

**Agenda – Standing Policy Committee on Finance and Economic Development –
December 1, 2022**

REPORTS

Item No. 14 Financial Status and Forecast Report to September 30, 2022

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the Financial Status and Forecast Report to September 30, 2022, be received as information.

ADMINISTRATIVE REPORT

Title: Financial Status and Forecast Report to September 30, 2022

Critical Path: Standing Policy Committee on Finance and Economic Development

AUTHORIZATION

Author	Department Head	CFO	CAO
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EXECUTIVE SUMMARY

The Financial Status Report and Forecast to September 30, 2022, currently anticipates forecasted deficits of \$56.8 million for the tax-support budget (General Revenue Fund) and \$17.2 million for Transit.

COVID-19 continues to cause shortfalls in the General Revenue Fund, Transit, Utility funds and Special Operating Agencies (SOAs). \$41.3 million of COVID-19 financial impacts were built into the 2022 Budget. An additional \$12.1 million in COVID-19 financial impacts for 2022 have been identified in this report.

Additional financial pressures are being felt as a result of significant snowfall this past winter and high fuel rates.

An over-expenditure approval of \$34.2 million for snow removal and ice control was approved by the Standing Policy Committee on Finance at its meeting of April 21, 2022. Additional costs relating to snow removal and ice control have been incurred in April through June, due to an April snow storm requiring significant snow removal and ice control activities including sidewalk and road snow clearing, the application of sand and salt, plus costs for incurred and forecasted snow clearing damage repairs. An additional \$5.9 million over-expenditure was approved for these costs by the Standing Policy Committee on Finance at its meeting of September 12, 2022. Total approved over-expenditure for the department is \$40.1 million for the year.

The total over-expenditure relating to snow removal and ice control is forecasted to be \$40.9 million for the year.

Budgeted fuel rates for 2022 ranged between \$1.10 and \$1.25 per litre. Current rate forecasts for remaining 2022 range from \$1.37 to \$1.91 per litre. The estimated financial impact in this forecast for fuel for the year is \$10.7 million (\$2.2 million General Revenue Fund, \$8.0 million Transit and \$0.5 million other Utilities and SOAs).

This continues to be monitored and options are being considered to reduce the forecasted deficit. As a last resort, the Financial Stabilization Reserve Fund can be drawn on to cover any remaining shortfall or the deficit can be incorporated into the 2023 budget update. The Financial

Stabilization Reserve Fund balance is projected to be \$14.5 million at the end of 2022, \$57.2 million lower than the Council mandated minimum balance of 6% of the tax-supported budgeted expenditures after budgeted transfers and additional transfers to balance the projected deficit at December 31, 2022 (see Schedule 7, attached). In the event the General Revenue Fund reports a deficit as at December 31, 2022, a transfer from the Financial Stabilization Reserve Fund to fund that deficit will be made, as approved by Council June 23, 2022.

RECOMMENDATIONS

That the Financial Status and Forecast Report to September 30, 2022, be received as information.

REASON FOR THE REPORT

On December 17, 1997, 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 and Economic Development.

IMPLICATIONS OF THE RECOMMENDATIONS

At this time, the Public Service anticipates a forecasted deficit of \$56.8 million for the tax-supported budget (General Revenue Fund). The Public Service is monitoring the General Revenue Fund on an ongoing basis.

Historically, the September 30 deficits have largely been eliminated or decreased over the remainder of the year. The average change over the last five years between the September forecast and year-end is \$5.9 million, ranging from improvements of \$14.6 million to a decrease of \$5.0 million.

Annual operating General Revenue Fund surpluses automatically transfer to the Financial Stabilization Reserve Fund. In the event the General Revenue Fund reports a deficit as at December 31, 2022, a transfer from the Financial Stabilization Reserve Fund to fund that deficit will be made, as approved by Council June 23, 2022.

HISTORY/DISCUSSION

Financial Stabilization Reserve Fund

The forecasted results at September 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 September 30	Surplus (deficit) in millions at December 31 before Final Transfers
2021	\$ (17.3)	\$ (22.3)
2020	1.1	2.5
2019	(9.4)	(1.1)
2018	9.5	19.5
2017	0.4	15.0

It is noteworthy that this year's forecasted General Revenue Fund deficit of \$56.8 million is more than triple the largest deficit projected at September 30 for the previous five years.

This continues to be monitored and options considered to reduce the forecasted deficit. As a last resort, the Financial Stabilization Reserve Fund can be drawn on to cover any remaining shortfall or the deficit can be incorporated into the 2023 budget update. The Financial Stabilization Reserve Fund balance is projected to be \$14.5 million at the end of 2022, \$57.2 million lower than the Council mandated minimum balance of 6% of the tax-supported budgeted expenditures after budgeted transfers and additional transfers to balance the projected deficit at December 31, 2022 (see Schedule 7, attached). In the event the General Revenue Fund reports a deficit as at December 31, 2022, a transfer from the Financial Stabilization Reserve Fund to fund that deficit will be made, as approved by Council June 23, 2022.

COVID-19 Pandemic

As part of the 2022 budget update, a number of adjustments were made to account for the continued impact of the pandemic. There continues to be a significant impact on the forecast, above what is budgeted, due to COVID-19.

The table below summarizes the estimated total impact of COVID-19 on the current forecast.

Table 1

<i>In millions of \$</i>	COVID-19 Impact in 2022 Budget	Additional COVID-19 Impact Forecasted	COVID-19 Total Impact 2022
Tax Supported (General Revenue Fund)	(\$9.7)	(\$3.3)	(\$13.0)
Transit	(26.4)	(8.8)	(35.2)
SOA's and Utilities	(5.2)	-	(5.2)
TOTAL	(\$41.3)	(\$12.1)	(\$53.4)

The amounts are the result of best available interpretations made as to reason for variance.

A COVID-19 Crisis Cash Flow Management Plan Update was presented at the March 10, 2022, Standing Policy Committee on Finance meeting. That report identified three tiers of levers to be actioned to mitigate various risks identified with negative implications to the Financial Stabilization Reserve Fund. Tier one levers represent actions that have been ongoing since the onset of the pandemic in 2020.

Tier one levers actioned include:

- Continued diligence with vacancy management.
- Continued restricting travel, conference and training spending.
- Continue limiting other discretionary spending.
- Transit expenditure management.

Tier Two Levers were approved to be implemented by Council (June 23, 2022).

Tier two levers actioned include:

- Defer transfer for Community Centre Renovation Grant Program capital.
- Additional transfers from SOAs.
- Additional transfer from Water and Waste.
- Eliminate tipping fee for tax supported departments in 2022.
- Transfers from Reserves (Insurance and Workers Compensation).

The forecasted financial effects of these levers are incorporated into this report.

Transit

Transit continues to see lower ridership levels, this year averaging approximately 35% below normal levels to the end of September. Fare revenue is forecasted to be less than budget as the recovery of ridership levels was slower than expected in early 2022. However, ridership levels have been steadily increasing since May. Transit is forecasting a deficit of \$17.2 million. The department has \$6.6 million in retained earnings to partially fund this, with the remaining \$10.6 million projected to be funded through a transfer from the Financial Stabilization Reserve Fund (see Schedule 7 attached).

Note the financial forecast does not include the impact of the Government of Canada's announced \$750 million to support municipalities facing transit operating shortfalls, with an expectation for Provincial matching support. In this regard, the Governments of Canada and Manitoba reached an agreement that will see Federal funding of \$20.7 million transferred to Manitoba. As of the date of this report, confirmation of the funding for Winnipeg Transit is outstanding. Additional savings options within Transit require Council approval such as cancelling of previously approved capital or transfers from Transit's reserves. These saving options are not being recommended at this time as the Federal funding is anticipated.

Transit service levels are 6% less than what is normally offered as per the 2022 Adopted budget update.

Snow Removal and Ice Control

A significant amount of precipitation fell in Winnipeg during the first quarter of 2022.

A significant portion of the costs incurred in March were directly attributable to the large amounts of snow and ice that accumulated over the winter. Significant costs were incurred for hauling activities related to the removal of snow banks, to operate snow disposal sites to accommodate the large amounts of snow, as well as costs associated with “thawing” activities which include opening ditches and culverts prior to the spring melt, and the thawing of frozen catch basins.

Snow removal and ice control services are delivered to the levels identified in the Council Approved Policy on Snow Removal and Ice Control. An over-expenditure approval of \$34.2 million was approved by the Standing Policy Committee on Finance at its meeting of April 21, 2022.

Additional costs relating to snow removal and ice control have been incurred in April to June, due to the April snow storm which required significant snow removal and ice control activities including sidewalk and road snow clearing and the application of sand and salt. An additional over-expenditure of \$5.9 million was approved at the September 12, 2022, Standing Policy Committee on Finance. Total approved over-expenditure for the department is \$40.1 million for the year.

The total over-expenditure relating to snow removal and ice control is forecasted to be \$40.9 million for the year.

Winnipeg Police Service

The 2022 Budget includes \$9.1 million in expenditure management savings, increased from \$6.1 million in 2021. The increase in budgeted expenditure management savings is attributable to the increase in the employer contribution rate, which increased to 21.78% (from 18.31%) effective January 1, 2021, based on the actuarial valuation of the Winnipeg Police Pension plan. The expenditure management budget is being met in part largely from savings in salary and benefit expenses and incremental special duty revenues.

Net decreased revenues from photo and traditional enforcement of \$5.1 million are also impacting the service. Weather conditions and absence of construction zone enforcement are driving these decreases.

Fire Paramedic Service

The effects of COVID-19 are continuing into 2022 through increased EMS costs associated with overtime, personal protective equipment and additional service provision. These total \$2.9 million and are forecasted in this report to be fully recovered as additional funding from Shared Health. A similar recovery from Shared Health occurred in 2021.

Not recoverable are Fire COVID-19 related costs, including higher overtime due to the Omicron variant and ongoing staffing shortfalls. This is due in part to high levels of retirement over the past two years coupled with reduced recruit class sizes to meet social distancing requirements. As well, health directives to limit the spread of COVID-19 are impacting the

number of employees able to report for duty given the high community transmission now in place. Total COVID-19 related costs for Fire included in this report are \$3.1 million.

The funding letter from Shared Health for EMS provision has been received for the 2022 calendar year and discussions with Shared Health for a services agreement are ongoing.

An over-expenditure of \$8.4 million was approved at the September 12, 2022, Standing Policy Committee on Finance.

Impacts of Fuel Prices

Fuel prices have escalated beyond the expectations factored in the 2022 Adopted Budget, as noted in this table prepared by City economists with Transit and Winnipeg Fleet Management Agency input.

Table 2

<i>\$/litre*</i>	2022 Budget	2022 September Forecast
Transit – diesel	\$1.13	\$1.76
Transit – unleaded	\$1.19	\$1.37
Fleet – diesel	\$1.25	\$1.91
Fleet – purple	\$1.10	\$1.76
Fleet – unleaded	\$1.19	\$1.49

* Including carbon taxes

Included in the forecast report are actual fuel impacts to September 30, 2022. For the forecasted period (October – December), Departments have used the above average rates.

The estimated financial impact in this forecast for fuel for the year is \$10.7 million (\$2.2 million General Revenue Fund, \$8.0 million Transit and \$0.5 million other Utilities and SOAs).

Corporate Accounts

The Corporate accounts include general revenue and expense/savings budgets that are not directly allocated to any other public or internal service. They are largely included in the Assessment, Taxation and Corporate service-based budget.

Included in these accounts are budgeted efficiency savings of \$30.8 million. In prior years, these savings have materialized during budget development through Council-approved transfers from reserves. As well, these savings have been realized through any number of means resulting in year-end surpluses in the General Revenue Fund including savings in departmental budgets.

This report anticipates that \$12.8 million in budgeted savings will be realized over the remainder of this year. The average change in savings over the last five years between the September forecast and year-end is \$5.9 million.

Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2022, 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 September 30, 2022.

Attachments included are the following:

- Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status and Forecast Report;
- Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;
- Schedule 3 – The City of Winnipeg – General Revenue Fund – Reconciliation of June to September 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; and
- Schedule 7 – The City of Winnipeg – Forecasted Balance of the Financial Stabilization Reserve Fund

FINANCIAL IMPACT

Financial Impact Statement Date: [28-Oct-22](#)

Project Name:
Financial Status and Forecast Report September 30, 2022

COMMENTS:

This report is prepared for information purposes.

"Original signed by: _____
Melissa Wensel, CPA, CA
Manager of Financial Reporting and Accounting Services
Corporate Finance

CONSULTATION

This Report has been prepared in consultation with:

- All City of Winnipeg Departments

OURWINNIPEG POLICY ALIGNMENT

1.4 Integrated Knowledge and Resources

Coordinate inter-departmental systems, projects and resources, making the best use of internal and external expertise to better understand service needs, find the most appropriate solutions, optimize resources, and maximize community outcomes.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller
Prepared by: Melissa Wensel
Date: November 4, 2022
File No: N/A

Attachments:

Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status and Forecast Report;
Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;
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