Agenda – Executive Policy Committee - November 18, 2015

Report – Standing Policy Committee on Finance – November 12, 2015

Item No. 1 Financial Status Report and Forecast to September 30, 2015

STANDING COMMITTEE RECOMMENDATION:

On November 12, 2015, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the Financial Status Report and Forecast to September 30, 2015 be received as information.

2. That if the General Revenue Fund reports a surplus at year-end, it be transferred to the General Purpose Reserve Fund.

3. That in the event the General Revenue Fund reports a deficit at year-end, the following measures be utilized, in the order specified, to sufficiently eliminate a 2015 deficit in the General Revenue Fund:

    A. Reduce the transfer required to the Financial Stabilization Reserve Fund in respect of net supplementary taxes and tax roll adjustments to the budget in 2015 up to the amount required to avoid a deficit in the General Revenue Fund;

    B. The Financial Stabilization Reserve Fund forgo its 2015 interest earnings, net of investment management fees, up to the amount required to avoid a deficit in the General Revenue Fund; and\

    C. The Financial Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund.

Agenda – Executive Policy Committee - November 18, 2015

Report – Standing Policy Committee on Finance – November 12, 2015

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 12, 2015, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Financial Status Report and Forecast to September 30, 2015**

Critical Path: **Standing Policy Committee on Finance – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
P. Olafson	M. Ruta	M. Ruta	M. Jack COO

RECOMMENDATIONS

1) That the Financial Status Report and Forecast to September 30, 2015 be received as information.
2) That if the General Revenue Fund reports a surplus at year-end, it be transferred to the General Purpose Reserve Fund.
3) That in the event the General Revenue Fund reports a deficit at year-end, the following measures be utilized, in the order specified, to sufficiently eliminate a 2015 deficit in the General Revenue Fund:
    a. Reduce the transfer required to the Financial Stabilization Reserve Fund in respect of net supplementary taxes and tax roll adjustments to the budget in 2015 up to the amount required to avoid a deficit in the General Revenue Fund;
    b. The Financial Stabilization Reserve Fund forgo its 2015 interest earnings, net of investment management fees, up to the amount required to avoid a deficit in the General Revenue Fund; and
    c. The Financial Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund.

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.

Recommendations 2 and 3 of this report concerns transfers amongst City of Winnipeg funds and under Section 288(1) of The City of Winnipeg Charter, this requires approval of City Council. As well, for 3a and 3b the funding mechanism for the Financial Stabilization Reserve Fund has been approved by Council.

EXECUTIVE SUMMARY

The Financial Status Report and Forecast to September 30, 2015 currently anticipates a projected surplus of $8.7 million.

IMPLICATIONS OF THE RECOMMENDATIONS

At this time, the Public Service anticipates a projected surplus of $8.7 million. The Public Service anticipates that the projected surplus will increase over the remainder of the year based on financial improvements typically realized from that forecasted for September 30, as well as through continued efforts to control expenses without impacting the delivery of core services. The Public Service will be monitoring the General Revenue Fund on a regular basis.

The average change over the last four of five published years between the third quarter and year-end is $10.8 million, ranging from $3.9 – 15.6 million. Within the previous five year period, the one non-reported year was because there was no November meeting of Standing Policy Committee on Finance to table a September report.

Recommendations 2 and 3 included in this report, concerning transfers amongst City of Winnipeg funds fall under Section 288(1) of The City of Winnipeg Charter, which requires approval from City Council. As well, the funding mechanism for the Financial Stabilization Reserve Fund has been approved by Council.

Actual Year-end Scenario - General Revenue Fund Surplus

Annual operating General Revenue Fund surpluses automatically transfer to the Financial Stabilization Reserve Fund. Should the actual year-end General Revenue Fund 2015 operations result in a surplus, the Public Service is instead recommending that the surplus be transferred to the General Purpose Reserve Fund for future use to be approved by City Council.

Actual Year-end Scenario - General Revenue Fund Deficit

Should the General Revenue Fund report a 2015 deficit, the following measures, in the order specified, would be utilized, to sufficiently eliminate that deficit:

Net supplementary taxes and tax roll adjustments to the budget

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 net supplementary taxes and tax roll adjustments used in the General Revenue Fund budget and the actual amounts achieved.

During the year, taxes are reported in the General Revenue Fund and if applicable at year-end a transfer based on the variance between budget and actual is recorded and reported in the Financial Stabilization Reserve Fund. After considering the foregoing measure, this recommendation would reduce any transfer from the General Revenue Fund up to the amount of the potential deficit.

Interest Revenue – Financial Stabilization Reserve Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Financial Stabilization Reserve Fund does not have a separate bank account. Cash transactions are credited or charged to the "Due from the General Revenue Fund" in the reserve. Interest revenue is credited to the reserve, as approved by City Council in the September 28, 2011 report. After considering the foregoing measures, this recommendation increases the interest revenue in the General Revenue Fund by forgoing interest revenue, less investment management fees, in the Financial Stabilization Reserve Fund up to the remaining amount of the potential deficit.

Transfer from the Financial Stabilization Reserve Fund

Even after the above recommendations are implemented a deficit may still result in the General Revenue Fund thereby requiring a transfer from the Financial Stabilization Reserve Fund. In the last two months of the year, for instance, there is a financial risk associated with snow accumulations and the need for snow removal and ice control.

As at January 1, 2015, the Financial Stabilization Reserve Fund had an accumulated surplus of $81.8 million. As included in the 2015 budget, $9.2 million will be transferred from the Financial Stabilization Reserve Fund to the General Revenue Fund.

The use of the Financial Stabilization Reserve Fund is subject to certain operating criteria including no charges to the Reserve being made unless the reserve balance exceeds 6% of the General Revenue Fund expenses. If that target is met or exceeded, funds above the 6% target may be used for major unforeseen expenditures and deficits in any given year.

HISTORY

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	Surplus (deficit) in millions at September	Surplus (deficit) in millions at December 31 before Final Transfers
2014	$ (14.9)	$ 0.7
2013	(5.7)	(1.8)
2012	7.7	15.9
2011	(5.7)	9.7
2010	N/A	(3.8)

FTE Quarterly Reporting

At the September 13, 2013 meeting of Standing Policy Committee on Finance, a motion was passed that following delivery of the first Civic Establishment Report to Executive Policy Committee, the Winnipeg Public Service be requested to provide updates within the quarterly Financial Status Report and Forecast which include the actual Full-Time Equivalent Positions (FTEs) to Committee. The 2014 Full Time Equivalent Report was approved by Council on July 15, 2015.

As defined in the Full Time Equivalent Report, a FTE is reflective of the effort required to support the City's programs and services. For budget purposes, the FTE is expressed as an annual value. Actual FTE data is extracted from the payroll system. As also defined in the Full Time Equivalent Report, "Actual FTE" is the total number of hours paid divided by the regular compensable hours in a fiscal year. It includes permanent, temporary, full-time, part-time, salaried, hourly, seasonal, casual and student positions.

Actual FTEs are calculated on the basis of total salaries paid to date. At September 30, 2015, actual FTEs total 6,541.65, compared to an adopted budget of 9,015.79 (net of vacancy management.) The calculated FTE is different than employee headcount, the City's number of employees at a point in time. The quarterly reported actual FTEs will vary each report.

Budget Transfers

During the year, operating budgets were amended to reflect service responsibilities transferred, including Corporate Communications disclosed in Schedule 2.

The City Organization By-law (7100/97) states, "Except as otherwise provided herein and subject to the appointment of statutory officers as contemplated by The City of Winnipeg

Charter, the administrative structure of The City of Winnipeg shall be established by the Chief Administrative Officer."

Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2015, 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, 2015.

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 August to September Forecast;

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

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

FINANCIAL IMPACT

Financial Impact Statement Date: November 4, 2015

Project Name:

Financial Status Report and Forecast to September 30, 2015

COMMENTS:

This report is prepared for information purposes.

Kaleigh Wills
Manager of Financial Reporting and Accounting Services

CONSULTATION

In preparing this report there was consultation with:

All City of Winnipeg Departments

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1 Provide Efficient and Focused Civic Administration and Governance. This report supports demonstration of accountability by the City's public service through reporting.

SUBMITTED BY

Department: Corporate Finance

Division: Corporate Controller's

Prepared by: Kaleigh Wills

Date: November 4, 2015

File No.

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

Schedule 1

Actual for the nine month period ended September 30, 2015
forecasted for the year ending December 31, 2015
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
REVENUES				
Taxation	$ 626,887	$ 627,182	$ 295	$ 473,869
Government transfers	118,290	118,087	(203)	72,241
Sale of goods and services	59,008	60,369	1,361	45,172
Transfer from other funds	45,779	42,347	(3,432)	31,396
Regulation fees	45,329	48,597	3,268	33,733
Other	35,351	34,800	(551)	726
Payments-in-lieu of taxes	34,066	34,066	-	26,172
Interest	29,387	31,037	1,650	27,659
Total Revenues	994,097	996,485	2,388	710,968
EXPENSES				
Assessment and taxation	20,520	18,181	2,339	11,759
Audit	1,230	913	317	590
Chief administrative offices	1,891	2,925	(1,034)	2,168
City clerks	12,948	12,870	78	9,804
Community services	118,569	117,759	810	91,106
Corporate	46,867	47,902	(1,035)	34,815
Corporate finance	9,130	8,520	610	6,315
Corporate support services	34,092	32,512	1,580	23,522
Council	3,425	3,420	5	2,369
Fire paramedic service	178,321	178,999	(678)	131,998
Legal services	3,135	3,033	102	2,104
Mayor's office	1,832	1,856	(24)	808
Museums	1,031	1,031	-	985
Planning, property and development	48,513	50,288	(1,775)	36,876
Police services	263,978	262,893	1,085	193,746
Policy and strategic initiatives	723	629	94	243
Public works	204,447	202,545	1,902	160,327
Street lighting	12,522	12,276	246	9,070
Water and waste	30,923	29,253	1,670	20,292
Total Expenses	994,097	987,805	6,292	738,897
FORECASTED SURPLUS	$ -	$ 8,680	$ 8,680	$ (27,929)

Notes:

(1) See Schedule 5 for comparable departmental view.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
BUDGET VARIANCES ARISING FROM THE SEPTEMBER 30, 2015 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2015

Schedule 2

(in millions of dollars)
(unaudited)

The Assessment and Taxation department's favourable net mill rate variance is primarily related to increased interest on uncollected taxes and lower than expected appeal losses.		**$ 4.0**
The Public Works department's favourable variance is mostly related to vacancy management savings. Anticipated snow clearing savings ($0.7 million) are projected to be transferred to the Snow Clearing Reserve Fund.		**2.6**
The Water and Waste department's favourable net mill rate variance is mostly related to decreased tax-supported solid waste expenses.		**1.3**
Facility costs:		
The Police department has savings in facility costs related to the deferred occupation of the WPS headquarters building.	**3.2**	
Planning, Property and Development department has a shortfall in the dividend from Municipal Accommodations related to the decrease in revenue in Municipal Accommodations from the Police department, related to the deferred occupation of the WPS headquarters building.	**(3.2)**	**-**
Transfer of Corporate Communications Division:		
Corporate Support Services department will be underbudget primarily because of the transfer of this division.	**1.1**	
The CAO's office is projected to be higher than budget because of the transfer of the corporate communications division from Corporate Support Services.	**(1.1)**	**-**
Except for as otherwise disclosed above, Planning, Property and Development department's net mill rate is projected higher than anticipated mostly due to a decreased transfer from Municipal Accommodations as a result of decreased lease revenue of civic space to third parties.		**(1.0)**
Other departmental revenues and expenses.		**1.8**
Forecasted Surplus		**$ 8.7**

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

THE CITY OF WINNIPEG - GENERAL REVENUE FUND

Schedule 3

RECONCILIATION OF AUGUST TO SEPTEMBER FORECAST
SEPTEMBER 30, 2015 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2015

(in millions of dollars)
(unaudited)

Forecasted General Revenue Fund Surplus - August 31, 2015	**$**	**6.9**
Decrease in the Assessment and Taxation department's net mill rate is primarily related to lower than expected appeal losses.		**2.6**
Corporate's increased net mill rate is mostly related to a shortfall in budgeted savings.		**(1.7)**
Other departmental revenues and expenses.		**0.9**
Forecasted General Revenue Fund Surplus - September 30, 2015	**$**	**8.7**

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

Schedule 4

Actual for the nine month period ended September 30, 2015
forecasted for the year ending December 31, 2015
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
General Revenue Fund				
Revenues	$ 994,097	$ 996,485	$ 2,388	$ 710,968
Expenses	994,097	987,805	6,292	738,897
Surplus (Deficit)	$ -	$ 8,680	$ 8,680	$ (27,929)
Transit System				
Revenues	$ 127,481	$ 124,967	$ (2,514)	$ 90,315
Expenses	169,235	166,676	2,559	119,379
	(41,754)	(41,709)	45	(29,064)
Transfer to Reserves	(5,596)	(5,596)	-	-
Transfer from General Revenue Fund	47,350	47,209	(141)	35,477
Surplus (Deficit)	$ -	$ (96)	$ (96)	$ 6,413
Waterworks System				
Revenues	$ 107,618	$ 105,978	$ (1,640)	$ 76,905
Expenses	77,839	75,467	2,372	59,174
	29,779	30,511	732	17,731
Transfer to Water Main Renewal Reserve	(16,500)	(16,500)	-	(16,500)
Surplus Prior to Principle Debt Repayments	13,279	14,011	732	1,231
Principle Debt Repayments	(5,264)	(5,264)	-	-
Surplus	$ 8,015	$ 8,747	$ 732	$ 1,231

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

Schedule 4

Actual for the nine month period ended September 30, 2015
forecasted for the year ending December 31, 2015
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Sewage Disposal System				
Revenues	$ 160,184	$ 161,067	$ 883	$ 116,878
Expenses	80,184	76,247	3,937	62,506
	80,000	84,820	4,820	54,372
Transfer to Reserves	(43,268)	(38,008)	5,260	(11,182)
Transfer to General Revenue Fund	(11,552)	(11,338)	214	(8,776)
Surplus	$ 25,180	35,474	10,294	34,414
Solid Waste Disposal				
Revenues	$ 39,816	$ 39,083	$ (733)	$ 21,130
Expenses	36,678	32,385	4,293	20,478
	3,138	6,698	3,560	652
Transfer to Reserve	(300)	(300)	-	-
Surplus Prior to Principle Debt Repayments	2,838	6,398	3,560	652
Principle Debt Repayments	(1,834)	(1,795)	39	-
Surplus	$ 1,004	$ 4,603	$ 3,599	$ 652

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

Schedule 4

Actual for the nine month period ended September 30, 2015
forecasted for the year ending December 31, 2015
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Municipal Accommodations Fund				
Revenues	$ 85,714	$ 80,663	$ (5,051)	$ 58,742
Expenses	75,124	74,341	783	44,443
	10,590	6,322	(4,268)	14,299
Transfer to:				
General Revenue Fund	(10,590)	(6,322)	4,268	(160)
Surplus	$ -	$ -	$ -	$ 14,139

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

Schedule 5

forecasted for the year ending December 31, 2015
(in thousands of dollars)
(unaudited)

	Revenues			*Expenses*			*Net Mill Rate*
	Adopted Budget	**Forecast**	**Variance Budget/ Forecast**	**Adopted Budget**	**Forecast**	**Variance Budget/ Forecast**	**Variance Budget/ Forecast**
Assessment and taxation	$ 626,790	$ 628,493	$ 1,703	$ 20,520	$ 18,181	$ 2,339	$ 4,042
Audit	-	-	-	1,230	913	317	317
Chief administrative offices	-	-	-	1,891	2,925	(1,034)	(1,034)
City clerks	456	811	355	12,948	12,870	78	433
Community services	17,983	17,401	(582)	118,569	117,759	810	228
Corporate	132,393	132,652	259	46,867	47,902	(1,035)	(776)
Corporate finance	5,911	6,059	148	9,130	8,520	610	758
Corporate support services	2,094	1,607	(487)	34,092	32,512	1,580	1,093
Council	-	-	-	3,425	3,420	5	5
Fire paramedic service	53,764	53,978	214	178,321	178,999	(678)	(464)
Legal services	613	518	(95)	3,135	3,033	102	7
Mayor's office	-	-	-	1,832	1,856	(24)	(24)
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	40,559	38,106	(2,453)	48,513	50,288	(1,775)	(4,228)
Police services	44,870	47,852	2,982	263,978	262,893	1,085	4,067
Policy and strategic initiatives	-	-	-	723	629	94	94
Public works	55,788	56,474	686	204,447	202,545	1,902	2,588
Street lighting	-	-	-	12,522	12,276	246	246
Waterworks and waste	12,876	12,534	(342)	30,923	29,253	1,670	1,328
Forecasted Surplus	$ 994,097	$ 996,485	$ 2,388	$ 994,097	$ 987,805	$ 6,292	$ 8,680