

Agenda – Standing Policy Committee on Finance – January 16, 2017

REPORTS

Item No. 1 Financial Status Report and Forecast to November 30, 2016

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the Financial Status Report and Forecast to November 30, 2016 be received as information.

ADMINISTRATIVE REPORT

Title: Financial Status Report and Forecast to November 30, 2016

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
P. Olafson	Mike Ruta	Mike Ruta	D. McNeil

EXECUTIVE SUMMARY

The Financial Status Report and Forecast to November 30, 2016 currently anticipates a projected deficit of \$6.2 million.

Based on experience of the past few years it is not unusual for the projected deficit to have slight improvements in the final month of the year. The average change over the last four of five reported years between November and year-end is \$4.7 million, ranging from \$0.6 – 6.8 million.

RECOMMENDATIONS

That the Financial Status Report and Forecast to November 30, 2016 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

The Public Service anticipates that the projected deficit will have slight improvements in the final month of the year based on financial improvements typically realized from that forecasted for November 30, as well as through continued efforts to control expenses without impacting the delivery of core services. The Public Service will be monitoring the General Revenue Fund on a regular basis.

HISTORY

The forecasted results at November and the year-end position before final transfers for the General Revenue Fund for the past five years were as follows:

Year	Surplus (deficit) in millions at November 30	Surplus (deficit) in millions at December 31 before Final Transfers
2015	\$ 11	\$ 16.3
2014	(6.1)	0.7
2013	(2.4)	(1.8)
2012	N/A	15.9
2011	3.6	9.7

At its meeting of December 14, 2016, City Council approved measures to be taken, in the event a deficit remains at the end of the City's fiscal year (December 31, 2016). In the event the forecasted deficit reported here is unchanged at year-end, the following measures will be utilized, in the order specified and for the amounts noted, to sufficiently eliminate a 2016 deficit in the General Revenue Fund:

- a. Reduce the transfer required to the Financial Stabilization Reserve Fund in respect of net supplementary taxes and tax roll adjustments to the budget in 2016 up to the amount required to avoid a deficit in the General Revenue Fund (forecasted at \$1.4 million);
- b. The Financial Stabilization Reserve Fund forgo its 2016 interest earnings, net of investment management fees, up to the amount required to avoid a deficit in the General Revenue Fund (forecasted at \$0.4 million); and
- c. The Financial Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund (forecasted at \$4.4 million).

The use of the Financial Stabilization Reserve Fund is subject to certain operating criteria including no charges to the Reserve being made unless the reserve balance exceeds 6% of the General Revenue Fund expenses. If that target is met or exceeded, funds above the 6% target may be used for major unforeseen expenditures and deficits in any given year.

Based on December 31, 2016 forecasts for the Financial Stabilization Reserve, utilizing the Council approved deficit elimination recommendations as noted above will result in a reserve balance above the 6% threshold. Based on this forecast, after all measures required are used, the Financial Stabilization Reserve will show an accumulated surplus of \$66.1 million which is \$1.3 million more than the amount required for the 6% target.

If the General Revenue reports a surplus at year-end, it will be transferred to the General Purpose Reserve Fund.

Snow Removal and Ice Control Over Expenditure

The Public Works Department has experienced a significant over expenditure related to snow removal and ice control. During the year \$39.0 million is expected to be spent on snow removal and ice control operations resulting in a projected over expenditure of \$11.0 million. The total 2016 Streets Maintenance operations snow removal and ice control budget is \$28.0 million. The over expenditures are the result of above average snow accumulation during December. December 2016 was the second snowiest December and the seventh snowiest month overall on record, with 68.8 centimeters of snow versus a 30 year average of 23 centimeters (Environment Canada). 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>)

Budget Transfers

During the year, operating budgets were amended to reflect service responsibilities transferred and the forecast included in this report are consistent with the transfer. This includes:

- The transfer of the Bilingual Service Centre from the Community Services department to the Corporate Communications division within the Chief Administrative Officer's department.
- The transfer of the Homelessness Partnering Strategy Program from the Property, Planning and Development department to the Community Services department.

Recommendation 1Q of the Council approved 2016 Budget provides that the CAO be delegated the authority, for departmental units under his authority, to transfer funds and/or budgets between departmental units to reflect administrative structure changes made by the CAO. This follows the authority provided in the City Organization By-law (7100/97) that states, "Except as otherwise provided herein and subject to the appointment of statutory officers as contemplated by The City of Winnipeg Charter, the administrative structure of The City of Winnipeg shall be established by the Chief Administrative Officer."

Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2016, for the General Revenue Fund, Utility Funds and Municipal Accommodations Fund. This information was obtained from departments and was based on actual data as at November 30, 2016.

Attachments included are the following:

Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status Report and Forecast;

Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;

Schedule 3 – The City of Winnipeg – General Revenue Fund – Reconciliation of October to November Forecast;

Schedule 4 - The City of Winnipeg – Summary by Fund; and

Schedule 5 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department

FINANCIAL IMPACT

Financial Impact Statement Date: January 11, 2017

Project Name:

Financial Status Report and Forecast to November 30, 2016

COMMENTS:

This report is prepared for information purposes.

Kaleigh Wills

Manager of Financial Reporting and Accounting Services

CONSULTATION

In preparing this report there was 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.

SUBMITTED BY

Department: Corporate Finance

Division: Corporate Controller's

Prepared by: Kaleigh Wills

Date: January 11, 2017

File No.

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

Schedule 1

Actual for the eleven month period ended November 30, 2016

forecasted for the year ending December 31, 2016

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
REVENUES				
Taxation	\$ 658,686	\$ 655,383	\$ (3,303)	\$ 599,235
Government transfers	123,619	123,705	86	91,827
Sale of goods and services	63,170	61,745	(1,425)	55,275
Transfer from other funds	55,203	56,590	1,387	36,221
Regulation fees	50,758	55,402	4,644	51,001
Payments-in-lieu of taxes	35,255	35,255	-	32,472
Other	35,337	35,233	(104)	1,591
Interest	33,102	35,090	1,988	33,176
Total Revenues	1,055,130	1,058,403	3,273	900,798
EXPENSES				
Assessment and taxation	19,986	14,981	5,005	11,324
Audit	1,368	903	465	732
Chief administrative offices	3,471	2,962	509	2,586
City clerks	14,550	14,645	(95)	12,616
Community services	111,409	110,495	914	101,234
Corporate	72,356	74,511	(2,155)	64,810
Corporate finance	9,015	8,148	867	7,539
Corporate support services	37,254	36,529	725	32,349
Council	3,476	3,487	(11)	2,930
Fire paramedic service	190,274	190,653	(379)	170,657
Legal services	3,183	3,067	116	2,790
Mayor's office	1,869	1,732	137	1,172
Museums	1,031	1,031	-	1,019
Planning, property and development	45,528	45,190	338	39,495
Police services	280,670	284,274	(3,604)	260,015
Policy and strategic initiatives	807	796	11	705
Public works	215,521	230,789	(15,268)	200,564
Street lighting	12,963	12,376	587	11,332
Water and waste	30,399	28,063	2,336	24,086
Total Expenses	1,055,130	1,064,632	(9,502)	947,955
Forecasted Deficit	\$ -	\$ (6,229)	\$ (6,229)	\$ (47,157)

Notes:

(1) See Schedule 5 for comparable departmental view.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
NOVEMBER 30, 2016 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2016

Schedule 2

(in millions of dollars)
(unaudited)

Assessment and Taxation's favourable variance is mostly due to a decreasing provision for uncollectible payments in lieu of taxes related to in year collections for the Canadian Museum for Human Rights (CMHR). This is offset by an increase in remittance to the Province of Manitoba, as a requirement under the CMHR loan agreement. Also contributing to the favourable variance is an increase in tax penalty revenue.	4.0
Water and Waste department's favourable net mill rate variance is mostly related to decreased tax-supported solid waste expenses.	2.1
Community Service department's favourable net mill rate variance is mostly related to savings in salaries and benefits.	1.4
Planning, Property and Development department's net mill rate is projected higher than anticipated mostly due to a decreased transfer from Municipal Accommodations as a result of decreased lease revenue of civic space to third parties. Also contributing are unbudgeted expenses. These are somewhat offset by savings in salary and benefits costs.	(1.0)
Corporate's unfavourable variance is mostly related to a shortfall in budgeted savings somewhat offset with savings on debt interest expense.	(1.9)
The Police Services department's net mill rate is higher than anticipated mainly due to pension costs being over budget, primarily resulting from revised actuarial estimates, as well as a decrease in net photo radar revenues. While the department also anticipates increased salaries and benefits costs, it has identified other expense savings elsewhere to offset these.	(5.1)
Public Works:	
Revenues are greater than budget primarily due to street cuts operations and surplus transferred from the General Revenue Enterprises Fund. This is resulting from 2016 Budget recommendation 1J. Increased transfers from the Insect Control Reserve for the West Nile Virus Program also contributed.	7.2
Expenses are greater than budget primarily due to street cuts operations transferred from the General Revenue Enterprises Fund. This is resulting from 2016 Budget recommendation 1J. Increased expenses are also related to spending related the West Nile Virus Program. These are offset by increased revenues above. The net departmental variance is mostly related to increased snow clearing program expenditures, somewhat offset by savings from position vacancies.	(15.3)
Other departmental revenues and expenses.	2.4
Forecasted Deficit	\$ (6.2)

Notes:

(1) See Schedule 1 and 5 for breakdown of other departmental revenues and expenses.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
RECONCILIATION OF OCTOBER TO NOVEMBER FORECAST
NOVEMBER 30, 2016 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2016

Schedule 3

(in millions of dollars)

(unaudited)

Forecasted General Revenue Fund Surplus - October 31, 2016	\$ 2.5
Public Works department's change in net mill rate is mostly due to increased expenditures related to the snow clearing program.	(10.9)
Other departmental revenues and expenses.	<u>2.2</u>
Forecasted General Revenue Fund Deficit - November 30, 2016	<u>\$ (6.2)</u>

THE CITY OF WINNIPEG - SUMMARY BY FUND

FINANCIAL STATUS REPORT AND FORECAST

Schedule 4

Actual for the eleven month period ended November 30, 2016

forecasted for the year ending December 31, 2016

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
General Revenue Fund				
Revenues	\$ 1,055,130	\$ 1,058,403	\$ 3,273	\$ 900,798
Expenses	1,055,130	1,064,632	(9,502)	947,955
Surplus/(Deficit)	<u>\$ -</u>	<u>\$ (6,229)</u>	<u>\$ (6,229)</u>	<u>\$ (47,157)</u>
Transit System				
Revenues	\$ 130,491	\$ 127,485	\$ (3,006)	\$ 124,501
Expenses	193,852	190,252	3,600	173,373
	<u>(63,361)</u>	<u>(62,767)</u>	<u>594</u>	<u>(48,872)</u>
Transfer to Reserves	(6,558)	(6,558)	-	(6,558)
Transfer from General Revenue Fund	69,919	69,919	-	61,528
Surplus	<u>\$ -</u>	<u>\$ 594</u>	<u>\$ 594</u>	<u>\$ 6,098</u>
Waterworks System				
Revenues	\$ 113,812	\$ 110,209	\$ (3,603)	\$ 99,958
Expenses	76,987	73,185	3,802	72,111
	<u>36,825</u>	<u>37,024</u>	<u>199</u>	<u>27,847</u>
Transfer to:				
Water Main Renewal Reserve	(16,500)	(16,500)	-	(13,500)
General Revenue Fund	<u>(13,205)</u>	<u>(13,205)</u>	<u>-</u>	<u>-</u>
Surplus Prior to Principle Debt Repayments	7,120	7,319	199	14,347
Principle Debt Repayments	<u>(4,272)</u>	<u>(4,272)</u>	<u>-</u>	<u>-</u>
Surplus	<u>\$ 2,848</u>	<u>\$ 3,047</u>	<u>\$ 199</u>	<u>\$ 14,347</u>

THE CITY OF WINNIPEG - SUMMARY BY FUND FINANCIAL STATUS REPORT AND FORECAST

Schedule 4

Actual for the eleven month period ended November 30, 2016

forecasted for the year ending December 31, 2016

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Sewage Disposal System				
Revenues	\$ 166,067	\$ 159,343	\$ (6,724)	\$ 144,895
Expenses	82,280	78,711	3,569	87,479
	<u>83,787</u>	<u>80,632</u>	<u>(3,155)</u>	<u>57,416</u>
Transfer to Reserves	(34,675)	(33,750)	925	(15,130)
Transfer to General Revenue Fund	<u>(28,984)</u>	<u>(28,702)</u>	<u>282</u>	<u>(9,370)</u>
Surplus	<u>\$ 20,128</u>	<u>18,180</u>	<u>(1,948)</u>	<u>32,916</u>
Solid Waste Disposal				
Revenues	\$ 43,336	\$ 44,949	\$ 1,613	\$ 32,140
Expenses	37,792	33,857	3,935	26,262
	<u>5,544</u>	<u>11,092</u>	<u>5,548</u>	<u>5,878</u>
Transfer to Reserve	<u>(368)</u>	<u>(359)</u>	<u>9</u>	<u>(302)</u>
Surplus Prior to Principle Debt Repayments	5,176	10,733	5,557	5,576
Principle Debt Repayments	<u>(1,972)</u>	<u>(1,998)</u>	<u>26</u>	<u>-</u>
Surplus	<u>\$ 3,204</u>	<u>\$ 8,735</u>	<u>\$ 5,583</u>	<u>\$ 5,576</u>
Municipal Accommodations Fund				
Revenues	\$ 75,098	\$ 73,313	\$ (1,785)	\$ 62,318
Expenses	58,964	58,762	202	48,966
	<u>16,134</u>	<u>14,551</u>	<u>(1,583)</u>	<u>13,352</u>
Transfer to: General Revenue Fund	<u>(16,134)</u>	<u>(14,551)</u>	<u>1,583</u>	<u>(180)</u>
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,172</u>

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

Schedule 5

forecasted for the year ending December 31, 2016
(in thousands of dollars)
(unaudited)

	<i>Revenues</i>			<i>Expenses</i>			<i>Net Mill Rate</i>
	Adopted Budget	Forecast	Variance Budget/Forecast	Adopted Budget	Forecast	Variance Budget/Forecast	Variance Budget/Forecast
Assessment and taxation	\$ 651,088	\$ 650,088	\$ (1,000)	\$ 19,986	\$ 14,981	\$ 5,005	\$ 4,005
Audit	-	-	-	1,368	903	465	465
Chief administrative offices	-	-	-	3,471	2,962	509	509
City clerks	114	609	495	14,550	14,645	(95)	400
Community services	17,138	17,673	535	111,409	110,495	914	1,449
Corporate	140,619	140,837	218	72,356	74,511	(2,155)	(1,937)
Corporate finance	5,902	5,720	(182)	9,015	8,148	867	685
Corporate support services	2,095	1,605	(490)	37,254	36,529	725	235
Council	-	-	-	3,476	3,487	(11)	(11)
Fire paramedic service	59,430	59,048	(382)	190,274	190,653	(379)	(761)
Legal services	651	631	(20)	3,183	3,067	116	96
Mayor's office	-	-	-	1,869	1,732	137	137
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	45,321	43,955	(1,366)	45,528	45,190	338	(1,028)
Police services	48,048	46,550	(1,498)	280,670	284,274	(3,604)	(5,102)
Policy and strategic initiatives	-	-	-	807	796	11	11
Public works	73,172	80,334	7,162	215,521	230,789	(15,268)	(8,106)
Street lighting	-	-	-	12,963	12,376	587	587
Waterworks and waste	11,552	11,353	(199)	30,399	28,063	2,336	2,137
Forecasted Deficit	\$ 1,055,130	\$ 1,058,403	\$ 3,273	\$ 1,055,130	\$ 1,064,632	\$ (9,502)	\$ (6,229)