Agenda - Executive Policy Committee - December 8, 2004

Report - Standing Committee on Fiscal Issues - December 7, 2004

Item No. 3 Deficit Avoidance - Snow Clearing Reserve Fund
File FI-7

STANDING COMMITTEE RECOMMENDATION:

On December 7, 2004, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submits the following to Council:

1. That in accordance with Clause 289(4)(c) of The City of Winnipeg Charter, the current Snow Clearing Reserve Fund be terminated.

2. That under Section 289(1) of The City of Winnipeg Charter, a new Snow Clearing Reserve Fund be established with the same purpose and guidelines as the former Reserve with the exception that Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the reserve, and the Director of Public Works be named as the Fund Manager.

3. That the retained surplus of the current Snow Clearing Reserve Fund be transferred to the new Snow Clearing Reserve Fund.

4. That for the year-ended December 31, 2004, the snow clearing costs in excess of budget, which are recorded in the General Revenue Fund, be funded by the new Snow Clearing Reserve Fund up to the maximum of the retained surplus in the Reserve or the amount required to avoid a deficit in the General Revenue Fund.

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

Agenda - Executive Policy Committee - December 8, 2004

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DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On December 7, 2004, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

RE: Deficit Avoidance – Snow Clearing Reserve Fund

FOR SUBMISSION TO: Standing Committee on Fiscal Issues

ORIGINAL REPORT SIGNED BY: Chief Financial Officer

REPORT DATE: December 7, 2004

RECOMMENDATIONS:

(1) That, in accordance with clause 289(4)(c) of The City of Winnipeg Charter, the current Snow Clearing Reserve Fund be terminated;
(2) That under Section 289(1) of The City of Winnipeg Charter, a new Snow Clearing Reserve Fund be established with the same purpose and guidelines as the former Reserve with the exception that Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the reserve, and the Director of Public Works be named as the Fund Manager;
(3) That the retained surplus of the current Snow Clearing Reserve Fund be transferred to the new Snow Clearing Reserve Fund; and
(4) That for the year-ended December 31, 2004, the snow clearing costs in excess of budget, which are recorded in the General Revenue Fund, be funded by the new Snow Clearing Reserve Fund up to the maximum of the retained surplus in the Reserve or the amount required to avoid a deficit in the General Revenue Fund.

REPORT SUMMARY:

Key Issues:

A 2004 deficit is being projected in the General Revenue Fund. One of the initiatives identified to avoid a deficit is a transfer from the Snow Clearing Reserve. However, the forecasted amount anticipated to be transferred from the Reserve is beyond the guidelines of the Reserve. Therefore Council approval is required to terminate the Reserve and establish a new Reserve.

Implications of the Recommendation(s):

General implications:

- ☐ **None**
- **X** **For the organization overall &/or for other departments**
- ☐ **For the community and/or organizations external to the City**
- ☐ **Involves a multi-year contract**

Comment(s): If the entire retained surplus of the Snow Clearing Reserve Fund is used to fund the 2004 over expenditure than there may not be adequate funding for future years snow clearing cost over expenditures.

Policy implications:
X **No**
□ **Yes Comment(s):**

Environmental implications:
X **No**
□ **Yes Comment(s):**

Human Resources implications:
X **No**
□ **Yes Comment(s):**

Financial implications:
□ **Within approved current and/or capital budget**
X **Current and/or capital budget adjustment required**
Comment(s): See the comment for General implications.

REASON FOR THE REPORT:

As at June 30, 2004, the City forecasted a 2004 General Revenue Fund deficit of $19.2 million. Included in the forecast is a $9.8 million over expenditure anticipated for snow clearing costs. Based on the guidelines of the existing Snow Clearing Reserve $1.8 million could be transferred to the General Revenue Fund thereby leaving an $8.0 million deficit.

Based on the forecast the Administration identified several deficit avoidance initiatives. Some of the initiatives were: delaying the filling of vacant positions; curtailing discretionary spending; and transferring funds from the Snow Clearing Reserve Fund to fund the forecasted snow clearing cost over expenditure. Council approval is required for the transfer beyond the Snow Clearing Reserve's guidelines.

HISTORY:

On December 17, 1997, Council approved Clause 1 of the report of the Standing Committee on Fiscal Issues, which requires that the Standing Committee on Fiscal Issues approve a periodic Financial Status and Forecast report. The December 31, 2004 Financial Status and Forecast report based on actuals for the six month period ended June 30, 2004 was presented at the September 14, 2004 meeting of the Standing Committee on Fiscal Issues. The report identified a $19.2 million forecasted deficit. Also presented at the meeting was a report entitled Deficit Avoidance Initiatives, which identified opportunities available to reduce the projected year-end deficit. One of the opportunities identified included the transfer of funds from the Snow Clearing Reserve Fund to the General Revenue Fund.

DISCUSSION:

On March 22, 1995, Council approved the establishment of the Snow Clearing Reserve Fund. The purpose of the fund is to absorb unexpected snowfall costs in years where the City of Winnipeg experienced above average snowfall levels. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. No charges to the Reserve would be made until the Reserve reached a level of $5.0 million and then withdrawals in any one year would be limited to the lessor of 20% of the Reserve balance or to the amount of snow clearing expenses in excess of 120% of the cost of a normal years' snowfall. The Reserve balance should never exceed $10.9 million. These figures would need to be adjusted annually to reflect changes in service levels, efficiencies realized, and inflation.

Included in the City's 2004 forecast is a $9.8 million over expenditure anticipated for snow clearing costs. Based on the guidelines of the Snow Clearing Reserve $1.8 million could be transferred to the General Revenue Fund thereby leaving an $8.0 million deficit. The deficit could be reduced if the Snow Clearing Reserve funded the entire portion of the over expenditure to the maximum of the Reserve's retained surplus.

However, under Section 289(4) of The City of Winnipeg Charter "money raised for a reserve fund established under subsection (1) shall not be expended or pledged for any purpose other than that for which the fund was established, except where (a) the chief financial officer certifies that the amount in the fund is greater than the amount required for the purpose for which the fund was established; (b) the amount in the fund is no longer required for the purpose for which the fund was established; or (c) the purpose for which the fund was established is terminated. Neither sub-section (a) or (b) is applicable in the circumstances, therefore in order to use the reserve funds as recommended, the existing Reserve must be terminated.

Since the requirement of having a Reserve has not changed, a new Reserve would be established under Section 289(1) of The City of Winnipeg Charter. The new Reserve would be called the Snow Clearing Reserve Fund. The guidelines of the former Snow Clearing Reserve Fund would be adopted for the new Snow Clearing Reserve with the exception that its guidelines would permit Council to approve a transfer from the Reserve for a greater amount or under circumstances other than stipulated by the guidelines to fund snow clearing over expenditures.

Financial Impact Statement **Date:** December 7, 2004

Project Name: **First Year of Program** **2004**

Deficit Avoidance Plan

	2004	2005	2006	2007	2008
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Total Additional Debt Required	$ -	$ -	$ -	$ -	$ -
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: At the time of issuing this report the financial impact on the General Revenue Fund is unknown. The impact will be determined by mid-January 2005, after the transactions are recorded in the Fund.

P. Bodnar
Senior Financial Accountant

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

Public Works Department
Legal Services – Corporate Services

THIS REPORT SUBMITTED BY:

Prepared by: Pat Bodnar
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