

Agenda – Standing Policy Committee on Finance – February 11, 2019

REPORTS

Item No. 7 Financial Status Report to December 31, 2018

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

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

ADMINISTRATIVE REPORT

Title: Financial Status Report to December 31, 2018

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
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EXECUTIVE SUMMARY

At December 31, 2018, the General Revenue Fund incurred a surplus of \$19.5 million. Consistent with Council policy this amount will transfer to the Financial Stabilization Reserve.

RECOMMENDATIONS

That the Financial Status Report to December 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 December 31, 2018, the General Revenue Fund incurred a surplus of \$19.5 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, 2018. As at December 31, 2018, 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 an 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, 2018, estimated actual FTEs total 9,010.98, compared to an adopted budget of 9,118.94 (net of vacancy management).

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

Fire Paramedic Service

Discussions with Shared Health regarding funding for 2018 are ongoing, with formal confirmation received setting a funding limit of \$24.5 million which is consistent with funding recognized.

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 \$1.6 million negative impact. Consistent with the previous agreement with the Winnipeg Regional Health Authority ("WRHA"), this is an expense that is subject to cost sharing, with half of the expense to be recovered through additional grant funds from the WRHA. Shared Health (Shared Health has taken over the ambulance responsibilities from WRHA effective April 1, 2018) has agreed to fund their portion of the expense and accordingly this is included in their funding limit.

Assessment Appeals

Included in the Assessment and Taxation Department's actuals is an additional provision of \$3.6 million concerning outstanding assessment appeals (for a total forecasted 2018 expense of \$11.0 million). The department estimates a value representing what outstanding assessment appeals may cost the City. This additional provision for 2018 is related to a recent decision at the Municipal Board which will directly impact outstanding appeals from 2012 and 2013. SPC Finance approved an over-expenditure authorization for this additional provision of \$3.6 million at its meeting of January 11, 2019. Along with the forecasted provision of \$2.3 million for the

2019 budget, this is anticipated to fully fund the allowance based on currently estimated appeal losses projected at December 31, 2018.

In total, there are approximately 2,100 realty and business assessment appeals outstanding at the Municipal Board between 2010 and 2018.

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.

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.

Transit

As of the year ended December 31, the Transit System is realizing a surplus of \$13.6 million. This forecasted surplus is separate from the General Revenue Fund Surplus of \$19.5 million. The following table depicts summarized financial information for Transit:

(in millions of \$)
(Unaudited)

	December Actual	2018 Budget	December Variance	November Forecast Variance
Fares	\$ 89.5	\$ 84.3	\$ 5.2	\$ 5.5
Other	<u>109.5</u>	<u>109.4</u>	<u>0.1</u>	<u>(0.1)</u>
	199.0	193.7	5.3	5.4
Salaries	114.5	120.8	6.3	5.6
Parts	12.7	17.4	4.7	4.6
Fuel	18.7	15.6	(3.1)	(3.3)
Other	<u>39.5</u>	<u>39.9</u>	<u>0.4</u>	<u>0.5</u>
	185.4	193.7	8.3	7.4
Surplus	<u>\$ 13.6</u>	<u>\$ -</u>	<u>\$ 13.6</u>	<u>\$ 12.8</u>

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

Revenue has exceeded budget targets because of stronger sales of Transit's various fare products than expected. The department noted decreased ridership in 2017, consistent with national and North American trends. With the 2018 twenty-five cent fare increase, it was anticipated this trend would continue in 2018. In fact, ridership in 2018 has been stable compared to 2017 and is resulting in higher than budgeted fare revenue due to the fare increase.

Transit also experienced expenses lower than budget for 2018. Bus parts expenses are under budget through various cost-saving initiatives, including utilizing a strategy to manage emissions in a more cost-efficient manner, developing an in-house program for farebox component re-builds, and revising the schedule for transmission repairs.

Salaries and benefits are also under budget due to turnover of bus operators and mechanics. New hires in these positions are being offset by higher than expected retirements and resignations. Salary dollars are saved when new hires start at lower pay steps than the experienced staff they are replacing. Additionally, the fall schedule that was implemented resulted in savings in scheduled overtime and dispatch requirements. These savings have been partially offset by higher-than-budgeted diesel fuel expenses, attributable to diesel prices.

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 two positions and other operating costs from the Property, Planning and Development department to create the Office of Sustainability located within the Office of the Chief Administrative Officer, as approved by Council on September 27, 2017;
- The transfer of the Economic Analyst position from Corporate Support Services Department to the Infrastructure Planning Office.
- 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, "The Chief Administrative Officer is authorized to transfer funds or budgets, or both funds and budgets, between departmental units that are under his or her authority in order to reflect administrative structure changes made by the Chief Administrative Officer."

Other

The Corporate Finance Department has prepared this report showing actual data as at December 31, 2018. 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, 2018 Year End Results;

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

Schedule 5 – The City of Winnipeg – General Revenue Fund - Taxation Revenue.

FINANCIAL IMPACT

Financial Impact Statement Date: January 29, 2019

Project Name:

Financial Status Report December 31, 2018

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: January 29, 2019
Attachments:

Schedule 1: Financial Status Report

Schedule 2: Budget Variances Arising from the December 31, 2018 Year End Results
(Unaudited)

Schedule 3: Reconciliation of the November Forecast to the December 31, 2018 Year End
Results (Unaudited)

Schedule 4: Financial Status Report

Schedule 5: Taxation Revenues

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
FINANCIAL STATUS REPORT

Schedule 1

Actual for the year ended December 31, 2018
(in thousands of dollars)
(unaudited)

	Adopted Budget	Year to Date Actual	Variance From Budget
REVENUES			
Taxation	\$ 695,324	\$ 695,350	\$ 26
Government transfers	133,530	134,912	1,382
Sale of goods and services	54,477	58,767	4,290
Regulation fees	58,073	57,066	(1,007)
Other	45,313	46,169	856
Interest	36,202	40,304	4,102
Payments-in-lieu of taxes	35,795	35,795	-
Transfer from other funds	23,374	24,798	1,424
Total Revenues	1,082,088	1,093,161	11,073
EXPENSES			
Assessment and taxation	22,433	25,164	(2,731)
Audit	1,375	1,154	221
Chief administrative offices	4,658	4,509	149
City clerks	13,161	13,613	(452)
Community services	109,946	108,684	1,262
Corporate	73,751	68,049	5,702
Corporate finance	9,112	8,274	838
Corporate support services	34,811	33,808	1,003
Council	3,575	3,474	101
Fire paramedic service	193,457	196,677	(3,220)
Legal services	3,292	3,240	52
Mayor's office	1,805	1,734	71
Museums	1,031	1,031	-
Planning, property and development	40,430	41,357	(927)
Police services	291,450	290,564	886
Policy and strategic initiatives	785	549	236
Public works	241,375	237,722	3,653
Street lighting	13,306	12,425	881
Water and waste	22,335	21,634	701
Total Expenses	1,082,088	1,073,662	8,426
SURPLUS BEFORE TRANSFER TO FINANCIAL STABILIZATION	\$ -	\$ 19,499	\$ 19,499

Notes:

- (1) See Schedule 4 for comparable departmental view.
- (2) See Schedule 5 for breakdown of taxation and payments-in-lieu of taxes.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
DECEMBER 31, 2018 YEAR END RESULTS (UNAUDITED)

Schedule 2

(in millions of dollars)
(unaudited)

Corporate Accounts favourable variance is mostly related to savings in debt and finance charges due to delaying new debt issuance. Additionally, savings are projected from adjustments to provisions, and pension contribution and severance savings. These savings are somewhat offset by a shortfall in budgeted efficiency savings that are being realized in departments.	6.6
The Police Services department's net mill rate is lower than anticipated mainly due to savings in salaries and other benefits as well as higher revenues.	4.2
Corporate Finance department's favourable variance is mostly related to higher investment interest revenue and savings in salaries and benefits.	3.5
Public Works positive variance mostly relates to net savings in insect control expenditures due to favourable weather conditions and savings from salaries and benefits. This is somewhat offset by higher snow clearing program expenditures.	2.5
Community Service department's favourable net mill rate variance is mostly related to savings in salaries and benefits.	1.5
City Clerks department's favourable net mill rate variance is mostly related to higher revenues for appeals with the board of revision.	1.1
Corporate Support Services' favourable net mill rate variance is mostly related to savings in salaries and benefits.	1.0
Assessment and Taxation department's unfavourable variance is largely attributable to higher assessment appeals allowance, which is somewhat offset by higher tax penalty interest revenue.	(1.4)
Fire paramedic service net mill rate is projected higher than budgeted mainly due to net bad debt expenses. The department is forecasting higher ambulance fees due to higher volume of calls as well as savings compared to budget due to the collective agreement settlement with Manitoba Government and General Employees' Union, both to the financial benefit of Shared Health Services. At the same time, inter-facility transfers are now being funded by Shared Health Services.	(1.7)
Other departmental revenues and expenses.	<u>2.2</u>
General Revenue Fund Surplus before Transfer	<u>\$ 19.5</u>
Transfer to Financial Stabilization Reserve	<u>(19.5)</u>
General Revenue Fund Surplus	<u><u>\$ -</u></u>

(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, 2018 YEAR END RESULTS (UNAUDITED)

Schedule 3

(in millions of dollars)
(unaudited)

Forecasted General Revenue Fund Surplus - November 30, 2018	\$ 14.2
Public Work's net mill rate improvement is mostly related to lower than forecasted snow clearing program expenditures in December.	1.2
Other departmental revenues and expenses.	<u>4.1</u>
<i>General Revenue Fund Surplus before Transfer</i>	<u>\$ 19.5</u>
Transfer to Financial Stabilization Reserve	<u>(19.5)</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, 2018
(in thousands of dollars)
(unaudited)*

	Revenues			Expenses			Net Mill Rate
	Adopted Budget	Actual	Variance Budget/Forecast	Adopted Budget	Actual	Variance Budget/Forecast	
Assessment and taxation	\$ 690,893	\$ 692,183	\$ 1,290	\$ 22,433	\$ 25,164	\$ (2,731)	\$ (1,441)
Audit	-	-	-	1,375	1,154	221	221
Chief administrative offices	-	89	89	4,658	4,509	149	238
City clerks	96	1,630	1,534	13,161	13,613	(452)	1,082
Community services	18,001	18,256	255	109,946	108,684	1,262	1,517
Corporate	133,432	134,371	939	73,751	68,049	5,702	6,641
Corporate finance	5,977	8,608	2,631	9,112	8,274	838	3,469
Corporate support services	1,597	1,597	-	34,811	33,808	1,003	1,003
Council	-	2	2	3,575	3,474	101	103
Fire paramedic service	62,666	64,232	1,566	193,457	196,677	(3,220)	(1,654)
Legal services	653	640	(13)	3,292	3,240	52	39
Mayor's office	-	-	-	1,805	1,734	71	71
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	45,661	46,291	630	40,430	41,357	(927)	(297)
Police services	44,707	47,978	3,271	291,450	290,564	886	4,157
Policy and strategic initiatives	-	-	-	785	549	236	236
Public works	77,290	76,123	(1,167)	241,375	237,722	3,653	2,486
Street lighting	-	-	-	13,306	12,425	881	881
Waterworks and waste	1,115	1,161	46	22,335	21,634	701	747
Surplus before Transfers	\$ 1,082,088	\$ 1,093,161	\$ 11,073	\$ 1,082,088	\$ 1,073,662	\$ 8,426	\$ 19,499

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
TAXATION REVENUES

Schedule 5

Actual for the year ended December 31, 2018
(in thousands of dollars)
(unaudited)

	Adopted Budget	Year to Date Actual	Variance From Budget
Property taxes	\$ 585,584	\$ 593,289	\$ 7,705
Transfer to Financial Stabilization Reserve*	-	(7,698)	(7,698)
	585,584	585,591	7
Business taxes	56,916	59,480	2,564
Transfer to Financial Stabilization Reserve*	-	(2,564)	(2,564)
	56,916	56,916	-
Street renewal frontage levy	63,017	62,906	(111)
Electricity tax	18,325	18,995	670
Gas tax	3,000	2,741	(259)
Other taxation	4,277	3,996	(281)
Total taxation and payments-in-lieu of taxes revenue	\$ 731,119	\$ 731,145	\$ 26
Taxation	\$ 695,324	\$ 695,350	\$ 26
Payments-in-lieu of taxes	35,795	35,795	-
Total taxation and payments-in-lieu of taxes revenue	\$ 731,119	\$ 731,145	\$ 26

* On September 28, 2011, City Council approved a report from the Executive Policy Committee to permit transfers to or from the Financial Stabilization Reserve to offset any variance in the revenue projections for taxes billed including net supplementary taxes used in the General Revenue Fund budget and the actual amounts achieved.