

Agenda – Standing Policy Committee on Finance – February 15, 2018

REPORTS

Item No. 1 Financial Status Report and Forecast to December 31, 2017

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

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

ADMINISTRATIVE REPORT

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

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

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

EXECUTIVE SUMMARY

At December 31, 2017, the General Revenue Fund incurred a surplus of \$15.0 million. Consistent with Council policy this amount will transfer to the Financial Stabilization Reserve.

The 2017 tax-supported budget includes a transfer up to \$5 million from the Financial Stabilization Reserve Fund to the General Revenue Fund. However, the Financial Stabilization Reserve can afford only \$2.9 million (without reducing the Reserve below the Council approved minimum amount), as a result of the 2016 deficit elimination measures employed. In its 2016 year-end Financial Status Report for the General Revenue Fund, a \$5.1 million deficit was reported prior to utilizing Council-approved deficit elimination measures.

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 \$9.5 million in tax-supported budget savings through these measures.

The increase in surplus from that forecasted in November is largely attributable to savings relating to reduced snow clearing expenditures in December 2017 due to minimal snow accumulation.

RECOMMENDATIONS

That the Financial Status Report to December 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 December 31, 2017, the General Revenue Fund incurred a surplus of \$15.0 million. Consistent with Council policy this amount will transfer to the Financial Stabilization Reserve.

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 accounting as at December 31, 2017. As at December 31, 2017, and after transferring an amount to 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, Standing Policy Committee on Finance directed the Public Service to report on this annually.

The Public Service defines a 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, 2017, estimated actual FTEs total 8,927.7, compared to an adopted budget of 9,198.14 (net of vacancy management).

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

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. The report outlined targeted cost reductions for each tax-supported department, as well as for Transit and Water and Waste. Due largely to record snowfall in December 2016, last

year ended in a tax-supported deficit prior to Council approved deficit elimination measures being employed. The Council adopted budget for 2017 had estimated a surplus in 2016 of \$9.5 million. The City had to manage this shortfall and find \$9.5 million in savings in addition to the efficiencies' savings included in the 2017 tax-supported budget. This Financial Status Report includes \$9.5 million in tax-supported budget savings through these measures.

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 was retained in the General Revenue Fund in respect of net supplementary taxes and tax roll adjustments, \$0.4 million was also retained in the General Revenue Fund in respect of interest net of investment management fees, and \$3.3 million was transferred from the Financial Stabilization Reserve in order to balance for 2016.

The 2017 tax-supported budget includes a transfer of up to \$5.0 million from the Financial Stabilization Reserve Fund to the General Revenue Fund. However, the Financial Stabilization Reserve can afford only \$2.9 million (without reducing the Reserve below the Council approved minimum amount), as a result of the aforementioned 2016 deficit elimination measures.

Provincial funding and other

The Province has introduced a new envelope funding model for the City of Winnipeg. In discussions with Provincial representatives, the City was notified that Transit and Winnipeg Police Services grants would be consistent with 2016 actual funding without inflationary increases resulting in a forecasted budget shortfall in 2017.

Transit

Transit's financial status has been significantly impacted by changes to the Provincial funding model and less than expected passenger revenue.

The following table depicts summarized financial information for Transit:

	December Actual	2017 Budget	December Actual Variance	November Forecast Variance
Passenger fares and other revenue	\$ 85.7	\$ 87.9	\$ (2.2)	\$ (4.2)
Province of Manitoba transfer	<u>40.1</u>	<u>48.3</u>	<u>(8.2)</u>	<u>(8.2)</u>
TOTAL	125.8	136.2	(10.4)	(12.4)
Expenses	171.8	182.3	10.5	5.7
Transfer to SWRT Payment Reserve	<u>3.4</u>	<u>5.1</u>	<u>1.7</u>	<u>1.7</u>
TOTAL	<u>175.2</u>	<u>187.4</u>	<u>12.2</u>	<u>7.4</u>
DEFICIT BEFORE OTHER ITEMS	(49.4)	(51.2)	1.8	(5.0)
Transfer to Bus Replacement Reserve	(0.2)	(3.9)	3.7	3.7
Transfer from General Revenue Fund	<u>53.3</u>	<u>55.1</u>	<u>(1.8)</u>	<u>(1.8)</u>
Surplus	3.7	-	3.7	(3.1)
Retained Earnings, beginning of the year	12.2	12.2	-	-
Allocated to Capital Spending	<u>(7.1)</u>	<u>(11.1)</u>	<u>4.0</u>	<u>4.0</u>
Retained Earnings, end of year	<u>\$ 8.8</u>	<u>\$ 1.1</u>	<u>\$ 7.7</u>	<u>\$ 0.9</u>

(1) Final actuals will be impacted by year-end accounting for Public Sector Accounting requirements.

In May, the Province tabled Bill 36, *The Budget Implementation and Tax Statutes Amendment Act, 2017*. The Act repealed the 50/50 funding formula relating to Transit operating costs. The reduced level of provincial funding combined with the decreased transfer related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve has resulted in a shortfall in the Provincial transfer of \$8.2 million.

Transit also experienced a shortfall of \$2.2 million relating to declining passenger revenue. Lower ridership than planned is the primary reason for this. Compared to 2015, sample passenger counts indicate weekday ridership has declined by 9%. Ridership is influenced by many factors such as gasoline prices, demographics, weather, etc. Decrease in ridership is a national and North American trend and has been reported by many cities including Calgary, Ottawa, and Toronto.

The department has \$12.2 million in cost savings to help offset the impact of reduced ridership and Provincial funding. Included in this total is a reduced transfer of \$1.7 million to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve. In 2015, the Province committed to funding \$1.7 million towards eligible bus purchases and has recently indicated they would not be providing this previously committed funding. Also included in cost savings are savings relating to salary expenses.

The department also is contributing \$1.8 million of the \$9.5 million cost mitigation measures, thereby reducing the transfer from the General Revenue Fund. It is accomplishing this through a combination of reducing the transfer to the Bus Replacement Reserve (\$0.4 million) and using a portion of retained earnings to partially fund 2017 operations (\$1.4 million, which was approved at the June 21, 2017 Council meeting).

In order to reduce the financial impact to the General Revenue Fund, the Transit department has also identified additional savings options to help balance its budget. A report with savings options tabled at the September 15, 2017 meeting of Standing Policy Committee on Finance was approved by Council on September 28, 2017. The additional savings options include a decrease in transfer to the Bus Replacement Reserve of \$3.3 million and a deferral of capital spending utilizing retained earnings of \$3.6 million. These options have been included in this report, which in addition to increased fare revenues and expense savings have eliminated the need for an additional transfer from the General Revenue Fund.

Police Services

The Police Services has been notified that it will not receive \$0.6 million relating to 2016 programs. Further, as a result of the new funding model, an additional shortfall of \$0.6 million for 2017 programs exists. The total 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.

Fire Paramedic Service

The Fire Paramedic Service has been in discussions with the Winnipeg Regional Health Authority (WRHA) regarding funding for ambulance services for both 2017 and future years. These discussions are ongoing and while no decisive long term funding agreement has been reached because of the transition of Emergency Medical Services to the Shared Health organization in early 2018, the WRHA has advised, in writing, that 2017 funding will be capped at 2016 levels with an expectation that salary settlements and other approved service changes would be added to the base. At this time the WRHA is seeking the additional funding from Manitoba Health to address the funding shortfall that arises from cost increases in providing services throughout 2017 while keeping funding at the same level as 2016 – this is estimated at \$2.3 million. The department expects the WRHA to provide this funding.

Summary

In addition to the operating budget implications noted above, capital budgets will be impacted. The City and the Province are continuing discussions regarding Provincial funding to the City for 2017 capital projects totaling \$109.2 million.

In respect of capital projects, to date, the City has submitted claims for \$78.3 million, for which payments of \$24.6 million have been received.

Assessment Appeals

Consistent with past reports, included in the Assessment and Taxation Department's accounting is an additional provision of \$2.2 million concerning outstanding assessment appeals (for a total forecasted 2017 expense of \$6.3 million). For accounting purposes, the department estimates a value representing what outstanding assessment appeals may cost the City. The additional provision made in 2017 represents the estimated shortfall for this account as of December 31, 2016.

Under the previous four-year assessment cycle, the number of appeals outstanding decreased in the third and fourth year which allowed the department, tax agents and the Municipal Board to schedule and complete a larger number of appeals prior to the end of the assessment cycle. The City is currently in its fourth two-year assessment cycle and a trend is developing with respect to the pace Municipal Board Appeals are scheduled, heard and determined. At December 31, 2017, approximately 1,400 assessment appeals are outstanding.

The liability to the City is also impacted by interest applied to the outstanding appeals. Pursuant to *The Municipal Act (Interest on Excess Taxes Regulation 51/97)*, interest payable on tax refunds resulting from successful appeals is set at 4.75% per year.

A recent analysis of the assessment appeal liability indicates that another \$4.6 million is required to fully fund the estimated liability. This unfunded liability has been considered in the 2018 budget process.

Other

The Corporate Finance Department has prepared this report showing actual data as at December 31, 2017.

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, 2017 Year End Results; and

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

•

FINANCIAL IMPACT

Financial Impact Statement Date: February 8, 2018

Project Name:

Financial Status Report December 31, 2017

COMMENTS:

This report is prepared for information purposes.

Melissa Wensel

Acting 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: Melissa Wensel
Date: February 8, 2018
File No:
Attachments:

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, 2017 Year End Results; and

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

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

Schedule 1

Actual for year ended December 31, 2017

(in thousands of dollars)

(unaudited)

	Adopted Budget	Year to Date Actual	Variance From Budget
REVENUES			
Taxation	\$ 678,845	\$ 677,739	\$ (1,106)
Government transfers	127,789	127,623	(166)
Sale of goods and services	62,796	61,494	(1,302)
Regulation fees	59,210	55,552	(3,658)
Other	39,121	39,879	758
Interest	34,102	36,317	2,215
Payments-in-lieu of taxes	36,134	36,134	-
Transfer from other funds	41,512	32,008	(9,504)
Total Revenues	1,079,509	1,066,746	(12,763)
EXPENSES			
Assessment and taxation	20,856	21,441	(585)
Audit	1,379	1,326	53
Chief administrative offices	4,353	4,138	215
City clerks	14,947	14,444	503
Community services	114,892	111,927	2,965
Corporate	59,197	55,798	3,399
Corporate finance	9,073	8,037	1,036
Corporate support services	35,996	34,709	1,287
Council	3,532	3,420	112
Fire paramedic service	199,219	195,242	3,977
Legal services	3,078	3,075	3
Mayor's office	1,863	1,595	268
Museums	1,031	1,031	-
Planning, property and development	45,598	45,692	(94)
Police services	288,000	283,979	4,021
Policy and strategic initiatives	812	639	173
Public works	229,991	222,145	7,846
Street lighting	13,399	12,445	954
Water and waste	32,293	30,686	1,607
Total Expenses	1,079,509	1,051,769	27,740
SURPLUS BEFORE TRANSFER TO FINANCIAL STABILIZATION RESERVE	<u>\$ -</u>	<u>\$ 14,977</u>	<u>\$ 14,977</u>

Notes:

(1) See Schedule 4 for comparable departmental view.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
DECEMBER 31, 2017 YEAR END RESULTS (UNAUDITED)

Schedule 2

(in millions of dollars)

(unaudited)

Corporate Accounts:

Unfavourable variance in Corporate Accounts is mostly related to the following:

• cost mitigation measures relating to Transit:		
• reduced transfer to Bus Replacement Reserve.	0.4	
• utilization of retained earnings.	1.4	
Reduction in transfer to Transit due to cost mitigation measures	<u>1.8</u>	
• a shortfall in the transfer from the General Purpose Reserve due to the 2016 deficit.	(9.5)	
• a decrease in budgeted savings.	(7.7)	
• a shortfall in the transfer from the Financial Stabilization Reserve.	(2.1)	
• savings from adjustments to provisions.	8.0	
• savings in debt and finance charges.	1.9	
• other.	<u>0.6</u>	\$ (7.0)

The Street Lighting's favourable variance is mainly due to light and power cost savings.

1.0

Water and Waste:

• As part of the cost mitigation measures, Waterworks and Waste is reporting savings in expenses.	0.5	
• The remaining favourable variance relates to savings in contracts and other expenses.	<u>0.6</u>	1.1

Planning, Property and Development:

• As part of the cost mitigation measures, Planning, Property and Development is reporting savings to expenses and additional revenues.	0.7	
• The remaining favourable variance is mostly related to savings from position vacancies and increased transfer from Municipal Accommodations, that is partially offset by decreased regulation fees revenue.	<u>0.5</u>	1.2

The Police Services department's favourable variance is mainly due to savings associated with the new collective agreement with the Winnipeg Police Association. These savings are offset by lower Provincial funding relating to the cadet program and police helicopter.

2.1

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
DECEMBER 31, 2017 YEAR END RESULTS (CONTINUED) (UNAUDITED)

Schedule 2

(in millions of dollars)

(unaudited)

Fire Paramedic Service

- As part of the cost mitigation measures, Fire Paramedic Service is reporting savings to expenses. **0.6**
- The remaining favourable variance is mostly to higher volume of calls resulting in additional ambulance revenues. **1.6** **2.2**

Corporate Finance:

- As part of the cost mitigation measures, Corporate Finance is reporting savings to expenses. **0.5**
- The remaining favourable variance is mostly related to savings from higher capital construction interest and other revenues and recoveries. **2.1** **2.6**

Community Services:

- As part of the cost mitigation measures, Community Services is reporting savings to expenses. **1.1**
- The remaining favourable variance is mostly related to savings from position vacancies and revenues exceeding budget. **2.1** **3.2**

Public Works:

- As part of the cost mitigation measures, Public Works is reporting savings in expenses and additional revenues. **3.0**
- The remaining variance is mostly related to savings from position vacancies and insect control expenditures due to favourable weather conditions. These savings are offset by an unfavourable variance in snow clearing program expenditures, relating to the ongoing snow clearing and removal from December 2016. **3.6** **6.6**

Other departmental cost mitigation measures. **1.3**

Other departmental revenues and expenses. **0.7**

General Revenue Fund Surplus before Transfer **15.0**

Transfer to Financial Stabilization Reserve **(15.0)**

General Revenue Fund Surplus **\$ -**

(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, 2017 YEAR END RESULTS (UNAUDITED)**

Schedule 3

(in millions of dollars)

(unaudited)

Forecasted General Revenue Fund Surplus - November 30, 2017	\$ 8.7
The favourable variance in Public Works is mostly related to savings in snow clearing program expenditures in December 2017 and other expense savings.	3.3
The favourable variance in Fire Paramedic Service is related to higher revenues including ambulance revenues.	1.7
Other departmental revenues and expenses.	<u>1.3</u>
<i>General Revenue Fund Surplus before Transfer</i>	15.0
Transfer to Financial Stabilization Reserve	<u>(15.0)</u>
<i>General Revenue Fund Surplus</i>	<u>\$ -</u>

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
FINANCIAL STATUS REPORT

Schedule 4

Actual for the year ended December 31, 2017
(in thousands of dollars)
(unaudited)

	<i>Revenues</i>			<i>Expenses</i>			<i>Net Mill Rate</i>
	<i>Adopted Budget</i>	<i>Actual</i>	<i>Variance Budget/ Actual</i>	<i>Adopted Budget</i>	<i>Actual</i>	<i>Variance Budget/ Actual</i>	<i>Variance Budget/ Actual</i>
Assessment and taxation	\$ 673,002	\$ 673,400	\$ 398	\$ 20,856	\$ 21,441	\$ (585)	\$ (187)
Audit	-	-	-	1,379	1,326	53	53
Chief administrative offices	-	-	-	4,353	4,138	215	215
City clerks	531	650	119	14,947	14,444	503	622
Community services	17,792	18,024	232	114,892	111,927	2,965	3,197
Corporate	137,876	127,489	(10,387)	59,197	55,798	3,399	(6,988)
Corporate finance	5,439	7,020	1,581	9,073	8,037	1,036	2,617
Corporate support services	2,096	1,596	(500)	35,996	34,709	1,287	787
Council	-	-	-	3,532	3,420	112	112
Fire paramedic service	64,330	62,510	(1,820)	199,219	195,242	3,977	2,157
Legal services	653	706	53	3,078	3,075	3	56
Mayor's office	-	-	-	1,863	1,595	268	268
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	41,424	42,740	1,316	45,598	45,692	(94)	1,222
Police services	47,104	45,138	(1,966)	288,000	283,979	4,021	2,055
Policy and strategic initiatives	-	-	-	812	639	173	173
Public works	76,462	75,169	(1,293)	229,991	222,145	7,846	6,553
Street lighting	-	-	-	13,399	12,445	954	954
Waterworks and waste	12,800	12,304	(496)	32,293	30,686	1,607	1,111
<i>Surplus before transfer to</i>							
<i>Financial Stabilization Reserve</i>	<u>\$ 1,079,509</u>	<u>\$ 1,066,746</u>	<u>\$ (12,763)</u>	<u>\$ 1,079,509</u>	<u>\$ 1,051,769</u>	<u>\$ 27,740</u>	<u>\$ 14,977</u>