

Agenda – Standing Policy Committee on Finance – December 4, 2019

REPORTS

Item No. 5 Financial Status Report and Forecast to October 31, 2019

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the Financial Status Report to October 31st, 2019 be received as information.

ADMINISTRATIVE REPORT

Title: Financial Status Report and Forecast to October 31, 2019

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	P. Olafson	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

The Financial Status Report and Forecast to October 31, 2019 currently anticipates a projected deficit of \$9.2 million for the tax-supported budget (General Revenue Fund) which is a minor improvement from the September forecast that projected a deficit of \$9.4 million.

Included in the projected deficit of \$9.2 million is \$7.2 million of incremental costs related to the October storm event. Projected storm costs have increased by \$2.2 million as compared to the previous forecast that had included \$5.0 million of storm costs in the tax-supported departments. As at the time of the report, clean-up efforts are still on-going.

As discussed in the last report, incremental storm costs are also being incurred in the utilities, which are reported separately from the General Revenue Fund. October storm costs incurred in the utilities are being forecast at \$1.0 million (vs. \$1.2 million last forecast), bringing total 2019 projected incremental storm costs to \$8.2 million (vs. \$6.2 million last forecast). A further \$0.8 million (vs. \$1.7 million last forecast) is projected for 2020, resulting in projected total incremental storm costs of \$9.0 million (\$7.9 million last forecast).

At the time of report preparation, disaster financial assistance has not been announced by the Province of Manitoba, so no recoveries have been factored into this forecast. Council has directed the Public Service to apply for disaster financial assistance, should a program be announced. If a program is announced, the Public Service will apply to the Province of Manitoba for disaster financial assistance in accordance with the Emergency Measures Act, in an attempt to recover a portion of costs associated with the response to the October 2019 unprecedented weather event.

On November 21, 2019, Council approved that in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve fund transfer to the General Revenue Fund the amount required to avoid a deficit in the General Revenue Fund. The Financial Stabilization Reserve Fund is currently forecast to be \$105.4 million at year-end, which is \$37.9 million more than the Council mandated minimum balance of 6% of tax-supported budgeted expenditures.

RECOMMENDATIONS

That the Financial Status Report to October 31st, 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 \$9.2 million for the tax-supported budget (General Revenue Fund). In prior years, the deficit as projected at this point in the year has typically improved over the remainder of the year. The Public Service will be monitoring the General Revenue Fund on a regular basis.

Historically, the average change over the last two of the five published years between October and year-end is \$2.9 million, ranging from a decrease of \$7.6 million and an increase of \$13.3 million.

HISTORY/DISCUSSION

The forecasted results at October 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 October 31	Surplus (deficit) in millions at December 31 before Final Transfers
2018	\$ NA	\$ 19.5
2017	1.7	15.0
2016	2.5	(5.1)
2015	NA	16.3
2014	NA	0.7

The Financial Stabilization Reserve is projected to be \$105.4 million at year-end, which is \$37.9 million higher than the Council mandated minimum balance of 6% of the tax-supported budgeted expenditures after budgeted transfers.

On November 21, 2019, Council approved that in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve fund transfer to the General Revenue Fund the amount required to avoid a deficit in the General Revenue Fund.

Transit

As of October 31, 2019, the Transit System is forecasting a year-end operating surplus of \$5.6 million. This forecasted surplus is separate from the General Revenue Fund deficit of \$9.2 million. The following table depicts summarized financial information for Transit:

(in millions of \$)					
	October Forecast	2019 Budget	October Forecast Variance	September Forecast Variance	
Fares	\$ 90.5	\$ 90.5	\$ -	\$ (0.2)	
Transfer from GRF	70.6	70.6	-	-	
Other	43.6 ¹	43.2	0.4	0.1	
	204.7	204.3	0.4	(0.1)	
Salaries	119.5	121.4	1.9	1.8	
Fuel	18.1	20.8	2.7	2.8	
Parts	14.7	14.8	0.1	0.7	
Other	46.8 ²	47.3	0.5	-	
	199.1	204.3	5.2	5.3	
Surplus	<u>\$ 5.6</u>	<u>\$ -</u>	<u>\$ 5.6</u>	<u>\$ 5.2</u>	

Notes

1. Other (revenue) of \$43.6 million includes \$42.0 million of Provincial grant support. The Province of Manitoba provides the City with basket funding on a city-wide basis. The decision to allocate \$42 million of that basket funding to Transit was at the discretion of Council. For clarity, the Province of Manitoba does not provide dedicated funding to Transit.

2. Other (expense) includes: Debt and Finance - \$10.0; Winnipeg Transit Plus Contracts - \$9.4; Transfer to Reserves - \$7.1; Taxes, Transfers and Grants - \$5.4; Cash to Capital - \$5.0; and Other - \$9.9 (Bldg and other maintenance, premiums, utilities, motive and other equipment, computer software maintenance contracts, recoveries and miscellaneous).

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. 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.

October Storm Event

The City experienced a major unprecedented storm that dumped a month's worth of wet, heavy snow over a two-day period inflicting tremendous damage on our urban forest.

Incremental costs related to the storm event have resulted in additional expenditures of \$7.2 million (vs. \$5.0 million last forecast) that have been included in the General Revenue Fund forecast. The majority of these tax-supported expenditures are in the Public Works department for tree and branch clean-up (\$5.7 million) and snow and ice control (\$1.3 million).

An additional \$1.0 million (vs. \$1.2 million last forecast) of incremental costs related to the October storm event are also being incurred in the City's Utilities, bringing total incremental storm costs projected for 2019 to \$8.2 million (vs. \$6.2 million last forecast). The majority of these utility costs are in the Water and Waste department for additional garbage pickup, hauling, loading and grinding of tree waste. It should be noted that utilities are not reported in the tax-supported General Revenue Fund, so this additional \$1.0 million is not included in the projected deficit of \$9.2 million. A further \$0.8 million (vs. \$1.7 million last forecast) is projected for 2020, resulting in a total \$9.0 million (vs. \$7.9 million last forecast) in projected incremental costs related to this event at this time.

Clean-up efforts are on-going and estimates included in this report represent best estimates at the time of report preparation. The costs being reported above only represent incremental costs and are not the full cost of the event.

Council has directed that the Chief Administrative Officer report back to Council, through the Standing Policy Committee on Finance by January 2020 on the operational and financial impacts, including a detailed accounting of all expenses related to cleanup and recovery, to the City of Winnipeg from this extreme weather event.

At the time of report preparation, disaster financial assistance has not been announced by the Province of Manitoba, so no recoveries have been factored into this forecast. Council has directed the Public Service to apply for disaster financial assistance, should a program be announced. If a program is announced, the Public Service will apply to the Province of Manitoba for disaster financial assistance in accordance with the Emergency Measures Act, in an attempt to recover a portion of costs associated with the response to the October 2019 unprecedented weather event.

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 \$47.2 million is expected to be spent on snow removal and ice control operations resulting in a projected over-expenditure of \$12.4 million. This amount includes approximately \$1.3 million related to the October storm event. 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) and as previously indicated, the October storm event. 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>)

On November 21, 2019, Council gave approval to the Public Works Department to over-expend its 2019 Operating Budget by up to \$14.2 million based on results projections in the September 30, 2019 Forecast.

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 October 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

FINANCIAL IMPACT

Financial Impact Statement Date: November 20, 2019

Project Name:

Financial Status Report October 31, 2019

COMMENTS:

This report is prepared for information purposes.

Carlos Matias

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.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Carlos Matias
Date: November 20, 2019

Attachments:

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

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

Schedule 1

Actual for the ten month period ended October 31, 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	\$ 717,502	\$ 340	\$ 603,355
Government transfers	143,835	144,315	480	126,483
Regulation fees	58,754	58,321	(433)	49,135
Sale of goods and services	53,935	55,902	1,967	46,179
Other	45,384	45,544	160	1,297
Interest	38,236	41,985	3,749	37,220
Payments-in-lieu of taxes	36,714	36,714	-	30,399
Transfer from other funds	30,932	31,785	853	21,058
Total Revenues	1,124,952	1,132,068	7,116	915,126
EXPENSES				
Assessment and taxation	23,554	21,839	1,715	13,523
Audit	1,396	1,376	20	888
Chief administrative offices	5,855	5,764	91	4,844
City clerks	13,575	13,220	355	11,747
Community services	114,068	114,105	(37)	95,418
Corporate	79,378	79,480	(102)	66,538
Corporate finance	8,342	7,419	923	6,252
Council	4,001	4,020	(19)	3,200
Customer service and communication	8,538	8,769	(231)	7,287
Fire paramedic service	201,517	202,082	(565)	162,310
Human resource services	6,055	6,419	(364)	5,090
Innovation, transformation and technology	25,113	23,747	1,366	18,158
Legal services	3,459	4,540	(1,081)	3,096
Mayor's office	1,832	1,806	26	1,189
Museums	765	765	-	739
Planning, property and development	44,113	46,055	(1,942)	38,189
Police service	301,417	303,585	(2,168)	248,084
Policy and strategic initiatives	830	680	150	536
Public works	244,802	260,700	(15,898)	224,021
Street lighting	13,116	12,152	964	10,110
Water and waste	23,226	22,753	473	17,030
Total Expenses	1,124,952	1,141,276	(16,324)	938,249
FORECASTED DEFICIT	\$ -	\$ (9,208)	\$ (9,208)	\$ (23,123)

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
OCTOBER 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 costs associated with the clean-up of damages related to the October storm event. These increases are somewhat offset by savings in salary and benefits.	(14.3)
The Police Services department's net mill rate is higher than anticipated mainly due to a decrease in photo enforcement revenues.	(2.1)
The Fire Paramedic Service department's net mill rate is higher than anticipated mainly due to a shortfall in inspection fee revenues, unrealized cost savings as well as increases in vehicle maintenance.	(1.5)
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.	(1.2)
Legal Services department's unfavourable variance is mostly related to an increase in external legal fees.	(1.0)
Street Lighting savings is mainly due to light and power cost savings.	1.0
Community Services favourable variance primarily relate to increase in fees collected for aquatics services and bylaw enforcement.	1.1
Innovation, Transformation and Technology favourable variance is mostly a result of savings related in salary and benefits and delay in software purchases.	1.4
Corporate Finance's favourable variance is mostly related to increased interest earned on investments.	3.0
Assessment and Taxation department's favourable variance is largely attributable to higher tax penalty interest revenue.	3.4
Other departmental revenues and expenses.	1.0
<i>Forecasted Deficit</i>	<u>\$ (9.2)</u>

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

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
RECONCILIATION OF SEPTEMBER TO OCTOBER FORECAST
OCTOBER 31, 2019 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2019

Schedule 3

(in millions of dollars)
(unaudited)

Forecasted General Revenue Fund Deficit - September 30, 2019	\$ (9.4)
Other departmental revenues and expenses.	<u>0.2</u>
<i>Forecasted General Revenue Fund Deficit - October 31, 2019</i>	<u>\$ (9.2)</u>

THE CITY OF WINNIPEG - SUMMARY BY FUND

FINANCIAL STATUS REPORT AND FORECAST

Schedule 4

Actual for the ten month period ended October 31, 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	\$ 1,132,068	\$ 7,116	\$ 915,126
Expenses	1,124,952	1,141,276	(16,324)	938,249
Deficit	\$ -	\$ (9,208)	\$ (9,208)	\$ (23,123)
Transit System				
Revenues	\$ 133,645	\$ 134,106	\$ 461	\$ 115,374
Expenses	192,679	187,566	5,113	153,831
	(59,034)	(53,460)	5,574	(38,457)
Transfer to Reserves	(7,148)	(7,148)	-	(5,957)
Transfer from General Revenue Fund	70,561	70,561	-	58,801
Surplus Prior to Principal Debt Repayments	4,379	9,953	5,574	14,387
Principal Debt Repayments	(4,379)	(4,379)	-	(3,638)
Surplus	\$ -	\$ 5,574	\$ 5,574	\$ 10,749
Waterworks System				
Revenues	\$ 130,347	\$ 131,477	\$ 1,130	\$ 110,048
Expenses	79,201	79,800	(599)	69,046
	51,146	51,677	531	41,002
Transfer to:				
Water Main Renewal Reserve	(19,000)	(19,000)	-	(14,250)
General Revenue Fund	(13,862)	(13,862)	-	-
Surplus Prior to Principal Debt Repayments	18,284	18,815	531	26,752
Principal Debt Repayments	(4,868)	(4,868)	-	-
Surplus	\$ 13,416	\$ 13,947	\$ 531	\$ 26,752

THE CITY OF WINNIPEG - SUMMARY BY FUND

FINANCIAL STATUS REPORT AND FORECAST

Actual for the ten month period ended October 31, 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	\$ 197,136	\$ 2,433	\$ 166,341
Expenses	91,051	88,019	3,032	80,375
	103,652	109,117	5,465	85,966
Transfer to Reserves	(110,372)	(110,372)	-	(96,626)
Transfer to General Revenue Fund	(20,350)	(20,350)	-	-
Transfer to Land Drainage	(11,802)	(11,872)	(70)	(11,760)
Surplus/(Deficit)	<u>\$ (38,872)</u>	<u>(33,477)</u>	<u>5,395</u>	<u>(22,420)</u>
Solid Waste Disposal				
Revenues	\$ 45,214	\$ 44,634	\$ (580)	\$ 29,751
Expenses	49,530	46,031	3,499	34,460
	(4,316)	(1,397)	2,919	(4,709)
Transfer to Reserve	(334)	(321)	13	(242)
Deficit Prior to Principal Debt Repayments	(4,650)	(1,718)	2,932	(4,951)
Principal Debt Repayments	(2,413)	(2,322)	(91)	-
Deficit	<u>\$ (7,063)</u>	<u>\$ (4,040)</u>	<u>\$ 2,841</u>	<u>\$ (4,951)</u>
Land Drainage				
Revenues	5,728	5,097	(631)	4,565
Expenses	5,023	4,392	631	3,432
Surplus Prior to Principal Debt Repayments	705	705	-	1,133
Principal Debt Repayments	(705)	(705)	-	-
Surplus	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,133</u>
Municipal Accommodations Fund				
Revenues	\$ 72,443	\$ 72,232	\$ (211)	\$ 61,443
Expenses	62,290	62,404	(114)	48,015
	10,153	9,828	(325)	13,428
Transfer to: General Revenue Fund	(10,153)	(9,828)	325	(167)
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,261</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	\$ 716,192	\$ 1,676	\$ 23,554	\$ 21,839	\$ 1,715	\$ 3,391
Audit	-	-	-	1,396	1,376	20	20
Chief administrative offices	-	130	130	5,855	5,764	91	221
City clerks	516	801	285	13,575	13,220	355	640
Community services	18,221	19,343	1,122	114,068	114,105	(37)	1,085
Corporate	143,605	143,707	102	79,378	79,480	(102)	-
Corporate finance	6,077	8,162	2,085	8,342	7,419	923	3,008
Council	-	1	1	4,001	4,020	(19)	(18)
Customer service and communication	1,452	1,607	155	8,538	8,769	(231)	(76)
Fire paramedic service	68,378	67,410	(968)	201,517	202,082	(565)	(1,533)
Human resource services	-	-	-	6,055	6,419	(364)	(364)
Innovation, transformation and technology	146	146	-	25,113	23,747	1,366	1,366
Legal services	475	545	70	3,459	4,540	(1,081)	(1,011)
Mayor's office	-	-	-	1,832	1,806	26	26
Museums	-	-	-	765	765	-	-
Planning, property and development	47,053	47,792	739	44,113	46,055	(1,942)	(1,203)
Police service	46,135	46,223	88	301,417	303,585	(2,168)	(2,080)
Policy and strategic initiatives	-	-	-	830	680	150	150
Public works	77,236	78,760	1,524	244,802	260,700	(15,898)	(14,374)
Street lighting	-	-	-	13,116	12,152	964	964
Waterworks and waste	1,142	1,249	107	23,226	22,753	473	580
Forecasted Deficit	\$ 1,124,952	\$ 1,132,068	\$ 7,116	\$ 1,124,952	\$ 1,141,276	\$ (16,324)	\$ (9,208)

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	\$ 612,039	\$ 4,302	\$ 507,583
Business taxes	56,916	57,175	259	42,027
Transfer to Financial Stabilization Reserve*	-	(4,465)	(4,465)	-
	664,653	664,749	96	549,610
Street renewal frontage levy	63,245	63,390	145	63,395
Electricity tax	19,000	19,200	200	14,526
Gas tax	2,800	2,800	-	2,021
Other taxation	4,178	4,077	(101)	4,202
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,216</u>	<u>\$ 340</u>	<u>\$ 633,754</u>
Taxation	\$ 717,162	\$ 717,502	\$ 340	\$ 603,355
Payments-in-lieu of taxes	36,714	36,714	-	30,399
Total taxation and payments-in-lieu of taxes revenue	<u>\$ 753,876</u>	<u>\$ 754,216</u>	<u>\$ 340</u>	<u>\$ 633,754</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.