

Minutes – Standing Policy Committee on Finance – February 13, 2017

REPORTS

**Item No. 1 General Revenue Fund Financial Status Report for the Year-Ended
December 31, 2016**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received the Financial Status Report to December 31, 2016, as information.

Minutes – Standing Policy Committee on Finance – February 13, 2017

DECISION MAKING HISTORY:

Moved by Councillor Gerbasi,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: General Revenue Fund Financial Status Report for the Year-Ended
December 31, 2016

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

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

EXECUTIVE SUMMARY

At December 31, 2016, the General Revenue Fund incurred a deficit of \$5.1 million. At its meeting of December 14, 2016, City Council approved that if the General Revenue Fund reports a deficit at year end, deficit elimination measures be taken. Accordingly, \$1.4 million has been retained in the General Revenue Fund in respect of net supplementary taxes and tax roll adjustments, \$0.4 million has been retained in the General Revenue Fund in respect of interest net of investment management fees, and \$3.3 million has been transferred from the Financial Stabilization Reserve.

RECOMMENDATIONS

That the Financial Status Report to December 31, 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

At December 31, 2016, the General Revenue Fund incurred a deficit of \$5.1 million. At its meeting of December 14, 2016, City Council approved that if the General Revenue Fund reports a deficit at year end, deficit elimination measures be taken. Accordingly, \$1.4 million has been retained in the General Revenue Fund in respect of net supplementary taxes and tax roll

adjustments, \$0.4 million has been retained in the General Revenue Fund in respect of interest net of investment management fees, and \$3.3 million has been transferred from the Financial Stabilization Reserve.

Based on December 31, 2016 results for the Financial Stabilization Reserve, utilizing the Council approved deficit elimination measures above will result in a reserve balance above the 6% threshold. After all measures required are used, the Financial Stabilization Reserve will show an accumulated surplus of \$67.4 million which is \$2.6 million more than the amount required for the 6% target (compared to the 2017 budgeted tax-supported expenditures).

HISTORY/DISCUSSION

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 data as at December 31, 2016. As at December 31, 2016, and after deficit elimination measures, as approved by Council, the General Revenue Fund unaudited financial result is reporting a balanced position. The reasons for the results are indicated in the schedule entitled "Budget Variances Arising from the December 31, 2016 Results".

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, Standing Policy Committee on Finance directed the Public Service to report on this annually.

As defined in the Full Time Equivalent Report, a FTE is reflective of 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. As also defined in the Full Time Equivalent Report, "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, 2016, estimated actual FTEs total 8,883.65, compared to an adopted budget of 9,134.91 (net of vacancy management.)

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

Snow Removal and Ice Control Over Expenditure

The Public Works Department has experienced a significant over expenditure related to Roadway Snow Removal and Ice Control. During the year \$44.8 million was spent on Roadway

Snow Removal and Ice Control operations resulting in a projected over expenditure of \$11.3 million. The total 2016 Roadway Snow Removal and Ice Control budget is \$33.5 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 actuals 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 Offices 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."

The year-end position reported herein includes a transfer from the General Capital Fund to the Police Services department. Cash to capital was originally transferred by the Police Service department in 2016 to the General Capital Fund for the Major Case Management System Expansion project (2016 Capital Budget). The Police Services department has proposed the deferral of this capital project to 2017, resulting in the transfer back to the Police Service department's budget of \$1.158 million of cash to capital. The transfer is subject to City Council approval.

At the public meeting on November 4, 2016, the Winnipeg Police Board approved the deferral of 2016 Major Case Management System Expansion Capital Project.

Other

The Corporate Finance Department has prepared this report showing actual data as at December 31, 2016.

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 the November Forecast to the December 31, 2016 Year End Results; and

Schedule 4 - The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department

FINANCIAL IMPACT

Financial Impact Statement Date: January 31, 2017

Project Name:

Financial Status Report December 31, 2016

COMMENTS:

This report is prepared for information purposes.

Kaleigh Wills

Manager of Financial Reporting and Accounting Services

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.

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Kaleigh Wills
Date: February 6, 2017
File No:

Attachments:

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
FINANCIAL STATUS REPORT (UNAUDITED)

Schedule 1

Actual for the year ended December 31, 2016
(in thousands of dollars)
(unaudited)

	Adopted Budget	Year to Date Actual	Variance From Budget
REVENUES			
Taxation	\$ 658,686	\$ 656,760	\$ (1,926)
Government transfers	123,619	122,805	(814)
Sale of goods and services	63,170	62,983	(187)
Transfer from other funds	55,203	60,198	4,995
Regulation fees	50,758	57,002	6,244
Other	35,337	35,568	231
Interest	33,102	36,105	3,003
Payments-in-lieu of taxes	35,255	35,255	-
Total Revenues	1,055,130	1,066,676	11,546
EXPENSES			
Assessment and taxation	19,986	15,000	4,986
Audit	1,368	903	465
Chief administrative offices	3,471	2,986	485
City clerks	14,550	14,546	4
Community services	111,409	110,248	1,161
Corporate	72,356	74,472	(2,116)
Corporate finance	9,015	8,391	624
Corporate support services	37,254	36,521	733
Council	3,476	3,383	93
Fire paramedic service	190,274	191,074	(800)
Legal services	3,183	3,089	94
Mayor's office	1,869	1,666	203
Museums	1,031	1,031	-
Planning, property and development	45,528	46,352	(824)
Police services	280,670	284,495	(3,825)
Policy and strategic initiatives	807	784	23
Public works	215,521	231,404	(15,883)
Street lighting	12,963	12,379	584
Water and waste	30,399	27,952	2,447
Total Expenses	1,055,130	1,066,676	(11,546)
Forecasted Surplus	\$ -	\$ -	\$ -

Notes:

(1) See Schedule 4 for comparable departmental view.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
DECEMBER 31, 2016 YEAR END RESULTS (UNAUDITED)

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.	2.2
Community Service department's favourable net mill rate variance is mostly related to savings in salaries and benefits.	1.9
Corporate Finance department's favourable net mill rate variance is mostly related to savings in salaries and benefits.	1.2
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.	(1.1)
The Fire Paramedic department's net mill rate is higher than anticipated due to salaries and benefits expense, including overtime, being over budget. Also contributing is care delay service revenues being less than budget and bad debt expenses being higher than anticipated. These are offset contributing partially by additional transfers from the Winnipeg Regional Health Authority, as well as emergency ambulance revenues coming in higher than budget.	(1.2)
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 has increased salaries and benefits costs, it has identified other expense savings elsewhere to offset these.	(5.2)

THE CITY OF WINNIPEG - GENERAL REVENUE FUND	Schedule 2
BUDGET VARIANCES ARISING FROM THE	
DECEMBER 31, 2016 YEAR END RESULTS (UNAUDITED) (CONTINUED)	

(in millions of dollars)
(unaudited)

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. **8.2**

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. **(15.9)** **(7.7)**

Other departmental revenues and expenses. **2.7**

General Revenue Fund Deficit before Deficit Elimination Measures **\$ (5.1)**

Council Approved Deficit Elimination Measure:

Net supplementary taxes and tax roll adjustments to the budget retained in the General Revenue Fund (Assessment and Taxation Department) **1.4**

Interest net of investment management fees retained in the General Revenue Fund (Corporate Finance Department) **0.4**

Transfer from Financial Stabilization Reserve (Corporate Department) **3.3**

General Revenue Fund Surplus **\$ -**

Notes:

(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, 2016 YEAR END RESULTS (UNAUDITED)**

Schedule 3

(in millions of dollars)

(unaudited)

Forecasted General Revenue Fund Surplus - November 30, 2016	\$ (6.2)
Other departmental revenues and expenses.	<u>1.1</u>
General Revenue Fund Deficit before Deficit Elimination Measures	<u>\$ (5.1)</u>
Council Approved Deficit Elimination Measure:	
Net supplementary taxes and tax roll adjustments to the budget retained in the General Revenue Fund (Assessment and Taxation Department)	1.4
Interest net of investment management fees retained in the General Revenue Fund (Corporate Finance Department)	0.4
Transfer from Financial Stabilization Reserve (Corporate Department)	3.3
General Revenue Fund Surplus	<u><u>\$ -</u></u>

THE CITY OF WINNIPEG - GENERAL REVENUE FUND

Schedule 4

FINANCIAL STATUS REPORT

*Actual for the year ended December 31, 2016
(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	
Assessment and taxation	\$ 651,088	\$ 651,436	\$ 348	\$ 19,986	\$ 15,000	\$ 4,986	\$ 5,334
Audit	-	-	-	1,368	903	465	465
Chief administrative offices	-	-	-	3,471	2,986	485	485
City clerks	114	636	522	14,550	14,546	4	526
Community services	17,138	17,889	751	111,409	110,248	1,161	1,912
Corporate	140,619	144,187	3,568	72,356	74,472	(2,116)	1,452
Corporate finance	5,902	6,852	950	9,015	8,391	624	1,574
Corporate support services	2,095	1,608	(487)	37,254	36,521	733	246
Council	-	-	-	3,476	3,383	93	93
Fire paramedic service	59,430	59,021	(409)	190,274	191,074	(800)	(1,209)
Legal services	651	600	(51)	3,183	3,089	94	43
Mayor's office	-	-	-	1,869	1,666	203	203
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	45,321	45,078	(243)	45,528	46,352	(824)	(1,067)
Police services	48,048	46,641	(1,407)	280,670	284,495	(3,825)	(5,232)
Policy and strategic initiatives	-	-	-	807	784	23	23
Public works	73,172	81,403	8,231	215,521	231,404	(15,883)	(7,652)
Street lighting	-	-	-	12,963	12,379	584	584
Waterworks and waste	11,552	11,325	(227)	30,399	27,952	2,447	2,220
Surplus	\$ 1,055,130	\$ 1,066,676	\$ 11,546	\$ 1,055,130	\$ 1,066,676	\$ (11,546)	\$ -