

Agenda – Standing Policy Committee on Finance – September 9, 2019

REPORTS

Item No. 8 Financial Status Report and Forecast to June 30, 2019

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the Financial Status Report to June 30, 2019 be received as information.

ADMINISTRATIVE REPORT

Title: Financial Status Report and Forecast to June 30, 2019

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 June 30, 2019 currently anticipates a projected deficit of \$7.7 million for the tax-support budget (General Revenue Fund).

RECOMMENDATIONS

That the Financial Status Report to June 30, 2019 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 \$7.7 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 June 30, 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 second 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 second quarter and year-end is \$16.3 million, ranging \$0.3 – 23.2 million.

HISTORY/DISCUSSION

The forecasted results at June 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 June 30	Surplus (deficit) in millions at December 31 before Final Transfers
2018	\$ (2.7)	\$ 19.5
2017	(8.2)	15.0
2016	(5.4)	(5.1)
2015	3.5	16.3
2014	(22.4)	0.7

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 2020 operating budget. The Financial Stabilization Reserve is projected to be \$35.7 million higher than the Council mandated minimum balance of 6% of the tax-supported budgeted expenditures after budgeted transfers at December 31, 2019.

Transit

As of June 30, 2019, the Transit System is forecasting a year-end operating surplus of \$3.4 million. This forecasted surplus is separate from the General Revenue Fund deficit of \$7.7 million. The following table depicts summarized financial information for Transit:

(in millions of \$)

	June Forecast	2019 Budget	June Forecast Variance	March Forecast Variance
Fares	\$ 89.8	\$ 90.5	\$ (0.7)	\$ -
Transfer from GRF	70.6	70.6	-	-
Other	43.2	43.2	-	-
	<u>203.6</u>	<u>204.3</u>	<u>(0.7)</u>	<u>-</u>
Salaries	120.2	121.4	1.2	0.3
Fuel	18.8	20.8	2.0	-
Parts	14.2	14.8	0.6	-
Other	47.0	47.3	0.3	-
	<u>200.2</u>	<u>204.3</u>	<u>4.1</u>	<u>0.3</u>
Surplus	<u>\$ 3.4</u>	<u>\$ -</u>	<u>\$ 3.4</u>	<u>\$ 0.3</u>

This forecasted surplus includes a tax-supported transfer from the General Revenue Fund of \$70.6 million, as per the 2019 adopted budget. The surplus is mostly the result of savings related to diesel fuel expenses, attributable to lower than budgeted market prices and savings incurred on salaries and benefits. Savings in salaries and benefits are in part the result of an ATU ban on voluntary overtime forecasted to result in approximately \$0.4 million of savings with the remainder resulting from normal fluctuations in staffing levels.

Any surplus incurred will flow to the Funds retained earnings. Use of retained earnings is at Council's discretion. For example, subject to council approval in the budget process, retained earnings could be used to fund capital projects in future years.

Fire Paramedic Service

Discussions with Shared Health regarding funding for 2019 are ongoing. This forecast has therefore assumed a funding model where EMS costs are fully recovered from Shared Health.

Snow Removal and Ice Control Over Expenditure

The Public Works Department has experienced a significant over expenditure related to snow removal and ice control. During the year \$46.2 million is expected to be spent on snow removal and ice control operations resulting in a projected over expenditure of \$11.4 million. The total 2019 Public Works Department snow removal and ice control budget is \$34.8 million. The over expenditures are the result of above average snow accumulation during February 2019, which saw the most snowfall in a February in 30 years. February 2019 had 38.4 centimeters of snow versus a 30 year average of 13.8 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>)

Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2019, 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 June 30, 2019.

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 – General Revenue Fund – Reconciliation of March to June forecast;

Schedule 4 – The City of Winnipeg – Summary by Fund;

Schedule 5 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department; and

Schedule 6 – The City of Winnipeg – General Revenue Fund – Taxation Revenues.

FINANCIAL IMPACT

Financial Impact Statement Date: August 15 , 2019

Project Name:

Financial Status Report June 30, 2019

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: August 29, 2019
File No:
Attachments:

THE CITY OF WINNIPEG - GENERAL REVENUE FUND

FINANCIAL STATUS REPORT AND FORECAST

Schedule 1

Actual for the six month period ended June 30, 2019

forecasted for the year ending December 31, 2019

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
REVENUES				
Taxation	\$ 717,162	\$ 717,543	\$ 381	\$ 379,910
Government transfers	143,835	144,830	995	51,856
Regulation fees	58,754	56,933	(1,821)	24,924
Sale of goods and services	53,935	54,254	319	26,910
Other	45,384	45,375	(9)	333
Interest	38,236	41,337	3,101	9,358
Payments-in-lieu of taxes	36,714	36,714	-	18,239
Transfer from other funds	30,932	32,031	1,099	4,895
Total Revenues	1,124,952	1,129,017	4,065	516,425
EXPENSES				
Assessment and taxation	23,554	22,731	823	8,359
Audit	1,396	1,334	62	537
Chief administrative offices	5,855	5,964	(109)	2,641
City clerks	13,575	13,372	203	8,293
Community services	114,068	114,668	(600)	54,750
Corporate	79,378	77,709	1,669	41,118
Corporate finance	8,342	7,603	739	3,489
Council	4,001	4,024	(23)	1,889
Customer service and communication	8,538	8,788	(250)	4,292
Fire paramedic service	201,517	201,415	102	96,978
Human resource services	6,055	6,382	(327)	3,073
Innovation, transformation and technology	25,113	25,062	51	10,189
Legal services	3,459	4,683	(1,224)	1,682
Mayor's office	1,832	1,832	-	754
Museums	765	765	-	631
Planning, property and development	44,113	45,414	(1,301)	24,809
Police service	301,417	302,398	(981)	146,218
Policy and strategic initiatives	830	730	100	324
Public works	244,802	256,693	(11,891)	160,459
Street lighting	13,116	12,061	1,055	6,027
Water and waste	23,226	23,067	159	9,143
Total Expenses	1,124,952	1,136,695	(11,743)	585,655
FORECASTED DEFICIT	\$ -	\$ (7,678)	\$ (7,678)	\$ (69,230)

Notes:

(1) See Schedule 5 for comparable departmental view.

(2) See Schedule 6 for breakdown of taxation and payments-in-lieu of taxes.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE
JUNE 30, 2019 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2019

Schedule 2

(in millions of dollars)
(unaudited)

Public Works department's unfavourable variance is mostly due to additional snow clearing program expenditures incurred in 2019 as well as costs associated with spring flood preparations, and increased parks and open space expenditures. These increases are somewhat offset by savings in salary and benefits.	(12.0)
Planning, Property and Development department's unfavourable variance is mostly due to an unbudgeted transfer to the permit reserve and a decrease in sub-division filing fees revenue, this is somewhat offset by an increase in permit fees revenues.	(1.4)
Legal Services department's unfavourable variance is mostly related to an increase in external legal fees.	(1.1)
The Police Services department's net mill rate is higher than anticipated mainly due to a decrease in photo enforcement revenues.	(1.0)
Street Lighting savings is mainly due to light and power cost savings.	1.1
Corporate's favourable variance is primarily related to an increase in budgeted efficiency savings to offset the increased legal fees budgeted.	1.9
Corporate Finance's favourable variance is mostly related to increased interest earned on investments.	2.0
Assessment and Taxation department's favourable variance is largely attributable to higher tax penalty interest revenue.	3.0
Other departmental revenues and expenses.	(0.2)
<i>Forecasted Deficit</i>	<u>\$ (7.7)</u>

(1) See Schedule 1 and 5 for breakdown of other departmental revenues and expenses.

**THE CITY OF WINNIPEG - GENERAL REVENUE FUND
RECONCILIATION OF MARCH TO JUNE FORECAST
JUNE 30, 2019 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2019**

Schedule 3

*(in millions of dollars)
(unaudited)*

Forecasted General Revenue Fund Deficit - March 31, 2019	\$ (9.8)
Assessment and Taxation department's increased favourable variance is due to higher tax penalty interest revenue.	2.6
Corporate's increased favourable variance is mostly related to an increase in budgeted efficiency savings to offset the increased legal fees budgeted.	1.5
Legal Service's decreased net mill rate is mostly due to an increase in external legal fees.	(1.2)
Other departmental revenues and expenses.	<u>(0.8)</u>
<i>Forecasted General Revenue Fund Deficit - June 30, 2019</i>	<u><u>\$ (7.7)</u></u>

THE CITY OF WINNIPEG - SUMMARY BY FUND

FINANCIAL STATUS REPORT AND FORECAST

Schedule 4

Actual for the six month period ended June 30, 2019

forecasted for the year ending December 31, 2019

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
General Revenue Fund				
Revenues	\$ 1,124,952	\$ 1,129,017	\$ 4,065	\$ 516,425
Expenses	1,124,952	1,136,695	(11,743)	585,655
Deficit	<u>\$ -</u>	<u>\$ (7,678)</u>	<u>\$ (7,678)</u>	<u>\$ (69,230)</u>
Transit System				
Revenues	\$ 133,645	\$ 132,991	\$ (654)	\$ 55,285
Expenses	192,679	188,671	4,008	88,747
	(59,034)	(55,680)	3,354	(33,462)
Transfer to Reserves	(7,148)	(7,148)	-	(3,574)
Transfer from General Revenue Fund	70,561	70,561	-	35,280
Surplus Prior to Principle Debt Repayments	4,379	7,733	3,354	(1,756)
Principle Debt Repayments	(4,379)	(4,379)		(880)
Surplus/(Deficit)	<u>\$ -</u>	<u>\$ 3,354</u>	<u>\$ 3,354</u>	<u>\$ (2,636)</u>
Waterworks System				
Revenues	\$ 130,347	\$ 130,599	\$ 252	\$ 62,876
Expenses	79,201	80,191	(990)	40,750
	51,146	50,408	(738)	22,126
Transfer to:				
Water Main Renewal Reserve	(19,000)	(19,000)	-	(9,500)
General Revenue Fund	(13,862)	(13,862)	-	-
Surplus Prior to Principle Debt Repayments	18,284	17,546	(738)	12,626
Principle Debt Repayments	(4,868)	(4,868)	-	-
Surplus	<u>\$ 13,416</u>	<u>\$ 12,678</u>	<u>\$ (738)</u>	<u>\$ 12,626</u>

THE CITY OF WINNIPEG - SUMMARY BY FUND

FINANCIAL STATUS REPORT AND FORECAST

Actual for the six month period ended June 30, 2019

forecasted for the year ending December 31, 2019

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Sewage Disposal System				
Revenues	\$ 194,703	\$ 195,726	\$ 1,023	\$ 93,967
Expenses	91,051	89,767	1,284	43,553
	103,652	105,959	2,307	50,414
Transfer to Reserves	(110,372)	(110,372)	-	(11,256)
Transfer to General Revenue Fund	(20,350)	(20,350)	-	-
Transfer to Land Drainage	(11,802)	(11,541)	261	(9,063)
Surplus/(Deficit)	<u>\$ (38,872)</u>	<u>(36,304)</u>	<u>2,568</u>	<u>30,095</u>
Solid Waste Disposal				
Revenues	\$ 45,214	\$ 43,267	\$ (1,947)	\$ 13,962
Expenses	49,530	46,931	2,599	16,252
	(4,316)	(3,664)	652	(2,290)
Transfer to Reserve	(334)	(311)	23	(123)
Deficit Prior to Principle Debt Repayments	(4,650)	(3,975)	675	(2,413)
Principle Debt Repayments	(2,413)	(2,322)	(91)	-
Deficit	<u>\$ (7,063)</u>	<u>\$ (6,297)</u>	<u>\$ 584</u>	<u>\$ (2,413)</u>
Land Drainage				
Revenues	5,728	5,549	(179)	2,952
Expenses	5,023	4,844	179	1,870
Surplus Prior to Principle Debt Repayments	705	705	-	1,082
Principle Debt Repayments	(705)	(705)	-	-
Surplus	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,082</u>
Municipal Accommodations Fund				
Revenues	\$ 72,443	\$ 72,430	\$ (13)	\$ 34,103
Expenses	62,290	62,277	13	27,572
	10,153	10,153	-	6,531
Transfer to: General Revenue Fund	(10,153)	(10,153)	-	(365)
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,166</u>

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

Schedule 5

forecasted for the year ending December 31, 2019
(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	\$ 714,516	\$ 716,644	\$ 2,128	\$ 23,554	\$ 22,731	\$ 823	\$ 2,951
Audit	-	-	-	1,396	1,334	62	62
Chief administrative offices	-	122	122	5,855	5,964	(109)	13
City clerks	516	771	255	13,575	13,372	203	458
Community services	18,221	18,859	638	114,068	114,668	(600)	38
Corporate	143,605	143,802	197	79,378	77,709	1,669	1,866
Corporate finance	6,077	7,300	1,223	8,342	7,603	739	1,962
Council	-	1	1	4,001	4,024	(23)	(22)
Customer service and communication	1,452	1,572	120	8,538	8,788	(250)	(130)
Fire paramedic service	68,378	67,829	(549)	201,517	201,415	102	(447)
Human resource services	-	-	-	6,055	6,382	(327)	(327)
Innovation, transformation and technology	146	146	-	25,113	25,062	51	51
Legal services	475	562	87	3,459	4,683	(1,224)	(1,137)
Mayor's office	-	-	-	1,832	1,832	-	-
Museums	-	-	-	765	765	-	-
Planning, property and development	47,053	46,953	(100)	44,113	45,414	(1,301)	(1,401)
Police service	46,135	46,138	3	301,417	302,398	(981)	(978)
Policy and strategic initiatives	-	-	-	830	730	100	100
Public works	77,236	77,140	(96)	244,802	256,693	(11,891)	(11,987)
Street lighting	-	-	-	13,116	12,061	1,055	1,055
Waterworks and waste	1,142	1,178	36	23,226	23,067	159	195
Forecasted Deficit	\$ 1,124,952	\$ 1,129,017	\$ 4,065	\$ 1,124,952	\$ 1,136,695	\$ (11,743)	\$ (7,678)

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
TAXATION REVENUES

Schedule 6

forecasted for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
Property taxes	\$ 607,737	\$ 609,856	\$ 2,119	\$ 299,769
Business taxes	56,916	57,175	259	22,602
Transfer to Financial Stabilization Reserve*	-	(2,378)	(2,378)	-
	664,653	664,653	-	322,371
Street renewal frontage levy	63,245	63,397	152	63,396
Electricity tax	19,000	19,300	300	8,214
Gas tax	2,800	2,800	-	1,172
Other taxation	4,178	4,107	(71)	2,996
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,257</u>	<u>\$ 381</u>	<u>\$ 398,149</u>
Taxation	\$ 717,162	\$ 717,543	\$ 381	\$ 379,910
Payments-in-lieu of taxes	36,714	36,714	-	18,239
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,257</u>	<u>\$ 381</u>	<u>\$ 398,149</u>

* 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.