



Date 29 February 2012

City Council Committee Report

To: Mayor Canfield & Members of Council

Fr: Karen Brown

Re: LOWDC Deficit

Recommendation:

That Council hereby approves a onetime funding allocation to the Lake of the Woods Development Commission (LOWDC) for 2011 in the amount of \$49,898, representing the difference between the original estimated reserve available for LOWDC use in 2011, and the actual amount available; and

That this funding be conditional on the understanding that any future surpluses anticipated from LOWDC net operations would not be available to be accessed until after the City's and LOWDC year end operating results have been finalized through an external audit; and

That this allocation be funded through an appropriation from the City's Contingency Reserve; and

That in accordance with Notice By-law #144-2007, notice is hereby given that Council intends to amend its 2011 Operating Budget at its March 19th, 2012 Council Meeting; and further

That the appropriate by-law be passed for this purpose.

Background:

Through the 2012 budget deliberations, an issue was identified with regards to an anticipated operating deficit related to the Lake of the Woods Development Commission (LOWDC) for 2011. Attached to this report is a copy of the preliminary 2011 year end operating results for the three departments that function under the direction of the LOWDC. Preliminary net results for the year are as follows:

	Dept. #	Net Results	Total
Department:			
Economic Development	825	-83,633	
Tourism	831	-16,739	
Special Events	834	<u>33,461</u>	
			<u>-66,911</u>

At this time, the Finance Department has recorded all 2011 activity received, and done regular accruals, with the exception of post retirement benefits accrual for staff. This accrual is currently being determined by an actuarial firm, as required by our external auditors. While it is difficult to estimate net impacts resulting from this, it is not unreasonable to predict that these could be upwards of \$4,000, which would bring the combined net deficit to around \$80K.

In the 2011 LOWDC budget was included an allocation to take \$130,000 from LOWDC related reserves, which had been built up through previous years' net City contributions required coming in less than originally budgeted. This reduced requirement was deferred into a reserve each year as it occurred for future use by the LOWDC. The proposed use of the reserve in the 2011 budget was done by the LOWDC to help minimize any impact to the City taxpayer resulting from the 2011 LOWDC budget request.

Unfortunately, the final 2010 reserve balance available for use was \$80,102, which was significantly less than the original amount estimated. The difference occurred for a large part due to the timing difference between when the budgets were created and approved, and when the final year end numbers were reconciled. This resulted in a net deficit to the LOWDC of \$49,898 that was not anticipated in the 2011 budget process.

It is recommended that the portion of the deficit caused by the difference in the anticipated reserve balance and the actual balance available be cleared through a onetime funding allocation to the LOWDC in 2011.

The LOWDC would be responsible to clear the balance of their deficit for 2011, anticipated to be roughly \$20K, through their ongoing operations. Given the timing and the structure of the LOWDC budget for 2012, it would be reasonable for the LOWDC to clear this deficit by the end of 2013 through their ongoing operations.

Budget:

A budget amendment would be required to take funds from the contingency reserve to offset \$49,898 of the LOWDC deficit. The balance would need to be accounted for through the LOWDC in reconsidering their 2012 and future year budgets.

Communication Plan/Notice By-law Requirements:

Notice will be given in accordance with City Notice By-law #144-2007 that the budget will be amended at the March 19th Council meeting. In addition, the LOWDC will be advised as to Council's decision on this matter. The LOWDC Chair, Dennis Wallace, has been copied on this report for his information, and for sharing with the LOWDC Board as appropriate.

Cc: Dennis Wallace, LOWDC Chair