

Agenda – Standing Policy Committee on Finance – June 8, 2017

REPORTS

Item No. 4 Financial Status Report and Forecast to March 31, 2017

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the Financial Status Report to March 31, 2017 be received as information.

ADMINISTRATIVE REPORT

Title: Financial Status Report and Forecast to March 31, 2017

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
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EXECUTIVE SUMMARY

The Financial Status Report and Forecast to March 31, 2017 currently anticipates a projected deficit of \$13.6 million. If measures described below, still subject to Council approval, are utilized, the forecasted deficit is reduced to \$6.7 million.

Based on experience of the past few years it is not unusual for the first quarter forecast to report a projected deficit which is eliminated by the end of the year. The average change over the last five years between the first quarter and year-end is \$12.9 million, ranging from a \$0.3 million decrease to a \$22.1 million increase.

At the March 13, 2017 meeting of the Standing Policy Committee on Finance, the Public Service tabled a report that provided information on the 2017 cost mitigation measures for the City of Winnipeg. The report outlined targeted cost reductions for each tax-supported department, as well as for Transit and Water and Waste. This Financial Status Report includes \$4.9 million in tax-supported budget savings.

Cost mitigation measures resulting in savings from postponement (closure) of capital projects with a resulting transfer to the General Revenue Fund of cash to capital (\$4.3 million) as well as additional transfers to the General Revenue Fund from reserves (\$0.6 million) require Council approval. As such, the financial impact of these cost mitigation measures have been separately disclosed in Schedule 2 of this Financial Status Report.

The 2017 tax-supported budget includes a transfer up to \$5 million from the Financial Stabilization Reserve Fund to the General Revenue Fund. As a result of the 2016 deficit elimination measures, the Financial Stabilization Reserve is forecasted to afford only \$3 million at this time.

In the fall of 2017, the Public Service will determine whether it projects the reserve balance to fall below the minimum 6% target of tax-supported expenditures. Council approval would be required to allow the reserve to fall below this level and a replenishment plan would be required. This transfer has been separately disclosed in Schedule 2 of this Financial Status Report.

RECOMMENDATIONS

That the Financial Status Report to March 31, 2017 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 this time, the Public Service anticipates a projected deficit of \$13.6 million. If measures described in this report, still subject to Council approval, are utilized, the forecasted deficit is reduced to \$6.7 million. The Public Service anticipates that the projected deficit will decrease over the remainder of the year based on financial improvements typically realized from that forecasted for March 31, as well as through continued efforts to control expenses. The Public Service will be monitoring the General Revenue Fund on a regular basis.

HISTORY/DISCUSSION

The forecasted results at March 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 March 31	Surplus (deficit) in millions at December 31 before Final Transfers
2016	\$ (4.8)	\$ (5.1)
2015	(2.6)	16.3
2014	(21.4)	0.7
2013	(12.1)	(1.8)
2012	2.4	15.9

This will continue to be monitored and options will be sought to eliminate the deficit. As a last resort, the Financial Stabilization Reserve could be drawn on to cover any remaining shortfall or the deficit could be incorporated into the 2018 operating budget.

2017 Cost Mitigation Measures – Update

At the March 13, 2017 meeting of the Standing Policy Committee on Finance, the Public Service tabled a report that provided information on the 2017 cost mitigation measures for the City of Winnipeg. Due largely to record snowfall in December, the 2016 budget year ended in a tax-

supported deficit prior to Council approved deficit elimination measures. The Council adopted budget for 2017 had estimated a surplus in 2016 of \$9.5 million. The City must now manage this shortfall and find \$9.5 million in savings in addition to the efficiencies included in the 2017 tax-supported budget. The report outlined targeted cost reductions for each tax-supported department, as well as for Transit and Water and Waste. This Financial Status Report includes \$4.9 million in tax-supported budget savings.

Cost mitigation measures resulting in savings from postponement (closure) of capital projects with a resulting transfer to the General Revenue Fund of cash to capital (\$4.3 million) as well as additional transfers to the General Revenue Fund from reserves (\$0.6 million) require Council approval. As such, the financial impact of these cost mitigation measures have been separately disclosed in Schedule 2 of this Financial Status Report.

In its 2016 year-end Financial Status Report for the General Revenue Fund, a \$5.1 million deficit was reported. As a result of previously Council approved deficit elimination measures, \$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.

The 2017 tax-supported budget includes a transfer up to \$5.0 million from the Financial Stabilization Reserve Fund to the General Revenue Fund. As a result of the deficit elimination measures employed in 2016, the Financial Stabilization Reserve is forecasted to afford only \$3.0 million at this time.

In the fall of 2017, the Public Service will determine whether it projects the reserve balance to fall below the minimum 6% target of tax-supported expenditures. Council approval would be required to allow the reserve to fall below this level and a replenishment plan would be required. This transfer has been separately disclosed in Schedule 2 of this Financial Status Report.

If the above measures still subject to Council approval are utilized the forecasted deficit is reduced to \$6.7 million.

Provincial Funding

The Province has introduced a new envelope funding model for the City of Winnipeg and the implications of this new model are not fully known at this time. In discussions with Provincial representatives, the City was notified that Transit and Winnipeg Police Services funding would be consistent with prior year's actual funding without inflationary increases and would not meet the City's budgeted levels.

In May, the Province tabled Bill 36, *The Budget Implementation and Tax Statutes Amendment Act, 2017*. Included in this Act is the repealing of the 50/50 funding of the Transit operating costs, which results in a forecasted \$5.1 million funding deficit for Transit. The Department is investigating ways to eliminate this deficit.

The impact to the Police Department's net revenues is \$1.2 million related to 2016 and 2017 Provincial funding decisions for the cadet and helicopter maintenance programs.

These two funding shortfalls, totaling \$6.3 million, approximate the \$6.7 million tax-supported budget shortfall (after Council measures yet to be approved are implemented) being reported herein.

The Public Service is working on obtaining information on any further budget impacts related to Provincial funding decisions. In addition the operating budget implications noted here, there will be impacts on capital budgets. The City and the Province are continuing discussions on Provincial funding to the City for 2017 and 2018.

Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2017, 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 March 31, 2017.

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 – Summary by Fund; and

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

FINANCIAL IMPACT

Financial Impact Statement Date: May 31, 2017

Project Name:

Financial Status Report March 31, 2017

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: May 31, 2017
File No:
Attachments:

THE CITY OF WINNIPEG - GENERAL REVENUE FUND

FINANCIAL STATUS REPORT AND FORECAST

Schedule 1

Actual for the three month period ended March 31, 2017

forecasted for the year ending December 31, 2017

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
REVENUES				
Taxation	\$ 678,845	\$ 678,644	\$ (201)	\$ 150,598
Government transfers	127,789	123,920	(3,869)	3,988
Sale of goods and services	62,796	61,826	(970)	9,600
Regulation fees	59,210	59,937	727	10,008
Transfer from other funds	41,512	30,015	(11,497)	4,348
Other	39,121	39,678	557	278
Payments-in-lieu of taxes	36,134	36,134	-	9,022
Interest	34,102	34,101	(1)	3,845
Total Revenues	1,079,509	1,064,255	(15,254)	191,687
EXPENSES				
Assessment and taxation	20,856	20,604	252	3,470
Audit	1,379	1,281	98	191
Chief administrative offices	4,353	4,176	177	924
City clerks	14,947	14,752	195	7,107
Community services	114,892	113,807	1,085	28,691
Corporate	59,197	64,389	(5,192)	19,371
Corporate finance	9,073	8,506	567	2,230
Corporate support services	35,996	34,824	1,172	7,664
Council	3,532	3,482	50	756
Fire paramedic service	199,219	196,016	3,203	51,029
Legal services	3,078	3,138	(60)	834
Mayor's office	1,863	1,837	26	(65)
Museums	1,031	1,031	-	689
Planning, property and development	45,598	44,207	1,391	9,906
Police services	288,000	288,200	(200)	70,756
Policy and strategic initiatives	812	794	18	170
Public works	229,991	231,790	(1,799)	42,565
Street lighting	13,399	13,399	-	3,116
Water and waste	32,293	31,604	689	5,163
Total Expenses	1,079,509	1,077,837	1,672	254,567
FORECASTED DEFICIT	\$ -	\$ (13,582)	\$ (13,582)	\$ (62,880)

Notes:

(1) See Schedule 4 for comparable departmental view.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND Schedule 2
BUDGET VARIANCES ARISING FROM THE
MARCH 31, 2017 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2017

(in millions of dollars)
(unaudited)

In addition to Corporate's savings disclosed under cost mitigation measures, the unfavourable variance is mostly related to the following:

- a shortfall in the transfer from the General Purpose Reserve due to the 2016 deficit.	\$	(9.5)
- a further transfer to Transit is forecasted due to lower expected provincial funding.		(5.1)
- a shortfall in the transfer from the Financial Stabilization Reserve.		(2.0)
- a decrease in budgeted savings.		(1.9)
- savings from adjustments to provisions.		2.6
	\$	(15.9)

In addition to Public Works department's savings disclosed under cost mitigation measures, the unfavourable variance is mostly due to increased snow clearing program expenditures. This relates to ongoing snow clearing and removal for December 2016 snowfalls. (2.4)

The Police Services department's net mill rate is higher than anticipated mainly due to lower Provincial funding relating to the cadet program and police helicopter (\$1.2 million). (2.0)

Savings associated with cost mitigation measures. 4.9

Other departmental revenues and expenses. 1.8

Forecasted Deficit before Measures Subject to Council Approval (13.6)

Measures Subject to Council Approval

Reduction in cash to capital contributions 4.3

Additional transfer from Financial Stabilization Reserve (if required) 2.0

Transfers from other Reserves 0.6

Forecasted Deficit after above \$ (6.7)

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

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

Schedule 3

Actual for the three month period ended March 31, 2017

forecasted for the year ending December 31, 2017

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
General Revenue Fund				
Revenues	\$ 1,079,509	\$ 1,064,255	\$ (15,254)	\$ 191,687
Expenses	1,079,509	1,077,837	1,672	254,567
Surplus/(Deficit)	\$ -	\$ (13,582)	\$ (13,582)	\$ (62,880)
Transit System				
Revenues	\$ 136,158	\$ 126,973	\$ (9,185)	\$ 29,697
Expenses	182,246	179,817	2,429	46,158
	(46,088)	(52,844)	(6,756)	(16,461)
Transfer to Reserves	(9,038)	(6,938)	2,100	-
Transfer from General Revenue Fund	55,126	59,782	4,656	16,780
Surplus	\$ -	\$ -	\$ -	\$ 319
Waterworks System				
Revenues	\$ 128,502	\$ 125,543	\$ (2,959)	\$ 29,457
Expenses	77,401	74,750	2,651	16,815
	51,101	50,793	(308)	12,642
Transfer to Water Main Renewal Reserve	(16,500)	(16,500)	-	-
General Revenue Fund	(14,943)	(14,943)	-	-
Surplus Prior to Principle Debt Repayments	19,658	19,350	(308)	12,642
Principle Debt Repayments	(4,462)	(4,462)	-	-
Surplus	\$ 15,196	\$ 14,888	\$ (308)	\$ 12,642

THE CITY OF WINNIPEG - SUMMARY BY FUND

FINANCIAL STATUS REPORT AND FORECAST

Actual for the three month period ended March 31, 2017

forecasted for the year ending December 31, 2017

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Sewage Disposal System				
Revenues	\$ 181,250	\$ 175,496	\$ (5,754)	\$ 38,860
Expenses	87,002	82,163	4,839	13,687
	94,248	93,333	(915)	25,173
Transfer to Reserves	(37,870)	(36,738)	1,132	(3,081)
Transfer to General Revenue Fund	(32,090)	(31,796)	294	(2,860)
Surplus	<u>\$ 24,288</u>	<u>24,799</u>	<u>511</u>	<u>19,232</u>
Solid Waste Disposal				
Revenues	\$ 44,483	\$ 45,541	\$ 1,058	\$ 7,628
Expenses	42,191	41,442	749	6,026
	2,292	4,099	1,807	1,602
Transfer to Reserve	(377)	(351)	26	(46)
Surplus Prior to Principle Debt Repayments	1,915	3,748	1,833	1,556
Principle Debt Repayments	(2,179)	(2,196)	17	-
Surplus/(Deficit)	<u>\$ (264)</u>	<u>\$ 1,552</u>	<u>\$ 1,850</u>	<u>\$ 1,556</u>
Municipal Accommodations Fund				
Revenues	\$ 75,242	\$ 75,245	\$ 3	\$ 17,453
Expenses	64,309	64,212	97	14,027
	10,933	11,033	100	3,426
Transfer to: General Revenue Fund	(10,933)	(11,033)	(100)	(97)
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,329</u>

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

Schedule 4

forecasted for the year ending December 31, 2017
(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	\$ 673,002	\$ 673,003	\$ 1	\$ 20,856	\$ 20,604	\$ 252	\$ 253
Audit	-	-	-	1,379	1,281	98	98
Chief administrative offices	-	-	-	4,353	4,176	177	177
City clerks	531	507	(24)	14,947	14,752	195	171
Community services	17,792	18,133	341	114,892	113,807	1,085	1,426
Corporate	137,876	127,600	(10,276)	59,197	64,389	(5,192)	(15,468)
Corporate finance	5,439	5,464	25	9,073	8,506	567	592
Corporate support services	2,096	1,596	(500)	35,996	34,824	1,172	672
Council	-	-	-	3,532	3,482	50	50
Fire paramedic service	64,330	61,373	(2,957)	199,219	196,016	3,203	246
Legal services	653	626	(27)	3,078	3,138	(60)	(87)
Mayor's office	-	-	-	1,863	1,837	26	26
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	41,424	41,094	(330)	45,598	44,207	1,391	1,061
Police services	47,104	45,298	(1,806)	288,000	288,200	(200)	(2,006)
Policy and strategic initiatives	-	-	-	812	794	18	18
Public works	76,462	76,974	512	229,991	231,790	(1,799)	(1,287)
Street lighting	-	-	-	13,399	13,399	-	-
Waterworks and waste	12,800	12,587	(213)	32,293	31,604	689	476
Forecasted Deficit	\$ 1,079,509	\$ 1,064,255	\$ (15,254)	\$ 1,079,509	\$ 1,077,837	\$ 1,672	\$ (13,582)