

**2. DISPOSITION OF 2012 TAX AND RATE SUPPORTED OPERATING
SURPLUS/ DEFICIT**

**RÈGLEMENT DE L'EXCÉDENT / DU DÉFICIT DE 2012 DES OPÉRATIONS
FINANCÉES PAR LES RECETTES FISCALES ET LES REDEVANCES**

COMMITTEE RECOMMENDATIONS AS AMENDED

That Council approve:

1. That the surpluses totalling \$9.045 million be transferred to the City Wide, Housing, Childcare, Library and Water reserves and the Actuarial Liabilities account.
2. That the deficit of \$2.471 million in Transit Services be funded by a transfer from the Transit Capital Reserve Fund.
3. That the deficit of \$5.129 million in Wastewater Services be funded from the Sewer Capital reserve Fund.
4. That the \$0.951 million shortfall in 2012 budgeted land sales from the Ottawa Lands Development Corporation be transferred from the City Wide Reserve and that the funds be returned to the reserve from future land sale proceeds.
5. That \$0.148 million be transferred from the Winter Maintenance Control Reserve Fund to eliminate the 2012 year-end deficit balance.
6. That the amounts required to complete the following 2012 initiatives be re-provided from the 2013 Provision for Unforeseen and One-time Items account.
 - a) Legal services (\$0.140 million) - Replacement of the integrated claims and insurance database (Riskmaster).
 - b) Planning & Growth Management (\$0.274 million) - Revitalization and renewal initiative
 - c) Planning & Infrastructure (\$0.438 million) - Review / revisit existing zoning and Community Design Plans to resolve ambiguities.
7. That \$0.075 million of the \$0.280 million year-end surplus in the Committee of Adjustment budget be re-provided in 2013 to complete work that was undertaken in 2012 to implement and partner with the City's e-agenda initiative.
8. That \$250,000 be allocated from the One-time and Unforeseen Provision account to fund the retrofit and relocation of Ottawa

Public Health's vaccine room to the ground floor from the seventh floor at 100 Constellation.

9. That the City Manager be directed to work with the Chief Medical Officer of Health to secure a proportional refund on the retrofit costs referenced in recommendation 8, above.

RECOMMANDATIONS MODIFIÉES DU COMITÉ

Le Conseil approuve ce qui suit :

1. Que les excédents totalisant 9 045 000 \$ soient répartis entre les fonds général, du logement, de la garde d'enfants, de la bibliothèque et de l'eau, ainsi que le compte de passif actuariel.
2. Que le déficit de 2 471 000 \$ des services de transport en commun soit comblé par un transfert du fonds d'immobilisations pour le transport en commun.
3. Que le déficit de 5 129 000 \$ des services de traitement des eaux usées soit comblé par un transfert du fonds d'immobilisations pour les égouts.
4. Que le déficit de 951 000 \$ dans les ventes immobilières prévues pour 2012 par la Ottawa Lands Development Corporation soit comblé par le fonds de réserve général, et que les fonds soient restitués à celui-ci grâce aux profits réalisés sur les ventes immobilières futures.
5. Qu'une somme de 148 000 \$ soit transférée du fonds de réserve d'entretien hivernal afin d'éliminer le déficit résiduel de fin d'exercice 2012.
6. Que les sommes requises pour mener à bien les initiatives de 2012 suivantes soient fournies à nouveau à partir du fonds de 2013 pour les événements imprévus et ponctuels :
 - a) Services juridiques (140 000 \$) : remplacement de la base de données de réclamation et d'assurance (Riskmaster);
 - b) Urbanisme et gestion de la croissance (274 000 \$) : initiative de revitalisation et de renouvellement;
 - c) Urbanisme et infrastructure (438 000 \$) : évaluation et modification des plans de zonage et de conception communautaire actuels afin d'éliminer toute ambiguïté.
7. Qu'une portion de 75 000 \$ de l'excédent de fin d'exercice de 280 000 \$ du budget du Comité de dérogation soit fournie à nouveau en 2013 afin de mener à bien les travaux entamés en 2012 pour mettre en œuvre l'initiative d'ordre du jour électronique de la Ville.

8. Qu'on alloue une somme de 250 000 \$, tirée du compte des événements ponctuels et imprévus, pour financer la rénovation de la salle de vaccination de Santé publique Ottawa et son déménagement du septième étage au rez-de-chaussée du 100, promenade Constellation.
9. Qu'on charge le directeur municipal de travailler avec le médecin chef en santé publique pour obtenir un remboursement proportionnel sur les coûts de la rénovation mentionnée à la recommandation 8, ci-dessus.

DOCUMENTATION

1. Marian Simulik, City Treasurer report dated 26 February 2013 (ACS2013-CMR-FIN-0007) / Rapport du Greffier municipal et chef des contentieux daté du 26 février 2013 (ACS2013-CMR-FIN-0007).
2. Extract of Draft Minute 5 March 2013 / Extrait de l'ébauche du procès-verbal, le 5 mars 2013.

Report to/Rapport au :

Finance and Economic Development Committee
Comité des finances et du développement économique

and Council / et au Conseil

February 26, 2013
26 février 2013

Submitted by / Soumis par: Marian Simulik, City Treasurer / Trésorière municipale

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2013-CMR-FIN-0007

**SUBJECT: DISPOSITION OF 2012 TAX AND RATE SUPPORTED OPERATING
SURPLUS/ DEFICIT**

**OBJET : RÈGLEMENT DE L'EXCÉDENT / DU DÉFICIT DE 2012 DES
OPÉRATIONS FINANCÉES PAR LES RECETTES FISCALES ET LES
REDEVANCES**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council approve:

1. That the surpluses totalling \$9.045 million be transferred to the City Wide, Housing, Childcare, Library and Water reserves and the Actuarial Liabilities account.
2. That the deficit of \$2.471 million in Transit Services be funded by a transfer from the Transit Capital Reserve Fund.
3. That the deficit of \$5.129 million in Wastewater Services be funded from the Sewer Capital reserve Fund.
4. That the \$0.951 million shortfall in 2012 budgeted land sales from the Ottawa Lands Development Corporation be transferred from the City Wide Reserve and that the funds be returned to the reserve from future land sale proceeds.

5. That \$0.148 million be transferred from the Winter Maintenance Control Reserve Fund to eliminate the 2012 year-end deficit balance.
6. That the amounts required to complete the following 2012 initiatives be re-provided from the 2013 Provision for Unforeseen and One-time Items account.
 - a) Legal services (\$0.140 million) - Replacement of the integrated claims and insurance database (Riskmaster).
 - b) Planning & Growth Management (\$0.274 million) - Revitalization and renewal initiative
 - c) Planning & Infrastructure (\$0.438 million) - Review / revisit existing zoning and Community Design Plans to resolve ambiguities.
7. That \$0.075 million of the \$0.280 million year-end surplus in the Committee of Adjustment budget be re-provided in 2013 to complete work that was undertaken in 2012 to implement and partner with the City's e-agenda initiative.

RECOMMANDATIONS DU RAPPORT

Le Comité des finances et du développement économique recommande au Conseil d'approuver ce qui suit :

1. Que les excédents totalisant 9 045 000 \$ soient répartis entre les fonds général, du logement, de la garde d'enfants, de la bibliothèque et de l'eau, ainsi que le compte de passif actuariel.
2. Que le déficit de 2 471 000 \$ des services de transport en commun soit comblé par un transfert du fonds d'immobilisations pour le transport en commun.
3. Que le déficit de 5 129 000 \$ des services de traitement des eaux usées soit comblé par un transfert du fonds d'immobilisations pour les égouts.
4. Que le déficit de 951 000 \$ dans les ventes immobilières prévues pour 2012 par la Ottawa Lands Development Corporation soit comblé par le fonds de réserve général, et que les fonds soient restitués à celui-ci grâce aux profits réalisés sur les ventes immobilières futures.
5. Qu'une somme de 148 000 \$ soit transférée du fonds de réserve d'entretien hivernal afin d'éliminer le déficit résiduel de fin d'exercice 2012.
6. Que les sommes requises pour mener à bien les initiatives de 2012 suivantes soient fournies à nouveau à partir du fonds de 2013 pour les événements imprévus et ponctuels :
 - a) Services juridiques (140 000 \$) : remplacement de la base de données de réclamation et d'assurance (Riskmaster);

- b) **Urbanisme et gestion de la croissance (274 000 \$) : initiative de revitalisation et de renouvellement;**
 - c) **Urbanisme et infrastructure (438 000 \$) : évaluation et modification des plans de zonage et de conception communautaire actuels afin d'éliminer toute ambiguïté.**
- 7. Qu'une portion de 75 000 \$ de l'excédent de fin d'exercice de 280 000 \$ du budget du Comité de dérogation soit fournie à nouveau en 2013 afin de mener à bien les travaux entamés en 2012 pour mettre en œuvre l'initiative d'ordre du jour électronique de la Ville.**

BACKGROUND

As part of the finalization of 2012 operations, and in conjunction with the preparation of the financial statements it is necessary to obtain Council approval of the disposition and funding of any operating surplus or deficit. This report provides an analysis of the final results of the 2012 operations for both tax and rate supported City programs.

The overall surplus in 2012 represents the third consecutive year that the City has been able to end the year with a positive balance. As a result of this positive balance the City has been able to contribute surplus funds to a variety of reserves and liability accounts and thereby increase the overall financial sustainability.

DISCUSSION

Year-end Results

The City ended the year with an overall surplus of \$0.346 million, which represents 0.01 percent of the \$2.749 billion total operating expenditure budget.

In accordance with existing City by-laws and Council direction, the surplus will be contributed to various reserve funds. The details of this disposition are presented in the subsequent section of the report.

Document 1 presents a summary of the year-end operating results by "business area". For some services such as Transit and Police the final year-end position includes both operating results and the impacts of changes in certain taxation related revenues and expenditures that are allocated to those services as they have their own tax rate. These are referred to as the results by "business area".

The following provides a brief overview of the major areas that contributed to the 2012 year-end position results. Additional information is provided in Document 2.

Departmental Accounts

Paramedic Services \$2.163 million deficit:

Additional costs were incurred as a result of retroactivity costs for the reclassification of Paramedic positions and arbitration settlements.

Housing Services \$1.444 million surplus:

Lower costs were incurred within the Housing & Homelessness Investment Plan primarily as a result of the implementation timeframe required after Council approved the Housing Allowance Program (Short Term Rent Support Program-Ottawa Extension) Policy Framework on January 25, 2012. As per the approved Council report on the Housing & Homelessness Investment Plan, the operating surplus will be transferred to capital for Social Housing repairs / renewals.

Child Care \$2.071 million surplus:

Total expenditures were less than budgeted as a result of the inflationary increase on fee subsidy rates that were not implemented by all purchase of service agencies and as a result of agency uncertainty related to the implementation of Full Day Kindergarten. The 2013 budget was adjusted to account for the inflationary increase on fee subsidy rates which were not implemented.

Social Services \$1.419 million deficit:

The deficit is a result of additional users of the Ontario Disability Support Program (ODSP) Community Bus Pass and reduced revenue due to the Provincial Budget announcement to cap the Ontario Works Discretionary Benefits as of July 1st, and Council's decision to maintain them for the balance of 2012. The 2013 budget was adjusted to account for the additional Community bus pass users and to maintain the majority of discretionary benefits.

Public Works \$4.816 million deficit:

The deficit results primarily from increased costs on winter control activities stemming from late December storms and summer drought conditions requiring increased water requirement in Forestry and increased sports field maintenance in Parks, Building & Grounds.

Solid Waste Services \$1.417 million surplus:

Overall expenditure savings were realized due to lower collection and processing costs on recyclables which were partially offset by higher costs on the garbage collection stream. Also, increased revenues were achieved from tipping fees at the Trail Road Landfill site and from higher growth in households which was partially offset by lower recycling revenues due to poor market conditions.

Parks and Recreation \$3.519 million deficit:

The deficit was due to revenue shortfalls in the Service Ottawa Sponsorship & Advertising initiative, Hall Rentals and Fitness Memberships and in Admissions as a result of facility closures and construction which were partially offset by expenditure savings.

Planning & Growth Management Services \$2.681 million surplus:

Expenditure savings were due largely to delays in implementing initiatives stemming from organizational realignment and funding approvals which were received later in 2012.

A shortfall in processing fees was offset by higher revenues in areas such as engineering, temporary encroachment and pavement degradation fees.

Transit Services \$2.471 million deficit:

Transit Operations ended the year in a \$2.470 million surplus from operations, however increased claims from prior years settled in 2012 and increased tax rebates and remission resulted in an overall Transit Service deficit.

Water Operations \$0.819 million surplus

Expenditure savings in compensation & materials more than offset lower than budgeted water billing revenue resulting in a surplus. Actual water consumption volume was 98.8% of forecasted volume.

Sewer Operations \$5.129 million deficit:

The deficit was due to the lower than budgeted water volume mentioned above which resulted in a deficit in sewer surcharge revenues along with increased claims from prior years settled in 2012.

Non Departmental Accounts

Sale of Surplus Lands \$2.0 million surplus:

Revenues derived from the sale of surplus City lands are not budgeted for on an annual basis since the amount of land available for sale will vary significantly from year to year.

Ottawa Lands Development Corporation \$0.951 deficit:

Although the projected amount of revenues derived from land sales is \$0.951 million below budget, there are sales pending that are expected to close in the future.

Corporate Human Resource Provision \$2.023 million surplus:

The surplus is attributable to lower costs incurred in the provision for banked sick leave. Upon leaving the employ of the City, some employees are entitled to compensation for accumulated sick leave credits. The banked sick leave provision is primarily for staff hired before the introduction of income protection plans in the late 1970's. Provisions are paid out are outlined in the specific collective agreements.

Provision for Unforeseen \$2.222 million surplus:

Disposition per existing authority and Council direction

Tax Stabilization Reserve

Council has directed that any surplus in the Provision for Unforeseen and One-Time Expenditures be transferred to the Tax Stabilization Reserve. The annual Council approved budget for this provision was \$2.8 million of which \$2.222 million was unspent at year-end.

A number of initiatives were approved for funding by Council from this provision during 2012. However, delays in implementing these initiatives resulted in funds being unspent at the end of 2012. These include the following:

Department	Initiative	Amount \$000	Spent \$000	Unspent \$000
City Clerk	Replacement of the integrated claims and insurance database (Riskmaster).	200	60	140
Planning & Infrastructure Services	DCM ISCS - Revitalization and renewal of Planning & Growth Management, including the creation of a Green Team.	400	126	274
	To undertake small-scale reviews of existing zoning and to revisit a number of Community Design Plans to resolve ambiguities.	500	62	438
		1,100	248	852

It is recommended that the \$852,000 of unspent funds required to complete these initiatives be re-provided in 2013 from the 2013 Provision for Unforeseen.

Corporate Human Resource Provision

In the summer of 2007, the City's Long Range Financial Planning Committee reviewed the unfunded employee benefit liabilities in order to develop strategies to limit their growth and to eventually fully fund them. The strategy approved by Council requires the utilization of any year-end surpluses that arise in the specific benefit provision accounts within the operating budget to reduce the unfunded and future liabilities. In accordance with this direction, the surplus in the Corporate Human Resource Provision of \$2.023 million has been applied against the unfunded employee benefit liability account.

Older Adult Plan

On October 24, 2012, Council approved the Older Adult Plan report which included the following recommendation:

“That any unspent funds at the end of 2012 be identified in the 2012 year end surplus / deficit disposition report and that these funds be used in 2013 to complete the 2012 initiatives.”

Of the \$0.5 million approved for 2012, \$0.360 million remains unspent at year-end. This amount of funding required to complete the 2012 initiatives will be re-provided in 2013

Older Adult Plan budget.

Housing, Child care, Library Services – Reserve Funds

The reserve fund by-laws for each of the above 3 service areas states that operating surpluses are to be contributed to the reserve fund of that service. In total \$3.589 million will be contributed to these reserves.

Water Capital Reserve

As per the Water Capital Reserve Fund by-law, the 2012 surplus of \$0.819 million has been contributed to the reserve.

Police Services

The Police operations budget under the jurisdiction of the Ottawa Police Services Board ended the year with a small surplus of \$86,000. This was partially offset by a deficit of \$54,000 in the non departmental tax related accounts primarily due to higher remission costs. As per the City's past practice with disposing of Police surpluses or funding deficits, the remaining surplus of \$32,000 will be contributed to the City Wide Capital Reserve fund.

Funding of Deficits

Wastewater Services

The Wastewater service area ended the year with a \$5.129 million deficit. The Sewer Capital Reserve Fund states that the funds in the reserve may be used "for such other purposes as may be approved by the Council of the City of Ottawa". It is recommended that a transfer of \$5.129 million be made from the Sewer Capital Reserve Fund to fund the 2012 deficit.

Transit Service

The Transit Services business area ended the year with a \$2.471 million deficit. The Transit Reserve by-law states that the Transit Capital Reserve Fund may be used "to reduce or eliminate any operating deficits related to ongoing transit activities and programs as may be approved by Council of the City of Ottawa". It is recommended that a transfer of \$2.471 million be made from the Transit Capital Reserve Fund to fund the transit deficit.

City Wide Capital Reserve Fund – Ottawa Lands Development Corporation

As mentioned previously, although the projected amount of revenues derived from land sales is \$0.951 million below budget, revenues are expected to be realized after year end.

Staff are recommending that the \$0.951 million shortfall be transferred from the City Wide Capital Reserve Fund and that the funds be returned to this reserve from future land sale proceeds.

Winter Maintenance Reserve

The by-law for this reserve states that it is to be used for the following purposes:

- (a) for the funding of the cost overruns that may result from above-average winter maintenance costs only if the City is not in a surplus overall; and
- (b) for such other purposes as may be approved by the Council of the City of Ottawa.

Due to the late December winter storms, the budget for winter maintenance costs was exceeded by \$3.0 million. Per the reserve fund by-law this would represent the maximum amount of funds that could be transferred provided that the City is not in an overall surplus position.

As a result of disposing of surpluses in accordance with existing by-laws and Council direction along with the recommended funding of deficits in the Transit and Wastewater service areas, there is a remaining deficit of \$0.148 million. It is therefore recommended that \$0.148 million be transferred from the Winter Maintenance Reserve.

The Committee of Adjustment ended 2012 with a surplus of \$0.280 million. The Committee has requested that the Finance and Economic Development Committee and Council allow \$0.075 million of these funds to be re-provided in 2013 to complete work that was undertaken in 2012 to implement and partner with the City's e-agenda initiative.

Continuity of Reserves and Reserve Funds

Document 3 presents a continuity schedule of the City's reserves and reserve funds. The schedule shows the impact on reserve balances of the recommendations for surplus disposition that are included in this report.

As part of the 2009 disposition of tax supported operating deficit, the City wide deficit was partially funded from an \$11.9 million loan from the Corporate Fleet Reserve Fund as there were insufficient funds at that time in the City Wide capital reserve fund. Council approved the transfer of \$11.9 million from the Corporate Fleet reserve fund with the stipulation that the transfer be repaid over a 3 year term starting in 2011. To date, the City Wide Capital Reserve Fund has repaid \$11.4 million. The remaining balance of \$0.514 million will be repaid in 2013.

Budget Adjustments

During the year, adjustments to budgets are made to better reflect the alignment of budget authority with spending needs. These transfers are made either through the delegated authority given to the City Treasurer or through Council-approved reports. Document 4 and 5 shows the changes in budgets processed since the June 30 2012

Quarterly Status Report. Council policy requires the reporting of these transactions for information purposes.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

There are no comments.

LEGAL IMPLICATIONS

The transfers outlined in the report recommendation require Council approval. There are no legal impediments to implementing the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this Report.

FINANCIAL IMPLICATIONS

The financial implications are outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the Term of Council priorities (FS2 “Maintain and enhance the City’s financial position”).

SUPPORTING DOCUMENTATION

Document 1 – 2012 Operating Results Summary

Document 2 – Variance Analysis – 2012 Operating Results

Document 3 – 2013 Continuity of Reserves and Reserve Funds

Document 4 – Budget Adjustments under Delegated Authority

Document 5 – Inter & Intra-departmental Budget Adjustments & Transfers

DISPOSITION

Staff will implement the report recommendation as outlined in the report.