Minutes – Executive Policy Committee – May 14, 2014

AUDIT COMMITTEE

Minute No. 323 Review of 2013 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, 2013, and directed the Chief Financial Officer to submit the documents to Council for information.

DECISION MAKING HISTORY:

Moved by Councillor Nordman,

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

Carried

David Sanders submitted a communication dated May 14, 2014 with respect to the 2013 Consolidated Financial Statements.

ADMINISTRATIVE REPORT

Title: **Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2013**

Critical Path: **Audit Committee**

AUTHORIZATION

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

RECOMMENDATIONS

That Audit Committee approve the consolidated financial statements of The City of Winnipeg for the year-ended December 31, 2013 and direct the Chief Financial Officer to submit these to Council for information.

REASON FOR THE REPORT

Section 100(i) of *The City of Winnipeg Charter* requires the Chief Financial Officer submit a report on the financial position of the City at the end of the fiscal year to Council within six months of the fiscal year-end of the City. Further, under section 100(j), the Chief Financial Officer will submit that report to the Province of Manitoba also within six months of the fiscal year-end.

EXECUTIVE SUMMARY

This report presents the City's 2013 consolidated financial statements that demonstrate responsible fiscal planning and a balanced approach to service delivery while maintaining a strong foundation going forward.

Council-approved investments in capital assets totaled $544M in 2013. Major infrastructure projects such as the West District Police Station and Public Works East Yard Complex were completed this past year, as well as rehabilitation and new construction of numerous local and regional streets. The new Winnipeg Police Service Headquarters and RBC Convention Centre Expansion are well underway.

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* as Aa1.)

The 2013 tax increase (3.87%) resulted in the creation and funding of the Local Street Renewal Reserve – 1% of the increase went to this reserve, the purpose being to increase funding for the renewal of local streets, lanes and sidewalks. The remainder of the tax increase allowed the City to address inflationary pressures and service costs, investing in front line service departments like Police Services and Fire Paramedic Services.

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 2013 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, 2013. They reflect Council's priorities to invest in public safety and city streets.

This past year, the City invested $544 million in its tangible capital assets, including $111 million in roads and bridges. As well, construction resulted in important new facilities like the recently opened West District Police Station and Public Works East Yard Complex, along with continuation of the ongoing new Winnipeg Police Service Headquarters and RBC Convention Centre Expansion 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.

Revenues increased, in part, due to assessment growth and a 3.87% tax increase in 2013, the result evident in that tax revenues have increased by $24 million over the previous year. With 1% of that increase devoted to funding a new Local Street Renewal Reserve, the remainder of the tax increase was devoted to address operating inflationary pressures and service costs, including protection and community services expenses. Higher expenses for police and fire paramedic services largely contributed to the $22 million increase to that expense.

Overall, the City's consolidated revenues (excluding other revenues) were $1.396 billion, an increase of $93 million over 2012, while consolidated expenses totaled $1.397 billion, an

increase of $97 million. This essentially produced a break-even position before capital related revenues.

In addition to higher tax revenues, higher revenues resulted from the disposal of the former Winnipeg Stadium site for $30 million. As approved by Council, the proceeds were granted to the construction of Investors Group Field and the Community Accessible Fitness Facility at the University of Manitoba (total $10 million), with the remainder targeted to fund ongoing infrastructure improvements to support the developing area at Polo Park.

Public Works spending is higher than last year (and budget), primarily due to snow clearing activities this past year. Snow clearing activities are undertaken in accordance with the City Council-approved Snow Clearing and Ice Control Policy.

The overall annual surplus of $222 million is attributable to government transfers and developer contributions-in-kind in support of the City's ongoing investment in tangible capital assets. As such, this does not produce any cash resources for the City's general operations.

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 2013, the consolidated annual surplus exceeded budget by $65 million. This variance is due to:

- 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.

FINANCIAL IMPACT

Financial Impact Statement **Date: May 9, 2014**

Project Name:

Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2013

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 9, 2014
File Name: 2013 Year End



2013 Consolidated Financial Statements