

Agenda – Standing Policy Committee on Finance – June 5, 2018

REPORTS

Item No. 2 Financial Status Report and Forecast to March 31, 2018

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the Financial Status Report to March 31, 2018 be received as information.

ADMINISTRATIVE REPORT

Title: Financial Status Report and Forecast to March 31, 2018

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

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

EXECUTIVE SUMMARY

The Financial Status Report and Forecast to March 31, 2018 currently anticipates a projected deficit of \$12.1 million for the tax-support budget (General Revenue Fund).

RECOMMENDATIONS

That the Financial Status Report to March 31, 2018 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 \$12.1 million for the tax-support budget (General Revenue Fund). 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 without impacting the delivery of core services. The Public Service will be monitoring the General Revenue Fund on a regular basis.

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 \$15.9 million, ranging from a \$0.3 million decrease to a \$28.6 million increase.

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 | Deficit in millions at March 31 | Surplus (deficit) in millions at December 31 before Final Transfers |
|------|------------------------------------|---|
| 2017 | \$ (13.6) | \$ 15.0 |
| 2016 | (4.8) | (5.1) |
| 2015 | (2.6) | 16.3 |
| 2014 | (21.4) | 0.7 |
| 2013 | (12.1) | (1.8) |

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 2019 operating budget. The current balance of the Financial Stabilization Reserve is \$80.0 million, \$15.0 million higher than the Council mandated minimum balance of 6% of the tax-supported budgeted expenditures.

Fire Paramedic Service

Discussions with Shared Health regarding funding for 2018 are ongoing.

In early 2018, it was determined that the allowance for non-collection of accounts relating to customer receivables for ambulance services was too low when considering long-term payment history and the age of receivables. Additionally the 2018 budget for allowance was too low based on forecasted billings for 2018. These two items have resulted in a net \$2.0 million negative impact in this forecast. Consistent with the previous agreement with the Winnipeg Regional Health Authority ("WRHA"), this is an expense that is subject to cost sharing with WRHA, with half of the expense to be recovered through additional grant funds from the WRHA. The department has been in discussions with Shared Health regarding their portion of the expense. Shared Health has taken over the ambulance responsibilities from WRHA effective April 1st 2018. Discussions with Shared Health have been positive in this respect, and the Public Service anticipates Shared Health will fund 50% of this expense. If an agreement is not made for this expense, revenue forecasted in this report would consequently decrease \$2.0 million.

Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2018, 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, 2018.

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 29, 2018

Project Name:

Financial Status Report March 31, 2018

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: May 29, 2018
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, 2018

forecasted for the year ending December 31, 2018

(in thousands of dollars)

(unaudited)

| | Adopted Budget | Forecast | Variance From Budget | Year to Date Actual |
|------------------------------------|-------------------|-------------|----------------------------|------------------------|
| REVENUES | | | | |
| Taxation | \$ 695,324 | \$ 695,225 | \$ (99) | \$ 159,814 |
| Government transfers | 133,530 | 136,104 | 2,574 | 22,486 |
| Regulation fees | 58,073 | 55,289 | (2,784) | 8,746 |
| Sale of goods and services | 54,477 | 53,793 | (684) | 15,798 |
| Other | 45,313 | 45,341 | 28 | 166 |
| Interest | 36,202 | 36,201 | (1) | 4,084 |
| Payments-in-lieu of taxes | 35,795 | 35,795 | - | 8,932 |
| Transfer from other funds | 23,374 | 23,298 | (76) | 3,328 |
| Total Revenues | 1,082,088 | 1,081,046 | (1,042) | 223,354 |
| EXPENSES | | | | |
| Assessment and taxation | 22,433 | 22,433 | - | 3,991 |
| Audit | 1,375 | 1,413 | (38) | 233 |
| Chief administrative offices | 4,658 | 4,565 | 93 | 1,079 |
| City clerks | 13,161 | 13,177 | (16) | 6,957 |
| Community services | 109,946 | 109,348 | 598 | 27,069 |
| Corporate | 73,751 | 74,388 | (637) | 19,845 |
| Corporate finance | 9,112 | 8,640 | 472 | 2,253 |
| Corporate support services | 34,811 | 34,964 | (153) | 8,602 |
| Council | 3,575 | 3,558 | 17 | 791 |
| Fire paramedic service | 193,457 | 199,952 | (6,495) | 51,526 |
| Legal services | 3,292 | 3,165 | 127 | 863 |
| Mayor's office | 1,805 | 1,805 | - | 343 |
| Museums | 1,031 | 1,031 | - | 637 |
| Planning, property and development | 40,430 | 41,451 | (1,021) | 14,898 |
| Police services | 291,450 | 294,269 | (2,819) | 70,820 |
| Policy and strategic initiatives | 785 | 785 | - | 115 |
| Public works | 241,375 | 242,918 | (1,543) | 43,389 |
| Street lighting | 13,306 | 13,306 | - | 3,159 |
| Water and waste | 22,335 | 21,990 | 345 | 3,832 |
| Total Expenses | 1,082,088 | 1,093,158 | (11,070) | 260,402 |
| FORECASTED DEFICIT | \$ - | \$ (12,112) | \$ (12,112) | \$ (37,048) |

Notes:

(1) See Schedule 4 for comparable departmental view.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
MARCH 31, 2018 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2018

Schedule 2

(in millions of dollars)

(unaudited)

| | |
|--|-------------------------|
| The Police Services department's net mill rate is higher than anticipated mainly due to decrease in traditional and photo enforcement revenues. Higher pension costs as well as overtime costs associated with the Winnipeg Whiteout Street parties are also contributing to the variance. | (4.5) |
| Fire Paramedic Service's net mill rate is projected higher than anticipated mainly due to higher bad debt, overtime and benefit expenses. These higher expenses are somewhat offset by cost sharing by Shared Health and higher ambulance revenue due to higher volume of calls. | (3.7) |
| Planning, Property and Development department's unfavourable variance is mostly due to a decreased in sub-division filing fees revenue and a decreased transfer from Municipal Accommodations. | (2.9) |
| Public Works department's unfavourable variance is mostly due to additional snow clearing program expenditures incurred in 2018. | (1.6) |
| Other departmental revenues and expenses. | 0.6 |
| <i>Forecasted Deficit</i> | <u>\$ (12.1)</u> |

(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, 2018

forecasted for the year ending December 31, 2018

(in thousands of dollars)

(unaudited)

| | Adopted Budget | Forecast | Variance From Budget | Actual |
|---|-------------------|--------------|----------------------------|-------------|
| General Revenue Fund | | | | |
| Revenues | \$ 1,082,088 | \$ 1,081,046 | \$ (1,042) | \$ 223,354 |
| Expenses | 1,082,088 | 1,093,158 | (11,070) | 260,402 |
| Surplus/(Deficit) | \$ - | \$ (12,112) | \$ (12,112) | \$ (37,048) |
| Transit System | | | | |
| Revenues | \$ 127,339 | \$ 127,339 | \$ - | \$ 30,317 |
| Expenses | 187,006 | 186,078 | 928 | 43,325 |
| | (59,667) | (58,739) | 928 | (13,008) |
| Transfer to Reserves | (6,737) | (6,737) | - | - |
| Transfer from General Revenue Fund | 66,404 | 66,404 | - | 16,780 |
| Surplus | \$ - | \$ 928 | \$ 928 | \$ 3,772 |
| Waterworks System | | | | |
| Revenues | \$ 133,121 | \$ 132,929 | \$ (192) | \$ 31,418 |
| Expenses | 77,886 | 77,270 | 616 | 17,696 |
| | 55,235 | 55,659 | 424 | 13,722 |
| Transfer to: | | | | |
| Water Main Renewal Reserve | (17,500) | (17,500) | - | - |
| General Revenue Fund | (15,487) | (15,487) | - | - |
| Surplus Prior to Principle Debt Repayments | 22,248 | 22,672 | 424 | 13,722 |
| Principle Debt Repayments | (4,660) | (4,660) | - | - |
| Surplus | \$ 17,588 | \$ 18,012 | \$ 424 | \$ 13,722 |
| Sewage Disposal System | | | | |
| Revenues | \$ 198,041 | \$ 197,515 | \$ (526) | \$ 44,479 |
| Expenses | 91,543 | 89,538 | 2,005 | 15,424 |
| | 106,498 | 107,977 | 1,479 | 29,055 |
| Transfer to Reserves | (41,561) | (41,561) | - | (3,969) |
| Transfer to General Revenue Fund | (22,728) | (22,728) | - | - |
| Surplus | \$ 42,209 | \$ 43,688 | \$ 1,479 | \$ 25,086 |

THE CITY OF WINNIPEG - SUMMARY BY FUND

FINANCIAL STATUS REPORT AND FORECAST

Actual for the three month period ended March 31, 2018

forecasted for the year ending December 31, 2018

(in thousands of dollars)

(unaudited)

| | Adopted Budget | Forecast | Variance From Budget | Actual |
|---|-------------------|-------------------|----------------------------|-----------------|
| Solid Waste Disposal | | | | |
| Revenues | \$ 46,321 | \$ 43,635 | \$ (2,686) | \$ 6,444 |
| Expenses | 47,468 | 46,798 | 670 | 5,962 |
| | (1,147) | (3,163) | (2,016) | 482 |
| Transfer to Reserve | (348) | (327) | 21 | (27) |
| Surplus Prior to Principle Debt Repayments | (1,495) | (3,490) | (1,995) | 455 |
| Principle Debt Repayments | (2,259) | (2,259) | - | - |
| Surplus/(Deficit) | <u>\$ (3,754)</u> | <u>\$ (5,749)</u> | <u>\$ (1,995)</u> | <u>\$ 455</u> |
| Land Drainage | | | | |
| Revenues | 5,946 | 5,759 | (187) | 1,512 |
| Expenses | 5,258 | 5,071 | 187 | 752 |
| Surplus Prior to Principle Debt Repayments | 688 | 688 | - | 760 |
| Principle Debt Repayments | (688) | (688) | - | - |
| Surplus | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>760</u> |
| Municipal Accommodations Fund | | | | |
| Revenues | \$ 72,050 | \$ 71,829 | \$ (221) | \$ 16,350 |
| Expenses | 59,968 | 60,155 | (187) | 14,662 |
| | 12,082 | 11,674 | (408) | 1,688 |
| Transfer to: General Revenue Fund | (12,082) | (11,674) | 408 | (97) |
| Surplus | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,591</u> |

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

Schedule 4

forecasted for the year ending December 31, 2018
(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 | \$ 690,893 | \$ 690,893 | \$ - | \$ 22,433 | \$ 22,433 | \$ - | \$ - |
| Audit | - | - | - | 1,375 | 1,413 | (38) | (38) |
| Chief administrative offices | - | - | - | 4,658 | 4,565 | 93 | 93 |
| City clerks | 96 | 526 | 430 | 13,161 | 13,177 | (16) | 414 |
| Community services | 18,001 | 17,401 | (600) | 109,946 | 109,348 | 598 | (2) |
| Corporate | 133,432 | 133,611 | 179 | 73,751 | 74,388 | (637) | (458) |
| Corporate finance | 5,977 | 5,980 | 3 | 9,112 | 8,640 | 472 | 475 |
| Corporate support services | 1,597 | 1,597 | - | 34,811 | 34,964 | (153) | (153) |
| Council | - | - | - | 3,575 | 3,558 | 17 | 17 |
| Fire paramedic service | 62,666 | 65,426 | 2,760 | 193,457 | 199,952 | (6,495) | (3,735) |
| Legal services | 653 | 606 | (47) | 3,292 | 3,165 | 127 | 80 |
| Mayor's office | - | - | - | 1,805 | 1,805 | - | - |
| Museums | - | - | - | 1,031 | 1,031 | - | - |
| Planning, property and development | 45,661 | 43,763 | (1,898) | 40,430 | 41,451 | (1,021) | (2,919) |
| Police services | 44,707 | 42,986 | (1,721) | 291,450 | 294,269 | (2,819) | (4,540) |
| Policy and strategic initiatives | - | - | - | 785 | 785 | - | - |
| Public works | 77,290 | 77,191 | (99) | 241,375 | 242,918 | (1,543) | (1,642) |
| Street lighting | - | - | - | 13,306 | 13,306 | - | - |
| Waterworks and waste | 1,115 | 1,066 | (49) | 22,335 | 21,990 | 345 | 296 |
| Forecasted Deficit | \$ 1,082,088 | \$ 1,081,046 | \$ (1,042) | \$ 1,082,088 | \$ 1,093,158 | \$ (11,070) | \$ (12,112) |