or charged to the “Due from the General Revenue Fund” in the reserve. Interest revenue is credited to the reserve, as approved by City Council in the September 28, 2011 report. After considering the foregoing measures, this recommendation increases the interest revenue in the General Revenue Fund by forgoing interest revenue, less investment management fees, in the Financial Stabilization Reserve Fund up to the remaining amount of the potential deficit.

Transfer from the Financial Stabilization Reserve Fund

Even after the above recommendations are implemented a deficit may still result in the General Revenue Fund thereby requiring a transfer from the Financial Stabilization Reserve Fund. In the last two months of the year, for instance, there is a financial risk associated with snow accumulations and the need for snow removal and ice control.

As at January 1, 2013, the Financial Stabilization Reserve Fund had an accumulated surplus of $80.4 million. As included in the 2013 budget, $4 million will be transferred from the Financial Stabilization Reserve Fund to the General Revenue Fund.

The use of the Financial Stabilization Reserve Fund is subject to certain operating criteria including no charges to the Reserve being made unless the reserve balance exceeds 8% of the General Revenue Fund expenses. If that target is met or exceeded, funds above the 8% target may be used for major unforeseen expenditures and deficits in any given year. This transfer does not require City Council approval.

In the event that Recommendations 3a. and b. are implemented fully, it is projected the Financial Stabilization Reserve Fund will exceed its 8% target by approximately $2.7 million.

HISTORY

The Corporate Finance Department has prepared a report showing forecasted revenues and expenses to December 31, 2013, for the General Revenue Fund, Utility Funds and Municipal Accommodations Fund . This information was obtained from departments and was based on actual data as at August 31, 2013.

As at August 31, 2013, the City is forecasting a General Revenue Fund deficit of $8.5 million. The reasons for the deficit are indicated in the schedule entitled “Budget Variances Arising from the August 31, 2013 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 June 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: September 27, 2013**

Project Name:

Financial Status Report and Forecast to August 31, 2013

COMMENTS:

This report is prepared for information purposes.

Kaleigh Wills
Manager of Financial Reporting and Accounting Services

CONSULTATION

In preparing this report there was consultation with:

All City of Winnipeg Departments

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Kaleigh Wills
Date: September 27, 2013
File No.



August 2013
Forecast - Schedules

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

Schedule 1

Actual for the eight month period ended August 31, 2013
forecasted for the year ending December 31, 2013
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
REVENUES				
Taxation	$ 573,656	$ 573,914	$ 258	$ 399,482
Government transfers	113,050	117,570	4,520	76,573
Sale of goods and services	83,788	80,261	(3,527)	37,060
Transfer from other funds	46,586	46,460	(126)	30,274
Regulation fees	40,852	44,209	3,357	29,080
Payments-in-lieu of taxes	30,963	30,963	-	21,253
Other	22,345	22,825	480	429
Interest	11,432	11,281	(151)	6,161
Total Revenues	922,672	927,483	4,811	600,312
EXPENSES				
Assessment and taxation	18,209	17,889	320	9,492
Audit	915	916	(1)	545
Chief administrative offices	1,890	1,814	76	1,135
City clerks	10,931	10,730	201	7,907
Community services	110,449	109,265	1,184	80,070
Corporate	48,825	44,233	4,592	32,989
Corporate finance	9,411	8,905	506	5,631
Corporate support services	32,390	32,574	(184)	20,919
Council	4,024	3,947	77	2,369
Fire paramedic service	167,888	172,653	(4,765)	113,518
Legal services	2,598	2,604	(6)	1,732
Mayor's office	1,672	1,672	-	843
Museums	979	979	-	943
Planning, property and development	42,064	44,967	(2,903)	29,238
Police services	242,548	243,763	(1,215)	156,176
Policy development and communications	582	584	(2)	11
Public works	181,976	194,417	(12,441)	126,837
Street lighting	11,618	11,369	249	7,489
Water and waste	33,703	31,933	1,770	17,693
Total Expenses	922,672	935,214	(12,542)	615,537
FORECASTED DEFICIT	$ -	$ (7,731)	$ (7,731)	$ (15,225)

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

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE AUGUST 31, 2013 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2013

Schedule 2

(in millions of dollars)
(unaudited)

The Public Works department's net mill rate is higher than anticipated due mainly to the snow clearing program that is over budget by $10.5 million and flood costs, which are fully recoverable.	$ (12.1)
The Fire Paramedic department's net mill rate is higher than anticipated due to salaries and benefit expenses, including overtime, being over budget, ambulance revenues falling short due to less than anticipated call volumes, both offset partially by additional transfers from the Winnipeg Regional Health Authority.	(3.4)
The Police Services department's net mill rate is anticipated to be higher mainly due to expense projections being over budget due to increased pension costs, as well as traditional traffic enforcement revenues projected to be less than budgeted. This is partially offset by additional Provincial funding for police officers and staff.	(3.2)
Water and Waste department's favourable variance is mostly related to a forecasted decrease in landfill tipping fees expenses.	1.1
The Planning, Property and Development department's net mill rate support is projected to be less than budgeted primarily because net permit revenues are higher, partially offset by higher expenses.	2.8
Corporate's net mill rate is expected to be lower than budgeted because of a projected increase in flood claims revenue, less than anticipated long term disability and other employee benefit expenses and adjustments to provisions. These are partially offsetby reduced savings from alternative service delivery initiatives.	5.9
Other departmental revenues and expenses.	1.2
Forecasted Deficit	$ (7.7)

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
RECONCILIATION OF MARCH TO JUNE FORECAST
AUGUST 31, 2013 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2013

Schedule 3

(in millions of dollars)
(unaudited)

Forecasted General Revenue Fund Deficit - June 30, 2013	$	**(11.2)**
Improved Corporate net mill rate is primarily the result of additional savings from less than anticipated employee benefit expenses.		**2.5**
Other departmental revenues and expenses.		**1.0**
Forecasted General Revenue Fund Deficit - August 31, 2013	$	**(7.7)**

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

Schedule 4

Actual for the eight month period ended August 31, 2013
forecasted for the year ending December 31, 2013
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
General Revenue Fund				
Revenues	$ 922,672	$ 927,483	$ 4,811	$ 600,312
Expenses	922,672	935,214	(12,542)	615,537
(Deficit)	$ -	$ (7,731)	$ (7,731)	$ (15,225)
Transit System				
Revenues	$ 122,965	$ 122,441	$ (524)	$ 77,481
Expenses	158,771	158,286	485	100,377
	(35,806)	(35,845)	(39)	(22,896)
Transfer to Reserves	(10,043)	(10,043)	-	-
Transfer from General Revenue Fund	45,849	45,888	39	30,566
Surplus	$ -	$ -	$ -	$ 7,670
Waterworks System				
Revenues	$ 101,812	$ 101,840	$ 28	$ 63,740
Expenses	73,835	74,015	(180)	54,781
	27,977	27,825	(152)	8,959
Transfer to Water Main Renewal Reserve	(15,000)	(15,000)	-	(15,000)
Surplus (Deficit) Prior to Principle Debt Repayments	12,977	12,825	(152)	(6,041)
Principle Debt Repayments	(6,706)	(6,555)	(151)	-
Surplus (Deficit)	$ 6,271	$ 6,270	$ (303)	$ (6,041)

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

Schedule 4

Actual for the eight month period ended August 31, 2013
forecasted for the year ending December 31, 2013
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Sewage Disposal System				
Revenues	$ 153,025	$ 149,044	$ (3,981)	$ 93,794
Expenses	75,326	70,047	5,279	80,200
	77,699	78,997	1,298	13,594
Transfer to Reserves	(30,349)	(30,099)	250	(8,738)
Transfer to General Revenue Fund	(14,293)	(14,228)	65	(9,652)
Surplus(Deficit) Prior to Principle Debt Repayments	33,057	34,670	1,613	(4,796)
Principle Debt Repayments	(5,749)	(5,749)	-	-
Surplus (Deficit)	$ 27,308	$ 28,921	$ 1,613	$ (4,796)
Solid Waste Disposal				
Revenues	$ 35,653	$ 33,429	$ (2,224)	$ 17,025
Expenses	30,958	28,649	2,309	12,601
	4,695	4,780	85	4,424
Transfer to Reserve	(2,820)	(2,820)	-	-
Surplus Prior to Principle Debt Repayments	1,875	1,960	85	4,424
Principle Debt Repayments	(1,520)	(1,526)	6	-
Surplus	$ 355	$ 434	$ 91	$ 4,424

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

Schedule 4

Actual for the eight month period ended August 31, 2013
forecasted for the year ending December 31, 2013
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Municipal Accommodations Fund				
Revenues	$ 65,062	$ 65,340	$ 278	$ 41,171
Expenses	62,029	62,308	(279)	36,900
	3,033	3,032	(1)	4,271
Transfer to:				
General Revenue Fund	(3,033)	(3,033)	-	(84)
Surplus (Deficit)	$ -	$ (1)	$ (1)	$ 4,187

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

Schedule 5

forecasted for the year ending December 31, 2013
(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	$ 576,386	$ 576,745	$ 359	$ 18,209	$ 17,889	$ 320	$ 679
Audit	-	-	-	915	916	(1)	(1)
Chief administrative offices	-	-	-	1,890	1,814	76	76
City clerks	366	627	261	10,931	10,730	201	462
Community services	19,737	18,005	(1,732)	110,449	109,265	1,184	(548)
Corporate	123,533	124,795	1,262	48,825	44,233	4,592	5,854
Corporate finance	5,347	5,280	(67)	9,411	8,905	506	439
Corporate support services	1,630	1,639	9	32,390	32,574	(184)	(175)
Council	-	-	-	4,024	3,947	77	77
Fire paramedic service	50,220	51,592	1,372	167,888	172,653	(4,765)	(3,393)
Legal services	173	231	58	2,598	2,604	(6)	52
Mayor's office	-	-	-	1,672	1,672	-	-
Museums	-	-	-	979	979	-	-
Planning, property and development	34,976	40,641	5,665	42,064	44,967	(2,903)	2,762
Police services	44,952	42,997	(1,955)	242,548	243,763	(1,215)	(3,170)
Policy development and communications	-	-	-	582	584	(2)	(2)
Public works	49,734	50,032	298	181,976	194,417	(12,441)	(12,143)
Street lighting	-	-	-	11,618	11,369	249	249
Waterworks and waste	15,618	14,899	(719)	33,703	31,933	1,770	1,051
Forecasted Deficit	$ 922,672	$ 927,483	$ 4,811	$ 922,672	$ 935,214	$ (12,542)	$ (7,731)