
DATE: April 16, 2012

REPORT TITLE: **FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the report of the Chief Financial Officer and Commissioner of Corporate Services, dated March 15, 2012, titled "Financial Control By-law Compliance Update" provides the detail on activity related to the budget and reserve management, as required by the Financial Control By-law, for the period ending December 31, 2011;

And further, that the Peel Regional Police (PRP) Telephone System and Voicemail Replacement Capital Project 098620 be increased by \$677,000 from \$1,138,000 to \$1,815,000, funded from the Communications Equipment Reserve (R2220) for the purchase of equipment;

And further, that the financing for the VCOM Software/Hardware Replacement Capital Project 118920 be adjusted as outlined in Appendix III of the subject report.

REPORT HIGHLIGHTS

- As at December 31, 2011 both the Tax Supported and the Utility Rate Supported working fund balances are in compliance with the Financial Control By-law at 8.4 per cent and 6.2 per cent respectively
- Two Peel Regional Police capital budget adjustments are required
- A review of the Financial Control By-law is currently underway with the intention of bringing a new Financial Control By-law to Council in the fall of 2012

DISCUSSION

The Financial Control By-law (FCBL) stipulates that certain activity related to budget and reserve management be tracked and reported to Regional Council at a minimum of twice annually. This report details the status of these requirements for the period ending December 31, 2011.

April 16, 2012

FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011

FINANCIAL CONTROL BY-LAW REPORTING REQUIREMENTS

Authorization to Increase Project Commitments

The Financial Control By-law requires that staff report activity related to all budget adjustments made to previously approved capital projects which are the lesser of 10 per cent of the Council approved budget or \$250 thousand. There were nine requests of this kind for the twelve month period ending December 31, 2011 totaling \$265 thousand. The details of these requests are presented in Appendix I, as attached. Projects requiring budget increases beyond these parameters require Council reports.

Capital Projects Activity

During the 12 month period ended December 31, 2011, there were changes to the estimated cost of 276 projects. The changes fall into three broad categories:

- Projects closed out during the year
- Projects with increased requirements
- Projects with reduced requirements

In 2011, there were 232 projects which were closed resulting in \$78.1 million being returned to reserves. Projects are closed for one of two reasons – the project has been completed or the project is being stopped/deferred and rebudgeted.

There were 21 projects with increased requirements resulting in an additional \$15.5 million being requested from reserves. These requests were disclosed to Council on a project by project basis throughout the year.

There were 23 projects with reduced project requirements resulting in an additional \$38.4 million being returned to reserves. Similar to project close-outs, some of the reduced requirements may be a result of a decision to defer part of a project to a later time which could result in future budget implications.

The overall impact of changes to projects in-year was to return \$101.0 million to reserves. This can be further broken down into \$55.0 million returned to internal reserves and \$46.0 million to DC reserve funds. The chart below provides a summary of this capital activity.

Program	# of Projects	\$ Millions			Allocation to Reserves	
		Project Net Budget	Net Expenditure	Returned to Reserves	Internal Reserves	DC Reserve Funds
Tax Rate	176	151.3	82.4	68.9	59.0	9.9
Utility Rate	53	35.4	30.4	5.0	3.0	2.0
Sub Total	229	186.7	112.8	73.9	62.0	11.9
Unallocated	3	4.2	0.0	4.2	4.2	0.0
Total Closeouts	232	190.9	112.8	78.1	66.2	11.9
Increased Project Requirements *	21	(15.5)	0.0	(15.5)	(12.9)	(2.6)
Reduced Project Requirements *	23	38.4**	0.0	38.4	1.7	36.7
Total	276	213.8	112.8	101.0	55.0	46.0

Note: * These 2 categories represent ongoing work and remain active

** The net budget for these projects is \$308.8M

April 16, 2012

FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011

As part of the 2012 Budget Process, staff committed to provide Council with more comprehensive reporting on actual capital spending versus budget. In order to fully understand the capital spending it will be necessary to look at the significant variances at the project level to better inform future planning. Staff is currently developing this enhanced reporting for Council consideration.

Reserve and Reserve Fund Changes

Section 4 of the Financial Control By-law requires Council authority to create new Sub Reserves, to transfer funds between Sub Reserves for purposes of reclassification and to transfer reserve balances between reserves. For the period ending December 31, 2011 there was one new reserve created by transferring \$8.8 million from Housing CCR R1160 to Deferred Revenue Bridge R1161 to separate the bridging portion of external funding from New Development in the Housing program. This reserve will be used to temporarily finance the capital works where external funding requires defined criteria to be met before the deferred revenue can be recognized.

Redeployments

Redeployments are processed to facilitate effective management of various programs and projects. In order to better manage existing projects, 61 redeployments were processed for the capital budget during the twelve months ending December 31, 2011. These redeployments fell into three categories: 10 projects were merged to facilitate coordinated project management, 49 projects were broken out into smaller more specific projects, and 2 projects were funded from the unallocated portfolio. The majority of these redeployments (59) represent the typical activity which occurs in managing the capital plan whereby projects are merged for ease of contract management and others are separated into smaller more manageable size projects.

Unallocated Capital Financing

The Financial Control By-law Section 3(f) iii requires that the financial report discloses the activity and available balances for the unallocated capital projects. Appendix II, as attached provides Council with a summary for the period ending December 31, 2011.

Required Balance in Working Fund and Stabilization Reserves

The Financial Control By-law requires that the portfolio balances of the Working Fund Reserves for Tax Supported and Utility Rate Supported programs be maintained between five and ten per cent of each of the respective budgets. Utilization of working fund reserves provides Regional Council with an effective tool to balance risk with tax rates and utility rates.

Tax Supported Working Fund Reserves

Following the proposed surplus management entries, the balance of the Tax Supported working fund reserves as at December 31, 2011 is \$120 million, inclusive of the GO Transit liability of \$50.9 million and a sinking fund of \$605 thousand for the retirement of debt issued to finance 7120 Hurontario purchase. The balance represents approximately 8.4 per cent of the 2012 Tax supported operating budget, in compliance with the FCBL. In 2011, \$1.2 million was drawn from the working fund reserve to support the extra costs due to higher than budgeted caseload in Ontario Works.

April 16, 2012

FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011

Utility Rate Supported Working Fund Reserves

Subsequent to the proposed surplus management entries, the balance of the Utility Rate Supported working fund reserves as at December 31, 2011 is \$20 million, or 6.2 per cent of the 2012 Utility Rate supported operating budget, in compliance with the FCBL.

Budget Changes

In accordance with the Financial Control By-law and the Purchasing By-law, staff are required to obtain approval from Council for any transactions that change budgets, affect transfers to and from reserves and disclose purchasing decisions.

As approved at the meeting of the Police Services Board on March 30, 2012 the following Police Capital Plan budget adjustments require Regional Council approval:

All capital projects are within the budget and are forecasted to be within budget upon completion with the exception of the Telephone System and Voicemail Replacement Capital Project 098620. An increase of \$677,000 to this budget from \$1,138,000 to \$1,815,000 is required for the purchase of equipment. Funding is available in the Communications Equipment Reserve (R2220).

The VCOM Software/Hardware Replacement Capital Project (118920) was established to fund the replacement of the VCOM system infrastructure and anticipated project completion in 2014. Since the commencement of the project in 2011, two VCOM User Agencies, the Greater Toronto Airports Authority and the Royal Canadian Mounted Police, have indicated that they will no longer utilize the VCOM infrastructure concurrent with the system upgrade and therefore will not participate in this project. In addition, the cost sharing formula has been modified to reflect the new Agency agreements that utilize maximum allocated capacity as a basis to allocate costs to each Agency. As a result, adjustments are required to the financing of all Founding Members and User Agencies and were approved by the VCOM Founding Members and User Agencies. Appendix III provides the revised financing details for all agencies related to capital project 118920.

Unbudgeted Funding

During the course of any budget year, Peel is provided opportunities to access additional funding for new initiatives. In the last six months ending December 31, 2011 Peel received \$29 thousand in unbudgeted 100 per cent funding from the Ministry of Health and Long Term Care to hire a Chief Nursing Officer in Public Health as part of the 9000 nurse commitment in the Ministry of Health and Long Term Care Health Human Resource Strategy.

April 16, 2012

FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011

CONCLUSION

The report as presented satisfies the reporting requirements of the Financial Control By-law for the period ending December 31, 2011.



Norma Trim
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Stephen VanOfwegen at extension 4759 or via email at stephen.vanofwegen@peelregion.ca.

c. Legislative Services

April 16, 2012

MA-AI-6

FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011

APPENDIX I

**Region of Peel
 Authorization to Commit a Project to Over Budget Expenditure (\$'000)
 For the Twelve Months Ended December 31, 2011**

Program	From Reserve	To Project		Additional Funds
Transportation	Cap Fin Stab - Roads	10-4615	Pavement Management System	10
Transportation	Cap Fin Stab - Roads	06-4454	King/Olde King Signals	10
Wastewater	DC Regional - Wastewater	10-2108	Wanless/Creditview	31
Wastewater	DC Regional - Wastewater	08-2101	Reconstruction Wanless Drive	38
Wastewater	Cap Fin Stab - Wastewater	08-2101	Reconstruction Wanless Drive	2
Water	Cap Fin Stab - Water	08-1303	400mm Watermain	50
Transportation	Cap Fin Stab - Roads	10-4365	ES Old Church Marilyn to Innis	25
Transportation	D.C. Regional Roads	07-4270	Charleston Sd Maintenance	25
Transportation	Cap Fin Stab - Roads	10-4698S	Restructuring Dixie Howden	74
Total \$				265

Note:

These transactions meet the requirements of Clause 3.(n), Schedule C of the Financial Control By-law, within 10 % of approved budget.

April 16, 2012

MA-A1-7

FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011

APPENDIX II

Regional Municipality of Peel
 Unallocated Capital Financing Project Status (\$'000)
 As at December 31, 2011

	Roads	Region Water	Region Wastewater
Balance at December 31, 2010	\$ 1,150	\$ 1,450	\$ 1,741
2011 Budget Allocation	1,500	1,500	2,000
Previous year's unallocated projects closed and funding returned to reserve	(1,050)	(1,450)	(1,741)
Less: Reallocations under \$250,000 (approved under Treasurer Authority of Financial Control By-law 2004-45)	(410)	(275)	-
Less: Reallocations over \$250,000 (approved by Council reports)	-	-	-
Balance at December 31, 2011	\$ 1,190	\$ 1,225	\$ 2,000

Note: These projects will be closed with the uncommitted balances returned to the funding reserves in the first quarter

MA-AI-8

April 16, 2012

FINANCIAL CONTROL BY-LAW COMPLIANCE UPDATE - DECEMBER 2011

APPENDIX III

Revised Financing for Capital Project 118920
VCOM Software/Hardware Replacement

Member/User	Account	Original Financing	Revised Financing
Peel Regional Police	80671	8,800,000	8,646,000
Region of Peel - Roads	80610	580,000	878,000
Region of Peel - Water	80613	1,160,000	987,000
Region of Peel - Wastewater	80614	1,160,000	247,000
Region of Peel - TransHelp	80529	-	631,000
Fire Services	86265	3,200,000	3,769,000
Greater Toronto Airports Authority	86285	1,700,000	-
Other Partners*	86805	7,400,000	8,842,000
Total		24,000,000	24,000,000

* includes: Hydro One Brampton, City of Mississauga, and Canada Border Services Agency