

Agenda – Standing Policy Committee on Finance – February 7, 2020

REPORTS

Item No. 8 Financial Status Report to December 31, 2019

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the Financial Status Report to December 31th, 2019 be received as information.

ADMINISTRATIVE REPORT

Title: Financial Status Report to December 31, 2019

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	P. Olafson	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

This report is reporting preliminary financial results based on transactions recorded in the general ledger to December 31, 2019. In the first quarter of 2020, the Public Service will conduct its annual year end process to ensure all amounts are appropriately reported in accordance with public sector accounting standards. As well, the City's financial statements will be independently audited by KPMG. Final results will be available towards the end of the second quarter of 2020 as the City's audited financial statements must be completed by June 30, 2020 to comply with Provincial legislation. Once finalized, the City's audited financial statements will be posted on the City's website.

Unaudited results report a deficit in the General Revenue Fund of \$1.1 million. Consistent with Council approval on November 20, 2019, in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve fund will transfer to the General Revenue Fund the amount required to avoid a deficit in the General Revenue Fund. Based on current results, \$1.1 million will be transferred from the Financial Stabilization Reserve to eliminate the deficit in the General Revenue Fund.

A separate report detailing costs related to the October storm event went forward to Council via SPC Finance in January 2020. There have been no material changes from the amounts in that report to the amounts included in this report. Included in the forecasted General Revenue Fund deficit of \$1.1 million is \$6.4 million of incremental storm costs. Adding utilities, total projected storm costs for 2019 are \$7.2 million. A further \$0.4 million of storm costs are projected in 2020.

On January 23, 2020, the Province of Manitoba announced a Disaster Financial Assistance (DFA) program for 2019 October Severe Weather. Municipalities are eligible for this support. As directed by Council, the Public Service applied for disaster financial assistance. A preliminary review of the relevant accounting standards is indicating that due to the timing of the Provincial announcement, any assistance received must be recorded as a 2020 transaction and therefore will not impact the 2019 financial results.

Not all incremental costs incurred by the City will be eligible under the Provincial DFA program. As well, eligible costs are normally reimbursed on a percentage basis based on a formula that considers dollars spent in relation to population.

RECOMMENDATIONS

That the Financial Status Report to December 31th, 2019 be received as information.

REASON FOR THE REPORT

On December 17, 1997, City Council approved clause 1 of the report of the Standing Committee on Fiscal Issues, which requires that a periodic report be approved on a quarterly basis by the Standing Committee on Fiscal Issues. Since that time, the Standing Committee on Fiscal Issues has been renamed Standing Policy Committee on Finance.

IMPLICATIONS OF THE RECOMMENDATIONS

This report is to be received as information, therefore there are no implications to the recommendation.

HISTORY/DISCUSSION

This report is reporting preliminary financial results based on transactions recorded in the general ledger to December 31, 2019. In the first quarter of 2020, the Public Services will conduct its annual year end process to ensure all amounts are appropriately reported in accordance with public sector accounting standards. As well, the City's financial statements will be independently audited by KPMG. Final results will be available towards the end of the second quarter of 2020 as the City's audited financial statements must be completed by June 30, 2020 to comply with Provincial legislation. Once finalized, the City's audited financial statements will be posted on the City's website.

The Corporate Finance Department has prepared this report showing the unaudited year-end results for the General Revenue Fund. This information was obtained from departments and was based on actual accounting as at December 31, 2019. As at December 31, 2019, and after transferring an amount from the Financial Stabilization Reserve, the General Revenue Fund unaudited financial result is reporting a balanced position. The significant reasons for the results are indicated in schedule 2.

FTE Reporting

At the September 13, 2013 meeting of Standing Policy Committee on Finance, a motion was passed that following delivery of the first Civic Establishment Report to Executive Policy Committee, the Winnipeg Public Service be requested to provide updates within the quarterly Financial Status Report and Forecast which include the actual Full-Time Equivalent Positions (FTEs) to Committee. Subsequently, the Standing Policy Committee on Finance directed the Public Service to report on this annually.

The Public Service defines an FTE as the effort required to support the City's programs and services. For budget purposes, the FTE is expressed as an annual value. Actual FTE data is extracted from the payroll system. "Actual FTE" is the total number of hours paid divided by the regular compensable hours in a fiscal year. It includes permanent, temporary, full-time, part-time, salaried, hourly, seasonal, casual and student positions.

Actual FTEs are calculated on the basis of total salaries paid to date. At December 31, 2019, estimated actual FTEs total 9,140.16, compared to an adopted budget of 9,129.50 (net of vacancy management).

The calculated FTE is different than employee headcount, the City's number of employees at a point in time.

Transit

As of the year ended December 31, 2019, the Transit System is realizing an operating surplus of \$6.9 million. This forecasted surplus is separate from the General Revenue Fund deficit of \$1.1 million. The following table depicts summarized financial information for Transit:

(in millions of \$)

	December Actual	2019 Budget	December Variance	November Forecast Variance
Fares	\$ 90.5	\$ 90.5	\$ -	\$ 0.1
Transfer from GRF	70.6	70.6	-	-
Other	<u>43.5 ¹</u>	<u>43.1</u>	<u>0.4</u>	<u>0.3</u>
	204.6	204.2	0.4	0.4
Salaries	119.1	121.4	2.3	2.3
Fuel	18.5	20.8	2.3	2.3
Parts	14.5	14.8	0.3	-
Other	<u>45.6 ²</u>	<u>47.2</u>	<u>1.6</u>	<u>1.2</u>
	197.7	204.2	6.5	5.8
Surplus	<u><u>\$ 6.9</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6.9</u></u>	<u><u>\$ 6.2</u></u>

Notes

1. Other (revenue) of \$43.5 million includes \$42.0 million of Provincial grant support. The Province of Manitoba provides the City with basket funding on a city-wide basis. The decision to allocate \$42 million of that basket funding to Transit was at the discretion of Council. For clarity, the Province of Manitoba does not provide dedicated funding to Transit.

2. Other (expense) includes: Debt and Finance - \$9.6; Winnipeg Transit Plus Contracts - \$9.6 ; Transfer to Reserves - \$7.6 ; Taxes, Transfers and Grants - \$4.7 ; Cash to Capital - \$5.0; and Other - \$9.1 (Bldg and other maintenance, premiums, utilities, motive and other equipment, computer software maintenance contracts, recoveries and miscellaneous).

This forecasted Transit surplus includes a tax-supported transfer from the General Revenue Fund of \$70.6 million, as per the 2019 adopted budget. The surplus is mostly the result of savings related to diesel fuel expenses, attributable to lower than budgeted market prices and savings incurred on salaries and benefits and debt financing.

This surplus will flow to the Department's retained earnings. Use of retained earnings is at Council's discretion. For example, subject to Council approval, retained earnings could be used to fund capital projects.

Fire Paramedic Service

Discussions with Shared Health regarding funding for 2019 are ongoing. This report has therefore assumed a funding model where EMS costs are fully recovered from Shared Health.

The 2019 Budget included \$2.1 million for the full cost recovery of the ambulance service from Shared Health. During 2019 ambulance revenue has continued to rise, and along with a reduction in cost has reduced this full cost recovery amount to \$0.3 million. The invoicing to Shared Health has been amended as part of the year end processes.

October Storm Event

The City experienced a major unprecedented storm that dumped a month's worth of wet, heavy snow over a two-day period inflicting tremendous damage on our urban forest.

There have been no material changes from the amounts reported in the November forecast and separate administrative report on October Storm costs that went to Council via SPC Finance in January 2020.

Incremental costs related to the storm event have resulted in additional expenditures of \$6.4 million that have been included in the General Revenue Fund forecast. The majorities of these tax-supported expenditures are in the Public Works department for tree and branch clean-up (\$4.8 million) and snow and ice control (\$1.3 million).

An additional \$0.8 million of costs related to the October storm event are also being incurred in the City's Utilities, bringing total storm costs projected for 2019 to \$7.2 million. The majority of these utility costs are in the Water and Waste department for additional garbage pickup, hauling, loading and grinding of tree waste. It should be noted that utilities are not reported in the tax-supported General Revenue Fund, so this additional \$0.8 million is not included in the projected deficit of \$6.7 million. A further \$0.4 million is projected for 2020, resulting in a total of \$7.6 million in projected incremental costs related to this event at this time.

It should be noted that the costs being reported above only represent incremental costs and are not the full cost of the event.

On January 23, 2020, the Province of Manitoba announced a Disaster Financial Assistance (DFA) program for 2019 October Severe Weather. Municipalities are eligible for this support. As directed by Council, the Public Service has applied for disaster financial assistance. Due to the timing of this announcement and following public sector accounting standards any revenue received from this program will be recognized in 2020.

Not all incremental costs incurred by the City will be eligible under the Provincial DFA program. As well, eligible costs are normally reimbursed on a percentage basis based on a formula that considers dollars spent in relation to population.

The cost-sharing formula that applies to the Disaster Financial Assistance program is as follows:

Expenditures Per Capita of the Municipal Population	Provincial Share	Municipal Share
\$0 to \$1 (first \$0.75M)	0%	100%
\$1 to \$3 (next \$1.5M)	50%	50%
\$3 to \$5 (next \$1.5M)	75%	25%
Over \$5 (over \$3.75M)	100%	0%

Snow Removal and Ice Control Over Expenditure

This forecast has improved by \$1.6 million from the November forecast due to snow clearing and ice control activities being under budget for the month of December.

The Public Works Department has experienced a significant over-expenditure related to snow removal and ice control. During the year \$44.6 million (\$46.2 million last forecast) is expected to be spent on snow removal and ice control operations resulting in a projected over-expenditure of \$9.8 million (\$11.4 million last forecast). Both forecasts include approximately \$1.3 million related to the October storm event. The total 2019 Public Works Department snow removal and ice control budget is \$34.8 million. The over-expenditures are the result of above-average snow accumulation during February 2019, which saw the most snowfall in a February in 30 years. February 2019 had 38.4 centimetres of snow versus a 30 year average of 13.8 centimetres (Environment Canada) and as previously indicated the October storm event. Snow removal and ice control services are governed by the Council-approved *Policy on Snow Clearing and Ice Control*

(<http://winnipeg.ca/publicworks/snow/snowClearing/snowClearingPolicy.stm>)

On November 21, 2019, Council gave approval to the Public Works Department to over-expend its 2019 Operating Budget by up to \$14.2 million based on the September 30, 2019 Forecast. For clarity, the administrative report identified additional expenditures of \$15.9 million, partially offset by other departmental savings of \$1.7 million for a net impact of \$14.2 million.

Other

The Corporate Finance Department has prepared this report showing actual data as at December 31, 2019. Attachments included are the following:

Attachments included are the following:

- Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status Report;
- Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;
- Schedule 3 – The City of Winnipeg – General Revenue Fund – Reconciliation of November Forecast to the December 31, 2019 Year End Results;
- Schedule 4 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department; and
- Schedule 5 – The City of Winnipeg – General Revenue Fund – Taxation Revenues

FINANCIAL IMPACT

Financial Impact Statement Date: January 29, 2020

Project Name:

Financial Status Report December 31, 2020

COMMENTS:

This report is prepared for information purposes.

"Original Signed by:"

Carlos Matias

Acting Manager of Financial Reporting and Accounting Services
Corporate Controllers Division, Corporate Finance

CONSULTATION

This Report has been prepared in consultation with:

All City of Winnipeg Departments

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1 Provide Efficient and Focused Civic Administration and Governance. This report supports demonstration of accountability by the City's public service through reporting.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Carlos Matias
Date: January 28, 2020

Attachments:

Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status Report
Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances (Unaudited)
Schedule 3 – The City of Winnipeg – General Revenue Fund – Reconciliation of October to November Forecast (Unaudited)
Schedule 4 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department
Schedule 5 – The City of Winnipeg – General Revenue Fund – Taxation Revenues

THE CITY OF WINNIPEG - GENERAL REVENUE FUND

FINANCIAL STATUS REPORT

Schedule 1

Actual for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	Adopted Budget	Year to Date Actual	Variance From Budget
REVENUES			
Taxation	\$ 717,162	\$ 717,448	\$ 286
Government transfers	143,835	143,364	(471)
Regulation fees	58,754	59,630	876
Sale of goods and services	53,935	56,902	2,967
Other	45,384	45,744	360
Interest	38,236	42,652	4,416
Payments-in-lieu of taxes	36,714	36,714	-
Transfer from other funds	30,932	31,821	889
Total Revenues	1,124,952	1,134,275	9,323
EXPENSES			
Assessment and taxation	23,554	21,627	1,927
Audit	1,396	1,228	168
Chief administrative offices	5,855	5,595	260
City clerks	13,575	13,122	453
Community services	114,068	114,191	(123)
Corporate	79,378	79,362	16
Corporate finance	8,342	7,199	1,143
Council	4,001	3,974	27
Customer service and communication	8,538	8,600	(62)
Fire paramedic service	201,517	202,096	(579)
Human resource services	6,055	6,235	(180)
Innovation, transformation and technology	25,113	23,533	1,580
Legal services	3,459	4,593	(1,134)
Mayor's office	1,832	1,738	94
Museums	765	765	-
Planning, property and development	44,113	45,726	(1,613)
Police service	301,417	301,422	(5)
Policy and strategic initiatives	830	637	193
Public works	244,802	258,992	(14,190)
Street lighting	13,116	12,149	967
Water and waste	23,226	22,628	598
Total Expenses	1,124,952	1,135,412	(10,460)
DEFICIT BEFORE TRANSFER FROM FINANCIAL STABILIZATION	<u>\$ -</u>	<u>\$ (1,137)</u>	<u>\$ (1,137)</u>

Notes:

- (1) See Schedule 4 for comparable departmental view.
- (2) See Schedule 5 for breakdown of taxation and payments-in-lieu of taxes.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
DECEMBER 31, 2019 YEAR END RESULTS (UNAUDITED)

Schedule 2

(in millions of dollars)
(unaudited)

Public Works department's unfavourable variance is mostly due to additional snow clearing program expenditures incurred in 2019, as well as increased costs associated with the clean-up of damages related to the October storm event. These increases are somewhat offset by savings in salary and benefits.	\$ (11.7)
The Fire Paramedic Service department's net mill rate is higher than anticipated mainly due to a shortfall in inspection fee revenues, unrealized cost savings as well as increases in vehicle maintenance.	(1.8)
Legal Services department's unfavourable variance is mostly related to an increase in external legal fees.	(1.0)
Street Lighting savings is mainly due to light and power cost savings.	1.0
Innovation, Transformation and Technology favourable variance is mostly a result of savings related in salary and benefits and delay in software purchases.	1.6
Assessment and Taxation department's favourable variance is largely attributable to higher tax penalty interest revenue.	3.6
Corporate Finance's favourable variance is mostly related to increased interest earned on investments.	3.8
Other departmental revenues and expenses.	3.4
<i>General Revenue Fund Deficit before Transfer</i>	<u>(1.1)</u>
Transfer from Financial Stabilization Reserve	<u>1.1</u>
<i>General Revenue Fund Deficit</i>	<u><u>\$ -</u></u>

(1) See Schedule 1 and 4 for breakdown of other departmental revenues and expenses.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
RECONCILIATION OF THE NOVEMBER FORECAST TO THE
DECEMBER 31, 2019 YEAR END RESULTS (UNAUDITED)

Schedule 3

(in millions of dollars)
(unaudited)

Forecasted General Revenue Fund Deficit - November 30, 2019	\$ (6.7)
Police Service favourable variance is mostly related to salaries and benefits and operating efficiencies.	1.6
Public Work's favourable variance is mostly related to savings in the snow clearing budget for December.	1.6
Property, Planning and Development favourable variance is primarily a result of increase in regulation fees.	1.0
Other departmental revenues and expenses.	1.4
<i>General Revenue Fund before transfer</i>	<u>(1.1)</u>
Transfer from Financial Stabilization Reserve	<u>1.1</u>
<i>General Revenue Fund Deficit</i>	<u>\$ -</u>

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
FINANCIAL STATUS REPORT AND FORECAST

Schedule 4

Actual for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	<i>Revenues</i>			<i>Expenses</i>			<i>Net Mill Rate</i>
	Adopted Budget	Actual	Variance Budget/ Actual	Adopted Budget	Actual	Variance Budget/ Actual	Variance Budget/ Actual
Assessment and taxation	\$ 714,516	\$ 716,213	\$ 1,697	\$ 23,554	\$ 21,627	\$ 1,927	\$ 3,624
Audit	-	-	-	1,396	1,228	168	168
Chief administrative offices	-	151	151	5,855	5,595	260	411
City clerks	516	898	382	13,575	13,122	453	835
Community services	18,221	19,013	792	114,068	114,191	(123)	669
Corporate	143,605	143,715	110	79,378	79,362	16	126
Corporate finance	6,077	8,769	2,692	8,342	7,199	1,143	3,835
Council	-	1	1	4,001	3,974	27	28
Customer service and communication	1,452	1,589	137	8,538	8,600	(62)	75
Fire paramedic service	68,378	67,150	(1,228)	201,517	202,096	(579)	(1,807)
Human resource services	-	-	-	6,055	6,235	(180)	(180)
Innovation, transformation and technology	146	146	-	25,113	23,533	1,580	1,580
Legal services	475	565	90	3,459	4,593	(1,134)	(1,044)
Mayor's office	-	-	-	1,832	1,738	94	94
Museums	-	-	-	765	765	-	-
Planning, property and development	47,053	48,343	1,290	44,113	45,726	(1,613)	(323)
Police service	46,135	46,737	602	301,417	301,422	(5)	597
Policy and strategic initiatives	-	-	-	830	637	193	193
Public works	77,236	79,747	2,511	244,802	258,992	(14,190)	(11,679)
Street lighting	-	-	-	13,116	12,149	967	967
Waterworks and waste	1,142	1,238	96	23,226	22,628	598	694
Deficit before Transfers	\$ 1,124,952	\$ 1,134,275	\$ 9,323	\$ 1,124,952	\$ 1,135,412	\$ (10,460)	\$ (1,137)

THE CITY OF WINNIPEG - GENERAL REVENUE FUND

TAXATION REVENUES

Schedule 5

Actual for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	Adopted Budget	Year to Date Actual	Variance From Budget
Property taxes	\$ 607,737	\$ 614,084	\$ 6,347
Transfer to Financial Stabilization Reserve*	-	(6,251)	(6,251)
	607,737	607,833	96
Business taxes	56,916	57,246	330
Transfer to Financial Stabilization Reserve*	-	(330)	(330)
	56,916	56,916	-
Street renewal frontage levy	63,245	63,370	125
Electricity tax	19,000	19,220	220
Gas tax	2,800	2,739	(61)
Other taxation	4,178	4,084	(94)
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,162</u>	<u>\$ 286</u>
Taxation	\$ 717,162	\$ 717,448	\$ 286
Payments-in-lieu of taxes	<u>36,714</u>	<u>36,714</u>	-
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,162</u>	<u>\$ 286</u>

* On September 28, 2011, City Council approved a report from the Executive Policy Committee to permit transfers to or from the Financial Stabilization Reserve to offset any variance in the revenue projections for taxes billed including net supplementary taxes used in the General Revenue Fund budget and the actual amounts achieved.