

**Agenda – Standing Policy Committee on Finance – October 11, 2019**

**REPORTS**

**Item No. 7                      Financial Status Report and Forecast to August 31, 2019**

**WINNIPEG PUBLIC SERVICE RECOMMENDATION:**

1.        That the Financial Status Report to August 31, 2019 be received as information.

## ADMINISTRATIVE REPORT

**Title:** Financial Status Report and Forecast to August 31, 2019

**Critical Path:** Standing Policy Committee on Finance

### AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	P. Olafson	P. Olafson, Interim CFO	D. Wardrop, Acting Interim CAO

### EXECUTIVE SUMMARY

The Financial Status Report and Forecast to August 31, 2019 currently anticipates a projected deficit of \$6.9 million for the tax-support budget (General Revenue Fund).

### RECOMMENDATIONS

1. That the Financial Status Report to August 31, 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 \$6.9 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 August 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 the experience of the past few years it is not unusual for the August forecast to report a projected deficit which is eliminated by the end of the year. The average change over the last three of five published years between August and the year-end is \$7.1 million, ranging from a \$2.0 million decrease to a \$14.0 million increase. Within the previous five year period, the non-reported years were election years, where no August report was tabled at a meeting of Standing Policy Committee on Finance.

## HISTORY/DISCUSSION

The forecasted results at August 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 August 31	Surplus (deficit) in millions at December 31 before Final Transfers
2018	\$ N/A	\$ 19.5
2017	1.0	15.0
2016	(3.1)	(5.1)
2015	6.9	16.3
2014	N/A	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 August 31, 2019, the Transit System is forecasting a year-end operating surplus of \$4.3 million. This forecasted surplus is separate from the General Revenue Fund deficit of \$6.9 million. The following table depicts summarized financial information for Transit:

(in millions of \$)

	August Forecast	2019 Budget	August Forecast Variance	June Forecast Variance
Fares	\$ 89.9	\$ 90.5	\$ (0.6)	\$ (0.7)
Transfer from GRF	70.6	70.6	-	-
Other	43.2	43.2	-	-
	203.7	204.3	(0.6)	(0.7)
Salaries	119.8	121.4	1.6	1.2
Fuel	18.5	20.8	2.3	2.0
Parts	13.9	14.8	0.9	0.6
Other	47.2	47.3	0.1	0.3
	199.4	204.3	4.9	4.1
Surplus	\$ 4.3	\$ -	\$ 4.3	\$ 3.4

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.

Any surplus incurred will flow to the Department's retained earnings. The use of retained earnings is at Council's discretion. For example, subject to Council approval, retained earnings could be used to fund capital projects.

#### **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, \$46.0 million is expected to be spent on snow removal and ice control operations resulting in a projected over-expenditure of \$11.2 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 centimetres of snow versus a 30 year average of 13.8 centimetres (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 August 31, 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 June to August 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.

<b>FINANCIAL IMPACT</b>
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**Financial Impact Statement    Date: October 1 , 2019**

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**Project Name:**

**Financial Status Report August 31, 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 the 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: October 1, 2019

Attachments:

Schedule 1 – General Revenue Fund, Actual for period ending August 31, 2019  
Schedule 2 – General Revenue Fund Budget Variances Arising from the August 31, 2019 Forecast  
Schedule 3 – General Revenue Fund Reconciliation of June to August  
Schedule 4 – Summary by Fund  
Schedule 5 – General Revenue Fund, Forecast for the year ending December 31, 2019  
Schedule 6 – Taxation Revenues

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

**Schedule 1**

*Actual for the eight month period ended August 31, 2019*

*forecasted for the year ending December 31, 2019*

*(in thousands of dollars)*

*(unaudited)*

	<b>Adopted Budget</b>	<b>Forecast</b>	<b>Variance From Budget</b>	<b>Year to Date Actual</b>
<b>REVENUES</b>				
Taxation	\$ 717,162	\$ 717,619	\$ 457	\$ 490,561
Government transfers	143,835	144,231	396	88,615
Regulation fees	58,754	57,697	(1,057)	38,559
Sale of goods and services	53,935	55,594	1,659	35,371
Other	45,384	45,411	27	1,702
Interest	38,236	41,635	3,399	15,256
Payments-in-lieu of taxes	36,714	36,714	-	24,319
Transfer from other funds	30,932	31,301	369	18,835
Total Revenues	1,124,952	1,130,202	5,250	713,218
<b>EXPENSES</b>				
Assessment and taxation	23,554	22,486	1,068	11,333
Audit	1,396	1,317	79	676
Chief administrative offices	5,855	5,899	(44)	3,706
City clerks	13,575	13,290	285	10,588
Community services	114,068	114,389	(321)	79,319
Corporate	79,378	79,200	178	52,383
Corporate finance	8,342	7,494	848	5,047
Council	4,001	4,020	(19)	2,544
Customer service and communication	8,538	8,831	(293)	5,895
Fire paramedic service	201,517	201,496	21	130,467
Human resource services	6,055	6,514	(459)	4,288
Innovation, transformation and technology	25,113	24,371	742	13,085
Legal services	3,459	4,611	(1,152)	2,380
Mayor's office	1,832	1,834	(2)	961
Museums	765	765	-	706
Planning, property and development	44,113	45,918	(1,805)	31,534
Police service	301,417	303,028	(1,611)	199,807
Policy and strategic initiatives	830	690	140	428
Public works	244,802	255,955	(11,153)	198,759
Street lighting	13,116	12,115	1,001	9,077
Water and waste	23,226	22,911	315	13,010
Total Expenses	1,124,952	1,137,134	(12,182)	775,993
<b>FORECASTED DEFICIT</b>	<b>\$ -</b>	<b>\$ (6,932)</b>	<b>\$ (6,932)</b>	<b>\$ (62,775)</b>

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**  
**AUGUST 31, 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 increased parks and open space expenditures. These increases are somewhat offset by savings in salary and benefits.	<b>(10.9)</b>
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.	<b>(1.8)</b>
The Police Services department's net mill rate is higher than anticipated mainly due to a decrease in photo enforcement revenues.	<b>(1.1)</b>
Legal Services department's unfavourable variance is mostly related to an increase in external legal fees.	<b>(1.0)</b>
Street Lighting savings is mainly due to light and power cost savings.	<b>1.0</b>
Corporate Finance's favourable variance is mostly related to increased interest earned on investments.	<b>2.3</b>
Assessment and Taxation department's favourable variance is largely attributable to higher tax penalty interest revenue.	<b>3.4</b>
Other departmental revenues and expenses.	<b>1.2</b>
<b><i>Forecasted Deficit</i></b>	<b><u>\$ (6.9)</u></b>

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



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

**Schedule 3**

*(in millions of dollars)  
(unaudited)*

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Forecasted General Revenue Fund Deficit - June 30, 2019	<b>\$ (7.7)</b>
Public work's favourable variance is mostly related to savings in salary and benefits.	<b>1.0</b>
Corporate's unfavourable variance is mostly related to a shortfall in budgeted efficiency savings that are being realized in departments.	<b>(1.5)</b>
Other departmental revenues and expenses.	<b><u>1.3</u></b>
<b><i>Forecasted General Revenue Fund Deficit -August 31, 2019</i></b>	<b><u><u>\$ (6.9)</u></u></b>

# THE CITY OF WINNIPEG - SUMMARY BY FUND

## FINANCIAL STATUS REPORT AND FORECAST

Schedule 4

Actual for the eight month period ended August 31, 2019

forecasted for the year ending December 31, 2019

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
<b>General Revenue Fund</b>				
Revenues	\$ 1,124,952	\$ 1,130,202	\$ 5,250	\$ 713,218
Expenses	1,124,952	1,137,134	(12,182)	775,993
Deficit	<u>\$ -</u>	<u>\$ (6,932)</u>	<u>\$ (6,932)</u>	<u>\$ (62,775)</u>
<b>Transit System</b>				
Revenues	\$ 133,645	\$ 133,128	\$ (517)	\$ 84,562
Expenses	192,679	187,904	4,775	124,066
	(59,034)	(54,776)	4,258	(39,504)
Transfer to Reserves	(7,148)	(7,148)	-	(4,765)
Transfer from General Revenue Fund	70,561	70,561	-	47,041
Surplus Prior to Principle Debt Repayments	4,379	8,637	4,258	2,772
Principle Debt Repayments	(4,379)	(4,379)		(1,173)
Surplus	<u>\$ -</u>	<u>\$ 4,258</u>	<u>\$ 4,258</u>	<u>\$ 1,599</u>
<b>Waterworks System</b>				
Revenues	\$ 130,347	\$ 130,683	\$ 336	\$ 86,189
Expenses	79,201	79,923	(722)	55,711
	51,146	50,760	(386)	30,478
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	17,898	(386)	20,978
Principle Debt Repayments	(4,868)	(4,868)	-	-
Surplus	<u>\$ 13,416</u>	<u>\$ 13,030</u>	<u>\$ (386)</u>	<u>\$ 20,978</u>

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

*Actual for the eight month period ended August 31, 2019*

*forecasted for the year ending December 31, 2019*

*(in thousands of dollars)*

*(unaudited)*

	<b>Adopted Budget</b>	<b>Forecast</b>	<b>Variance From Budget</b>	<b>Actual</b>
<b>Sewage Disposal System</b>				
Revenues	\$ 194,703	\$ 195,186	\$ 483	\$ 129,804
Expenses	91,051	88,895	2,156	64,122
	103,652	106,291	2,639	65,682
Transfer to Reserves	(110,372)	(110,372)	-	(13,324)
Transfer to General Revenue Fund	(20,350)	(20,350)	-	-
Transfer to Land Drainage	(11,802)	(11,527)	275	(9,976)
Surplus/(Deficit)	<u>\$ (38,872)</u>	<u>(35,958)</u>	<u>2,914</u>	<u>42,382</u>
<b>Solid Waste Disposal</b>				
Revenues	\$ 45,214	\$ 43,389	\$ (1,825)	\$ 21,466
Expenses	49,530	46,427	3,103	24,096
	(4,316)	(3,038)	1,278	(2,630)
Transfer to Reserve	(334)	(312)	22	(185)
Deficit Prior to Principle Debt Repayments	(4,650)	(3,350)	1,300	(2,815)
Principle Debt Repayments	(2,413)	(2,322)	(91)	-
Deficit	<u>\$ (7,063)</u>	<u>\$ (5,672)</u>	<u>\$ 1,209</u>	<u>\$ (2,815)</u>
<b>Land Drainage</b>				
Revenues	5,728	5,582	(146)	3,954
Expenses	5,023	4,877	146	2,662
Surplus Prior to Principle Debt Repayments	705	705	-	1,292
Principle Debt Repayments	(705)	(705)	-	-
Surplus	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,292</u>
<b>Municipal Accommodations Fund</b>				
Revenues	\$ 72,443	\$ 72,268	\$ (175)	\$ 45,796
Expenses	62,290	62,732	(442)	39,902
	10,153	9,536	(617)	5,894
Transfer to: General Revenue Fund	(10,153)	(9,536)	617	(396)
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,498</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>
	<b>Adopted Budget</b>	<b>Forecast</b>	<b>Variance Budget/Forecast</b>	<b>Adopted Budget</b>	<b>Forecast</b>	<b>Variance Budget/Forecast</b>	
Assessment and taxation	\$ 714,516	\$ 716,812	\$ 2,296	\$ 23,554	\$ 22,486	\$ 1,068	\$ 3,364
Audit	-	-	-	1,396	1,317	79	79
Chief administrative offices	-	157	157	5,855	5,899	(44)	113
City clerks	516	783	267	13,575	13,290	285	552
Community services	18,221	18,928	707	114,068	114,389	(321)	386
Corporate	143,605	143,802	197	79,378	79,200	178	375
Corporate finance	6,077	7,500	1,423	8,342	7,494	848	2,271
Council	-	1	1	4,001	4,020	(19)	(18)
Customer service and communication	1,452	1,607	155	8,538	8,831	(293)	(138)
Fire paramedic service	68,378	67,532	(846)	201,517	201,496	21	(825)
Human resource services	-	-	-	6,055	6,514	(459)	(459)
Innovation, transformation and technology	146	146	-	25,113	24,371	742	742
Legal services	475	615	140	3,459	4,611	(1,152)	(1,012)
Mayor's office	-	-	-	1,832	1,834	(2)	(2)
Museums	-	-	-	765	765	-	-
Planning, property and development	47,053	47,056	3	44,113	45,918	(1,805)	(1,802)
Police service	46,135	46,627	492	301,417	303,028	(1,611)	(1,119)
Policy and strategic initiatives	-	-	-	830	690	140	140
Public works	77,236	77,445	209	244,802	255,955	(11,153)	(10,944)
Street lighting	-	-	-	13,116	12,115	1,001	1,001
Waterworks and waste	1,142	1,191	49	23,226	22,911	315	364
<b>Forecasted Deficit</b>	<b>\$ 1,124,952</b>	<b>\$ 1,130,202</b>	<b>\$ 5,250</b>	<b>\$ 1,124,952</b>	<b>\$ 1,137,134</b>	<b>\$ (12,182)</b>	<b>\$ (6,932)</b>

**THE CITY OF WINNIPEG - GENERAL REVENUE FUND**  
**TAXATION REVENUES**

**Schedule 6**

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

	<b>Adopted</b>		<b>Variance</b>	
	<b>Budget</b>	<b>Forecast</b>	<b>From</b>	<b>Year to</b>
			<b>Budget</b>	<b>Date Actual</b>
Property taxes	\$ 607,737	\$ 609,952	\$ 2,215	\$ 402,853
Business taxes	56,916	57,175	259	32,297
Transfer to Financial Stabilization Reserve*	-	(2,378)	(2,378)	-
	664,653	664,749	96	435,150
Street renewal frontage levy	63,245	63,397	152	63,396
Electricity tax	19,000	19,300	300	11,559
Gas tax	2,800	2,800	-	1,593
Other taxation	4,178	4,087	(91)	3,182
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,333</u>	<u>\$ 457</u>	<u>\$ 514,880</u>
Taxation	\$ 717,162	\$ 717,619	\$ 457	\$ 490,561
Payments-in-lieu of taxes	36,714	36,714	-	24,319
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,333</u>	<u>\$ 457</u>	<u>\$ 514,880</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.