Winnipeg

CITY OF WINNIPEG POLICY NO. FI-008

POLICY TITLE	**ADOPTED BY**	**EFFECTIVE DATE**
Financial Management Plan	City Council	March 20, 2020
ORIGIN / AUTHORITY	**CITY POLICY NO**	**MOST RECENT CONSOLIDATION**
Standing Policy Committee on Finance and Economic Development	FI-008	

1. Purpose:

The Financial Management Plan is the City of Winnipeg's strategy (the City) for guiding financial decision-making, meeting long-term obligations, and improving its economic position and financial stability. The Plan sets forth the guidelines against which current and future financial performance can be measured, and assists the City in planning fiscal strategy with a sustainable, long-term approach.

2. Definitions:

2.1 **Financial Sustainability** is when planned service and infrastructure levels can be met without resorting to unplanned increases in rates or disruptive cuts to services.

3. Financial Management Plan Policy

The Financial Management Plan Policy, attached as an Appendix in section 5.1, guides sound financial decision making in support of City Council`s approved plans, programs and projects. It is an integrated part of the OurWinnipeg planning framework by supporting the City`s vision: It`s Our City, It`s Our Plan, It`s Our Time. It also aligns with OurWinnipeg by supporting:

A city that works: ``The basics`` matter: public safety, water quality, wastewater and transportation infrastructure, and public amenities and facilities are the essentials to keeping people healthy.

To this end, the Financial Management Plan supports sound and forward-looking financial management of our assets.

A sustainable city: Social, environmental and economic sustainability are essential to Winnipeg`s long-term well-being.

Our financial decisions should be based on understanding the long-term implications – direct and indirect – of our activities.

Quality of life: Opportunity, vitality and creativity are examples of social aspects of our community that are critical to our overall well-being. The City is committed to collaborating within its mandate with other governments and service providers.

The Financial Management Plan is cognizant of and responsive to social priorities including affordability and equity.

This Financial Management Plan establishes the following renewed goals which together will work to address the current unsustainable operating and capital budget deficits:

1. Ensure a Sustainable Revenue Structure

    - A revenue structure that keeps pace with inflation adjusted for growth

2. Support a Sustainable and Competitive Tax Environment

    - A stable and competitive taxation system

3. Support Economic Growth

    - Increase assessment base

4. Support Long-Term Financial Planning

    - Transition to multi-year balanced tax-supported operating budgets

5. Build, Maintain, and Optimize Infrastructure Assets

    - Continue to implement leading practices for asset management

6. Manage Expenditures

    - Operating expenditure increases should not exceed inflation adjusted for population growth

7. Manage Debt

    - That debt issuance and outstanding debt is in accordance with the Debt Management Policy and Debt Strategy

8. Ensure Adequate Reserves, and Liquidity

    - Reserve balances maintained at Council approved levels.

4. Responsibilities

4.1 **Chief Financial Officer**:

A. Periodic updates to the Plan to be submitted to Council

B. Annual progress report on the Financial Management Plan goals

5. Appendices

5.1 Financial Management Plan

Winnipeg

Financial Management Plan

Long term financial health and sustainability for the City of Winnipeg



Vision

To be a vibrant and healthy city which places its highest priority in quality of life for all its citizens.

Corporate Mission

Working together to achieve affordable, responsive and innovative public service.



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2020 Update

Periodic review and reporting on the Financial Management Plan is done in accordance with ***OurWinnipeg***, which provides financial strategies and targets with a view to long-term financial health and sustainability.



Introduction

WHAT IS THE FINANCIAL MANAGEMENT PLAN?

The Financial Management Plan is the City of Winnipeg's (the City) strategy for guiding financial decision-making, meeting long-term obligations, and improving its economic position and financial stability. The Plan sets forth the guidelines against which current and future financial performance can be measured, and assists the City in planning fiscal strategy with a sustainable, long-term approach.

HAVE THE GOALS FROM THE PREVIOUS PLAN BEEN ACHIEVED?

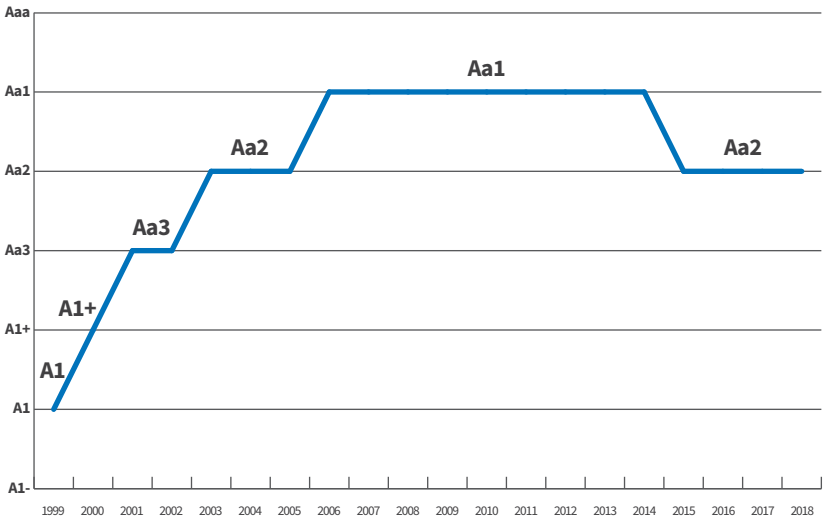
The first Financial Management Plan was approved by Council in 1995 and an updated Plan was adopted by Council on April 25, 2001 and a further update on March 23, 2011.

Significant achievements have been made with respect to the goals of the previous Financial Management Plan:

- **Promote Economic Growth** – The City's property assessment base grew by 58% between 2011 and 2018
- **Support Environmental Sustainability** – The City has been supporting sustainability through financial decisions that include sustainable procurement and capital investment prioritization based on a triple bottom line approach, which includes assessing projects based on social, economic and environmental factors
- **Maintain Infrastructure Assets** – Since 2011, the City has made significant progress in implementing leading practices in Asset Management with a formal Asset Management Program. The City most recently completed its Asset Management Plan, and the 2018 State of the Infrastructure Report
- **Manage Debt** – A Debt Strategy, including maximum debt limits was approved by Council and updated in 2015
- **Manage Expenditures** – Cost increases from 2011 to 2018 related to city services other than police, fire and emergency medical services have kept below the inflation adjusted for growth level of 25.1%
- **Ensure a Sustainable Revenue Structure** – Tax-supported operating revenue increased by 27.7% from 2011 to 2018 compared to 25.1% inflation adjusted for growth. The City will continue to advocate for a long-term growth oriented revenue source from the other levels of government.
- **Support a Competitive Tax Environment** – Winnipeg's 2018 municipal residential property taxes are the lowest compared to other large Canadian cities
- **Ensure Adequate Reserves** – The Financial Stabilization Reserve target balance of 6% of tax supported expenditures was exceeded with a 2018 ending balance above target level at 10.3%

Following the downgrade of the Province of Manitoba's credit rating in 2015, Moody's downgraded the City's rating from the Aa1 negative to Aa2 stable. The Aa2 rating was confirmed again in 2018 with a stable outlook.

CREDIT RATING 1999-2018



Source: Moody's Investors Service

Standard & Poor's Credit Ratings of Canadian Cities October 2018

CITY	RATING
Winnipeg	AA
Vancouver	AAA
Calgary	AA+
Edmonton	AA+
Saskatoon	AAA
Regina	AA+
Windsor	AA
Hamilton	AA+
Toronto	AA
Mississauga	AAA
Ottawa	AA
Montreal	AA-

Financial Vision

Long-Term Financial Health & Sustainability

*"**Financial Sustainability** is when planned service and infrastructure levels can be met without resorting to unplanned increases in rates or disruptive cuts to services"*

– Hemson Consulting Ltd.

Structural Deficit is a permanent deficit that results from an underlying imbalance in government revenues and expenditures. A structural deficit will not improve even in a strong economy when revenue would be expected to rise due to increased activity.

CURRENT REALITY

An updated Financial Management Plan is required to guide financial decision-making under direction of Council. The tax-supported operating budget has a structural deficit which is financially unsustainable. This is a result of 14 years (1998 to 2011) of property tax reductions or freezes. Tax increases in the last seven years (2013-2019) have primarily been used for capital improvement, of the increase, specifically from 2016 to 2019, 2.33% dedicated to roads (2%) and the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve (.33%). Property taxes are now the lowest of other major Canadian cities. (In 2012, an increase of 3.5% marked the only year in the past 21 years that a property tax increase was solely dedicated to supporting the operating budget.) Methods used to balance operating budgets, including one time transfers from reserves and sales of assets, are now nearly exhausted. A tax strategy will be determined in the context of maintaining the City's financial sustainability but will not necessarily prescribe a tax increase. The City is also facing a significant infrastructure deficit requiring continued prioritization. Increased focus on innovation throughout the organization challenges departments on better ways to deliver services.

MOVING FORWARD

The Financial Management Plan guides sound financial decision making in support of City Council's approved plans, programs and projects. It is an integrated part of the *OurWinnipeg* planning framework by supporting the City's vision: It's Our City, It's Our Plan, It's Our Time. It also aligns with *OurWinnipeg* by supporting:

A city that works: "The basics" matter: public safety, water quality, wastewater and transportation infrastructure, and public amenities and facilities are the essentials to keeping people healthy. To this end, the Financial Management Plan supports sound and forward-looking financial management of our assets.

A sustainable city: Social, environmental and economic sustainability are essential to Winnipeg's long-term well-being. Our financial decisions should be based on understanding the long-term implications – direct and indirect – of our activities.

Quality of life: Opportunity, vitality and creativity are examples of social aspects of our community that are critical to our overall well-being. The City is committed to collaborating within its mandate with other governments and service providers. The Financial Management Plan is cognizant of responsive to social priorities including affordability and equity.

OurWinnipeg is currently being updated.

This Financial Management Plan establishes the following renewed goals which together will work to address the current unsustainable operating and capital budget deficits:

1. Ensure a sustainable revenue structure
2. Support a sustainable and competitive tax environment
3. Support economic growth
4. Support long-term financial planning
5. Build, maintain, and enhance infrastructure assets
6. Manage expenditures
7. Manage debt
8. Ensure adequate reserves and liquidity

1. Ensure a Sustainable Revenue Structure

The City of Winnipeg's main source of revenue is derived from property taxes, a revenue stream that went through 14 years (1998 to 2011) of reductions or freezes and the most recent seven years (2013 to 2019) of increases were primarily earmarked for capital improvement (In 2012, an increase of 3.5% marked the only year in the past 21 years that a property tax increase was solely dedicated to supporting the operating budget.) The City is now unable to meet projected operational requirements and address its infrastructure deficit. The pressure to invest more in infrastructure makes it very difficult to increase spending on other priorities.

Utility rates for water, sewer and solid waste, including recycling and waste diversion, are also a significant source of revenue and adjusted annually to support operating costs and planned capital activity. Utility rates continue to be competitive to other municipalities. Keeping utility rates affordable for citizens is important and must balance infrastructure improvements, environmental stewardship and the provision of essential services. A sustainable revenue structure should consider the following:

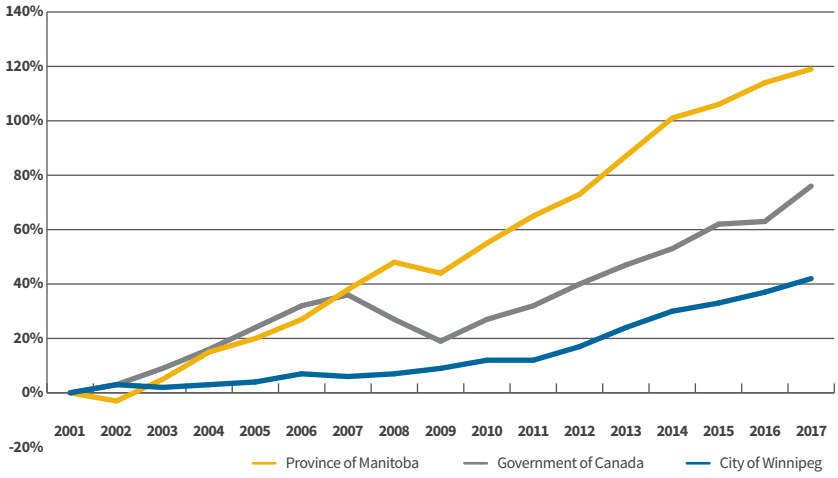
- Adequacy
- Diversification
- Stability
- Growth potential
- Ease of administration
- Appropriate cost recovery
- Timing of cash flow

To aid in the creation of a sustainable revenue structure the City created a new revenue source, the Impact Fee, which was adopted by Council in 2016 and partially implemented in 2017. The Impact Fee is charged on new development at the time building permits are issued and will be utilized to fund capital projects that are determined to be growth related. Full implementation will be reviewed in future years.

Even with the addition of the Impact Fee, additional revenue sources are still required for the City to be able to continue providing the level of services its citizens expect. A move to a sustainable revenue structure does not override the need to look internally to find efficiencies, improve operations, and reduce costs. These activities are complementary and will continue within the organization.

In addition, the provincial funding model for both capital and operating grants to the City has changed beginning in 2017. The City continues to be challenged by long-term uncertainty and lack of predictability of provincial grants.

CHANGE IN GOVERNMENT TAX REVENUE 2001-2017



The City of Winnipeg's ability to introduce new revenue sources or change existing taxation policies through greater fiscal and legislative powers is primarily subject to approval of the provincial government.

The City continues to pursue a predictable growth oriented revenue source.

Target:
A revenue structure that keeps pace with inflation adjusted for growth.

Measurement:
Increase in operating revenue should be, at a minimum inflation adjusted for population growth.

"Local governments need to preserve enough independence from provincial and federal government to make choices that best fit local conditions."

- Government Finance Officers Association (GFOA 2018)

Sources:

City of Winnipeg:
City of Winnipeg, Annual Financial Reports, 2001 to 2017

Province of Manitoba:
Manitoba Finance, Annual Reports, 2001 to 2017

Federal Government of Canada:
Department of Finance report of the Government of Canada, Fiscal years 2001-2002 to 2017-2018

2. Support a Sustainable and Competitive Tax Environment

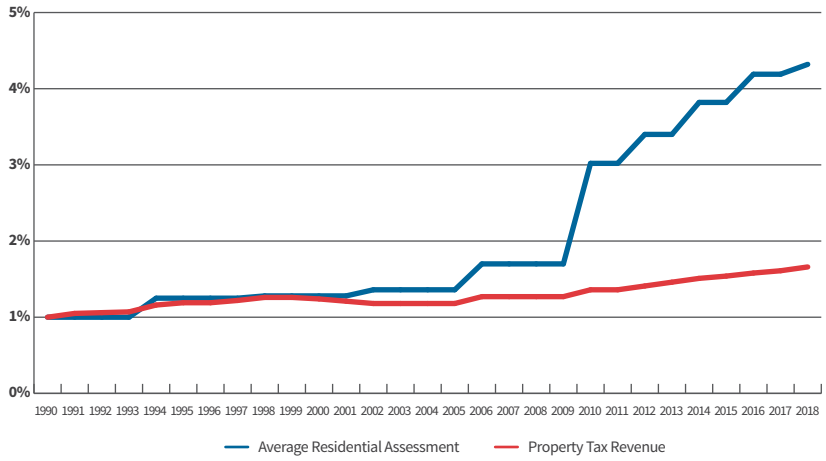
Target:
A stable and competitive taxation system.

Measurement:
Taxation levels adopted through multi-year budgets to meet service requirements.

Historically the City has assessed its tax environment by comparing taxation rates to other comparable Cities across Canada. The City's property taxes have fallen to the lowest level compared to other similar Canadian cities. Continuing with the lowest level of property taxes is not in the City's best interest for the financial sustainability of the organization, but raising rates to the average level of other jurisdictions is also not realistic given how large an increase this would be. In 2018 Winnipeg citizens pay approximately 30% less in property taxes than the Canadian average for an average or median single-detached home.

The City should create a sustainable and competitive property tax strategy. This strategy will address multiple areas of taxation including Property taxes, Business taxes and Frontage levies. Such a tax strategy will not necessarily prescribe a tax increase and the tax strategy will be determined in the context of maintaining the City's financial sustainability.

AVERAGE ASSESSED VALUE AND PROPERTY TAX 1990-2018 (%)



Source: City of Winnipeg, Community Trends and Performance Report – Volume 1, 2019 Budget

Even though the assessed value of a property determines the calculation of the amount of property tax paid, since 1990, property tax has increased on an annual average rate of 1.8%, vs the Assessed Value increasing by 5.4%. This is because the mill rate is recast each year to ensure property taxes paid are not increasing due to the increased market value of their home.

The City has continued to reduce business taxes to improve its competitive position and make Winnipeg a good place to invest. The business tax rate was decreased from 9.75% in 2006, to 6.39% in 2010, to 4.97% in 2019.

While a competitive tax environment encourages economic growth, there are other factors that are key to new development. Citizens value City services. Meeting service expectations and maintaining infrastructure investment must be balanced with affordable taxation levels. Currently the level of taxation, in combination with the City's other sources of revenue, is unable to sustain current service levels and infrastructure needs. Thus the need for a sustainable property tax strategy developed as part of long-term financial planning and balanced multi-year budgets to determine how the City will move forward and establish predictable and affordable levels of taxation for its residents, while delivering the level of service they expect.

Supporting elected officials with more reporting on a complex tax structure will enhance understanding. It will help explain the relationship between property assessment values and annual rental values and tax revenues.

3. Support Economic Growth

The City's ability to support the growth of its existing business community and the community at large as well as attract new businesses and people is key to the future economic prosperity for Winnipeg and its citizens. Standard and Poor's Credit Rating from July 2018 states "Winnipeg's economy is one of the most diverse in Canada, enabling it to better withstand the impact of changes in the economic cycle. The diversity of its economy provides Winnipeg with access to a broad and stable tax base which translates into predictable property tax revenues independent of the economic cycle."

Winnipeg has recently been growing at increasing rates, and is forecast to grow by approximately 25% over the next 20 years. This growth has changed demographics, economies and even climate considerations within the City. *OurWinnipeg* will look at how this growth is driving innovation, sustainability and social consciousness and develop an approach to guide growth within the City.

To support economic growth, the City of Winnipeg partners with other levels of government and partner organizations, as well as supporting economic development initiatives such as:

- Emerging neighbourhoods
- Commercial destinations
- CentrePort Canada
- Rapid Transit
- Journey of Reconciliation
  - Urban reserves
  - Other initiatives
- Film and culture
- Heritage Conservation Tax Grant Program
- Community Incentive Grant Program (CIGP)
- Community Club Operational Grant (to GCWCC)
- Per Capita Grants (Community Committee)
- Annual Operating Grants (City Clerk's)
- Historical Resource Conservation & Heritage Research - Gail Parvin Hammerquist Fund
- Existing grant and discount programs
- Expedited permit processing support – one stop shop, online services, concierge

The City must strategically use economic development tools to ensure that such measures produce value for money or return on investment to the City.

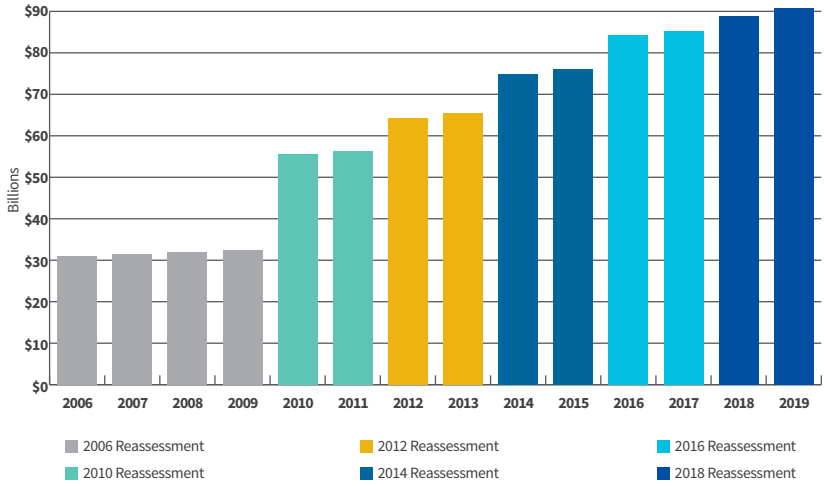
Target:
Increase assessment base.

Measurement:
Growth in assessment base.

Partner organizations include:

- **CentreVenture Development Corporation**
- **Economic Development Winnipeg, Yes! Winnipeg, and Tourism Winnipeg**
- **Business Improvement Zones**
- **Winnipeg Metropolitan Region**

THE CITY'S PROPERTY ASSESSMENT BASE IS GROWING



4. Support Long-Term Financial Planning

This goal reflects Council's commitment to a multi-year balanced budget process and is a major step forward in long term financial planning. *OurWinnipeg* identifies the need for planning for a prosperous future by thinking long-term and inclusion of this goal in the Financial Management Plan further acknowledges this need. Ultimately, the City's multi-year budget should reflect the priorities described in *OurWinnipeg*, recognizing that the multi-year budget needs to support ongoing financial sustainability for the City.

Historical City budget processes see preparation of a three year operating budget, however, only one year is balanced. Together with the operating budget a six year balanced capital program is also approved. The first year of the capital program is adopted by Council, and five forecast years are adopted in principle. As both capital and operating budgets are closely integrated, the five forecast years of the capital budget that are adopted in principle include unfunded capital projects in the forecast years, since the projects are allocated funding from an operating budget that is not yet balanced. Only one year can be adopted in the operating budget due to the structural deficit that exists. This deficit in the operating budget contributes to the City's inability to fund needed capital projects. Continuing in this direction will seriously diminish the organization's financial ability to delivery service to its citizens. Moving towards multi-year balanced budgets and long-term financial planning will provide citizens with greater long term certainty concerning City taxes and fees as well as clarity regarding service levels. A sustainable institution must consider the impact of decisions beyond one year, and how deficiencies will be addressed.

On June 21, 2018 Council directed the Public Service to initiate a process to implement a multi-year budget approach effective for the 2020 budget year, with a particular focus on addressing the structural deficit in tax-supported City operations. The following chart illustrates the increasing structural deficit to be addressed through multi-year balanced budgets.

Target:
Transition to multi-year balanced tax-supported operating budgets.

Measurement:
A four year balanced tax supported operating budget.

"Long-term financial planning is the process of aligning financial capacity with long-term service objectives."

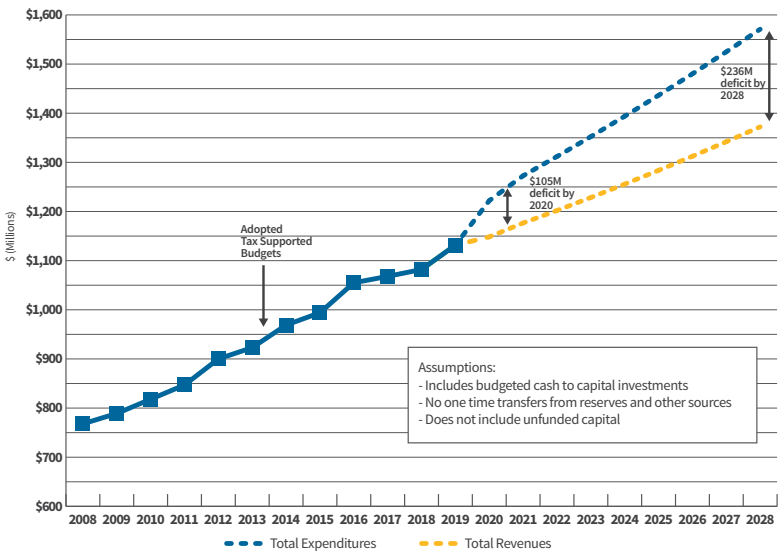
- GFOA 2018

"Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges."

- GFOA Best Practices

TAX-SUPPORTED OPERATING BUDGET – 10 YEAR PROJECTION

Includes: Budgeted Cash to Capital Investments and no One Time Transfers from Reserves and Other Sources



An important component to the success of long term financial planning is having a clear understanding of the Organization's strategic plans and service priorities. The development of a strategic plan is being undertaken as part of the multi-year budget process. A direct benefit achieved from implementing a multi-year balanced operating budget will be the identification of funding gaps well in advance to enable the development of financial strategies and plans to address the gaps. This will support the importance of discussions on service levels decisions as Council determines how to allocate the financial resources the City has. On March 20, 2019 Council directed the Chief Administrative Officer to undertake additional activities in preparation of the multi-year budget planning process for 2020, the details of which are available in Recommendation V of Volume 2 of the 2019 Adopted Budget.

5. Build, Maintain, and Enhance Infrastructure Assets

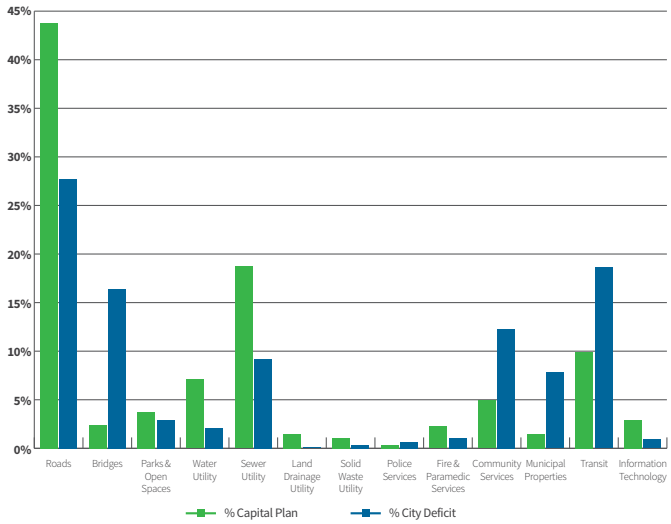
Investments in key services and infrastructure are critical to support a growing, thriving, modern city, now and in the future. Building, maintaining and enhancing the City's assets and infrastructure is essential in meeting the needs of Winnipeg citizens and attracting new investment and business to the City. The 2018-2027 Infrastructure Deficit for both new and existing infrastructure is $6.9 billion. The largest portion of the $6.9 billion relates to road infrastructure. Additional investment in recent years has helped reduce the infrastructure deficit to this level.

Target:
Continue to implement leading practices for asset management.

Measurement:
Reduced infrastructure deficit.

The City has averaged an annual capital budget for the period 2010-2019 of $485 million per year for both tax-supported and utilities, excluding any in-year approvals. This level of funding is short of what is needed to be sustainable. To eliminate the infrastructure deficit within 10 years would require an additional annual budget of $690 million, which is at a level the City cannot afford with the existing revenue sources.

ESTIMATED CAPITAL SPENDING TO DEFICIT DISTRIBUTION PER SERVICE AREA 2018-2027



In January 2015, Council approved the City's Asset Management Policy, making asset management a core business function. The adoption of the Policy also established the framework for infrastructure stewardship through comprehensive Asset Management Plans. These plans are integrated with and help guide the long-range infrastructure investment planning process based on considerations such as affordability, and in the future defined service levels.

As well, the City has released several infrastructure documents to guide Council's decision-making on infrastructure investment, including:

- 2018 City Asset Management Plan
- 2018 State of the Infrastructure Report
- Unfunded Major Capital Projects Detail
- 2020 Infrastructure Plan

Decisions to effectively address the deficit may include:

- Increasing access to revenue
- Developing well-defined levels of service
- Apply a cost benefit lens to Policy Development and Strategic Plans
- Reviewing assets in poor to very poor condition
- Better alignment between the budget process and asset management

An asset management prioritization tool is also used to assist Council decision-making. The tool uses a weighted, multi-criteria analysis to evaluate how the proposed investments contribute to a range of service needs and strategic priorities. By comparing the benefits from these investments to the overall cost, projects' relative values can be assessed using a cost benefit points ratio.

6. Manage Expenditures

Affordability is recognized by City Council as being important to the citizens of Winnipeg. Winnipeg has a comparatively low ratio of operating expenses per capita when compared to other cities across Canada. From 2011 to 2018, tax-supported operating expenditures have increased by 27.7% compared to 25.1% inflation adjusted for population growth. During this period, the City continued to increase spending on public safety services at a rate greater than inflation offset by lower spending increases on other services.

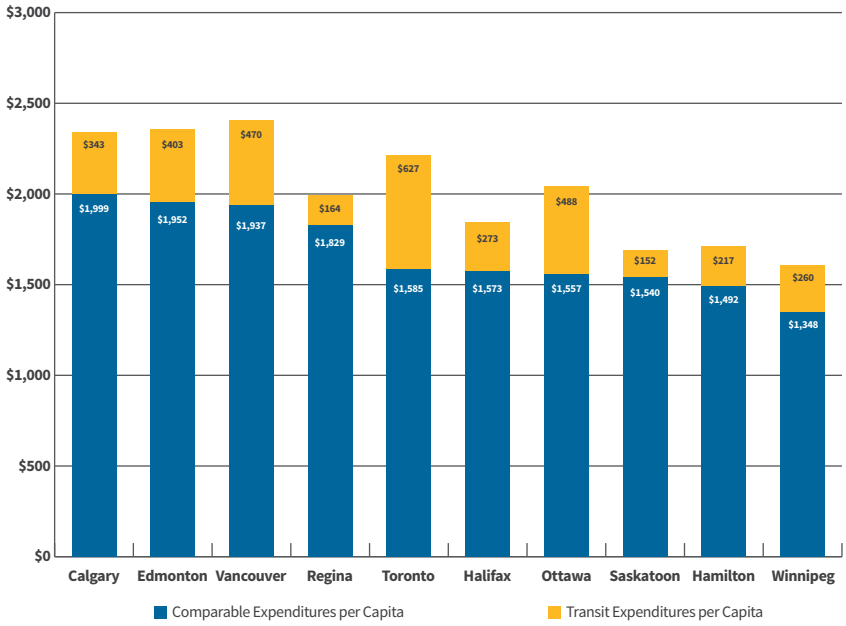
Target:
Operating expenditure increases should not exceed inflation adjusted for population growth.

Measurement:
Increase in operating expenditure over prior year should not exceed inflation adjusted for population growth.

"Local governments often can't solve complex community challenges by itself. It must join with others to form a network of enterprises committed to addressing the challenges for a sustainable cost."

- GFOA 2018

2017 CITIES COMPARISON OF OPERATING EXPENDITURE PER CAPITA



Comparing operating expenditure between cities can be challenging due to differences between service type and size. Therefore to create a fair comparison, the City of Winnipeg compiled a common 'basket of services': Police, Fire, Roads, Water, Sewer, Land Drainage, Solid Waste, Recycling, Parks, Recreation, Libraries, Arts & Culture, City Planning, Development and Permits, Animal Services, Fleet, Municipal Buildings, Corporate Services and Council. This does not include Ambulance, Assessment, Cemeteries, Public Health, Social Services, Housing , Electrical Utilities, Transit and Interest. City of Edmonton excludes EPCOR.

Note: In the Vancouver area, TransLink provides transit services to the entire region. As such, the per-capita transit expenditures for Vancouver is calculated by multiplying TransLink's expenses (excluding interest and amoritization of capital assets) by the porportion of it's service area that is made up of Vancouver residents.

The City has been successful in managing expenditures while ensuring public services are maintained. Performance measure information is available for each City service ensuring that service trends can be monitored to assist in resource allocation and to ensure accountability for outcomes.

The City's strategy to manage expenditures, and find efficiencies includes:

- Strong governance and management practices
- Increasing focus on innovation and technology to improve service delivery and increase efficiencies
- A review of core services including: rationalizing and consolidating services, delivery systems and facilities
- Maintaining skilled and flexible workforce of same to similar size
- Partnering with other levels of government and other organizations, including service sharing

7. Manage Debt

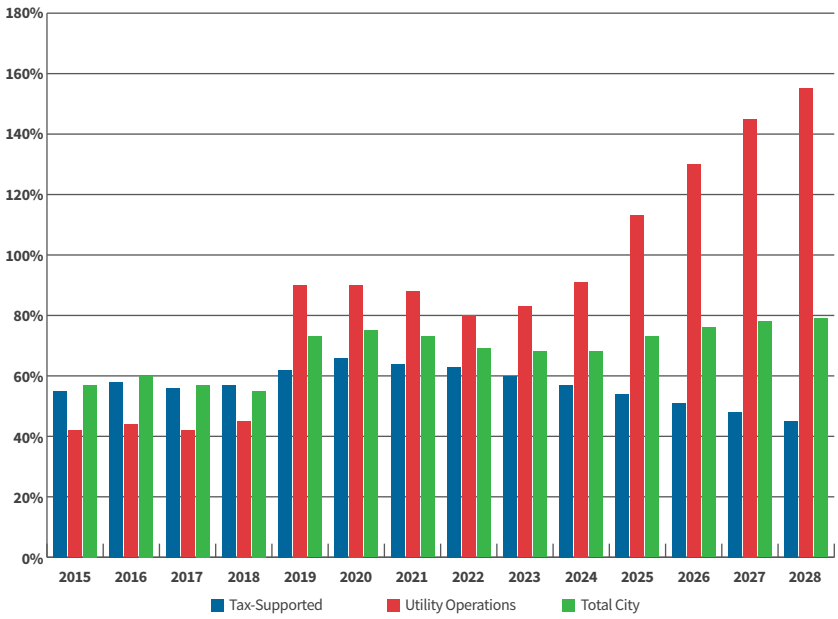
On June 22, 2011, Council adopted the initial Debt Strategy which imposed limits for tax supported, utilities and total City borrowing. Debt limits are reviewed regularly to establish a prudent level of debt to support the City's capital infrastructure program while maintaining an appropriate credit rating, long-term financial flexibility and sustainability. The Debt Strategy was last updated on October 28, 2015.

The City is currently facing a substantial infrastructure deficit related to water and wastewater facilities, roads, parks, transit, community facilities, and others.

To address the City's infrastructure deficit, the City has undertaken several public-private partnerships to advance capital projects. These public-private partnership arrangements constitute long-term financial obligations that are also factored into the debt metrics.

The City's debt load is projected to grow to $1.89 billion in 2023 from $1.07 billion in 2017 based on projected capital spending.

NET DEBT AS A PERCENTAGE OF REVENUE



Issuance of debt must consider growth in City revenues and remain affordable to the citizens of Winnipeg. By ensuring new debt remains within the limits set in the Debt Strategy, Council is able to assess this affordability when setting annual budgets. The Debt Strategy measures multiple metrics: Debt Capacity, Affordability, and Debt per capita.

The addition of debt to finance capital projects is a large driver of increased operating expenses and utility rates as debt servicing costs (interest and principal) for the repayment of the debt are added to the operating budget.

Loan guarantees constitute meaningful commitments by the City of Winnipeg. When the City guarantees a loan, it must disclose this contingent liability in its financial statements. In the case of a consolidated entity, the outstanding loan balance is recorded as a liability in the financial statements and forms a part of the consolidated debt of the City of Winnipeg. If the organization defaults on the loan, the City would be obligated to make payments on the loan or pay out the remaining balance of the loan. The City has implemented a Loan Guarantee policy to minimize this risk.

Target:
That debt issuance and outstanding debt is in accordance with the Debt Management Policy and Debt Strategy.

Measurement:
Net debt as a percentage of revenue, debt servicing as a percentage of revenue and debt per capita remains within Debt Strategy Limits.

Measuring net debt as a percentage of operating revenue speaks to the organization's ability to service the debt.

Debt servicing as a percentage of revenue is a measure of affordability and speaks to the cost of servicing the City's consolidated debt position from a historical and current perspective.

"Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner."

– GFOA Best Practice

The following considerations are assessed in determining whether debt issuance would be supported for a project:

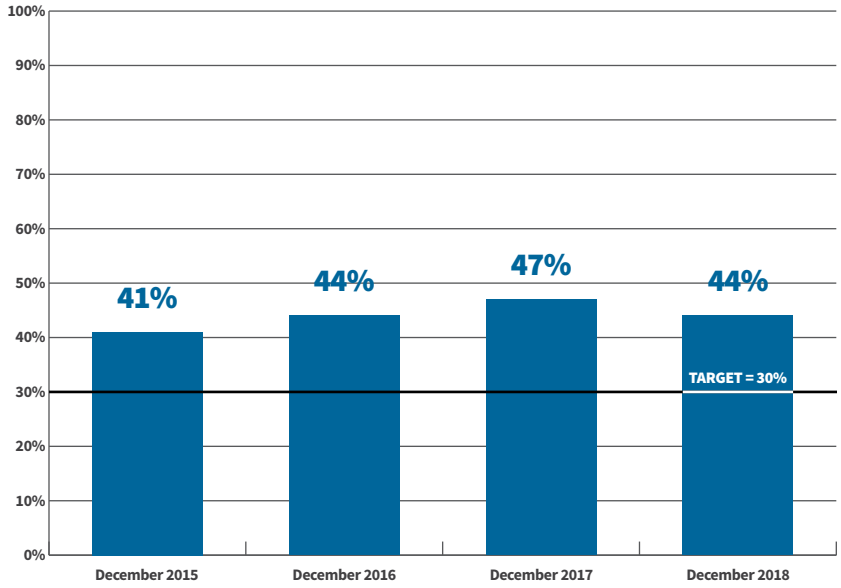
- **Intergenerational in nature**
- **Benefitting the community at large**
- **Growth related**
- **A major rehabilitation**
- **Financed by a dedicated revenue stream**

8. Ensure Adequate Reserves and Liquidity

Maintaining adequate reserves provides the City with the ability to respond to unexpected events and extraordinary situations, maintain stable taxes and ensure sufficient funds are available for major capital projects.

Liquidity also ensures the City's ability to respond to unexpected events and is an important factor in credit rating determination as it is an indicator of the City's ability to service its financial obligations. Credit ratings impact the cost of borrowing. Maintaining adequate reserves is a significant factor in maintaining liquidity for the organization.

TOTAL CITY LIQUIDITY



Source: City of Winnipeg, Community Trends and Performance Report – Volume 1, 2019 Budget

Council has approved a target level for the Financial Stabilization Reserve of 6% of tax supported expenditures. This reserve is available to fund major unexpected expenses or deficits recorded in the General Revenue Fund. The City is considering setting additional targets to assist with maintaining liquidity through the Debt Management Policy.

In addition to reserves, liquid assets and the City's uncommitted credit facilities are both contributing factors towards liquidity.

The City will continue to monitor its reserve and liquidity positions against future requirements to ensure adequate balances are maintained.

Target:
Reserve balances maintained at Council approved levels.

Measurement:
Reserve balances maintained at Council approved levels.

"Modest but improving liquidity profile – While this ratio remains modest compared to highly rated Canadian municipalities, it has consistently improved since 2012."

- Moody's 2018

"Governments should maintain a prudent level of financial resources to protect against the reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures."

- GFOA



City Contact Information

Information on the City of Winnipeg is available at **winnipeg.ca**
Resident inquiries may also be directed to **311** | Outside of Winnipeg: **1-877-311-4974**

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