**Minutes – Executive Policy Committee – December 7, 2016**

**Report – Standing Policy Committee on Finance – December 1, 2016**

**Item No. 1 Financial Status Report and Forecast to October 31, 2016**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submitted the following to Council:

1. That the Financial Status Report and Forecast to October 31, 2016 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 2016 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 2016 up to the amount required to avoid a deficit in the General Revenue Fund;

    B. The Financial Stabilization Reserve Fund forgo its 2016 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.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

## Report – Standing Policy Committee on Finance – December 1, 2016

DECISION MAKING HISTORY:

Moved by Councillor Gillingham,

That the recommendation of the Standing Policy Committee on Finance be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On December 1, 2016, 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 October 31, 2016

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| P. Olafson | Mike Ruta | M. Ruta | D. McNeil |

## EXECUTIVE SUMMARY

The Financial Status Report and Forecast to October 31, 2016 currently anticipates a projected surplus of $2.5 million.

Based on experience of the past few years it is not unusual for the projected surplus to have slight improvements in the final months of the year. The average change over the last three of five reported years between October and year-end is $6.1 million, ranging from $1.9 – 9.1 million.

## RECOMMENDATIONS

1) That the Financial Status Report and Forecast to October 31, 2016 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 2016 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 2016 up to the amount required to avoid a deficit in the General Revenue Fund;
    b. The Financial Stabilization Reserve Fund forgo its 2016 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.

## IMPLICATIONS OF THE RECOMMENDATIONS

The Public Service anticipates that the projected surplus will have slight improvements in the final two months of the year based on financial improvements typically realized from that forecasted for October 31, as well as through continued efforts to control expenses without impacting the delivery of core services. The Public Service will be monitoring the General Revenue Fund on a regular basis.

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 2016 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 2016 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, 2016, the Financial Stabilization Reserve Fund had an accumulated surplus of $75.6 million. As included in the 2016 budget, $5.0 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 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 |
|---|---|---|
| 2015 | $ N/A | $ 16.3 |
| 2014 | N/A | 0.7 |
| 2013 | (3.7) | (1.8) |
| 2012 | 8.5 | 15.9 |
| 2011 | (0.6) | 9.7 |

**Other**

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2016, 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, 2016.

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 September to October 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 22, 2016

### Project Name:

### Financial Status Report and Forecast to October 31, 2016

**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 22, 2016

File No.

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

**Schedule 1**

*Actual for the ten month period ended October 31, 2016*
*forecasted for the year ending December 31, 2016*
*(in thousands of dollars)*
*(unaudited)*

| | Adopted Budget | Forecast | Variance From Budget | Year to Date Actual |
|---|---|---|---|---|
| ***REVENUES*** | | | | |
| Taxation | $ 658,686 | $ 655,472 | $ (3,214) | $ 545,837 |
| Government transfers | 123,619 | 123,488 | (131) | 85,262 |
| Sale of goods and services | 63,170 | 61,115 | (2,055) | 50,364 |
| Transfer from other funds | 55,203 | 56,492 | 1,289 | 35,236 |
| Regulation fees | 50,758 | 55,478 | 4,720 | 45,924 |
| Interest | 33,102 | 35,401 | 2,299 | 31,611 |
| Payments-in-lieu of taxes | 35,255 | 35,255 | - | 29,520 |
| Other | 35,337 | 34,943 | (394) | 1,257 |
| Total Revenues | 1,055,130 | 1,057,644 | 2,514 | 825,011 |
| ***EXPENSES*** | | | | |
| Assessment and taxation | 19,986 | 15,136 | 4,850 | 10,045 |
| Audit | 1,368 | 903 | 465 | 658 |
| Chief administrative offices | 3,471 | 2,901 | 570 | 2,324 |
| City clerks | 14,550 | 14,352 | 198 | 11,912 |
| Community services | 111,409 | 110,548 | 861 | 92,127 |
| Corporate | 72,356 | 75,122 | (2,766) | 60,504 |
| Corporate finance | 9,015 | 8,225 | 790 | 6,855 |
| Corporate support services | 37,254 | 36,534 | 720 | 29,837 |
| Council | 3,476 | 3,487 | (11) | 2,676 |
| Fire paramedic service | 190,274 | 190,322 | (48) | 155,427 |
| Legal services | 3,183 | 3,059 | 124 | 2,514 |
| Mayor's office | 1,869 | 1,870 | (1) | 1,017 |
| Museums | 1,031 | 1,031 | - | 1,006 |
| Planning, property and development | 45,528 | 45,955 | (427) | 36,960 |
| Police services | 280,670 | 284,411 | (3,741) | 236,448 |
| Policy and strategic initiatives | 807 | 807 | - | 652 |
| Public works | 215,521 | 219,584 | (4,063) | 180,419 |
| Street lighting | 12,963 | 12,470 | 493 | 10,433 |
| Water and waste | 30,399 | 28,380 | 2,019 | 21,554 |
| Total Expenses | 1,055,130 | 1,055,097 | 33 | 863,368 |
| ***Forecasted Surplus/(Deficit)*** | $ - | $ 2,547 | $ 2,547 | $ (38,357) |

Notes:
(1) See Schedule 5 for comparable departmental view.

## THE CITY OF WINNIPEG - GENERAL REVENUE FUND — Schedule 2
## BUDGET VARIANCES ARISING FROM THE OCTOBER 31, 2016 FORECAST FOR THE YEAR ENDING DECEMBER 31, 2016

*(in millions of dollars)*
*(unaudited)*

| | | |
|---|---|---|
| Assessment and Taxation's favourable variance is mostly due to a decreasing provision for uncollectible payments in lieu of taxes related to in year collections for the Canadian Museum for Human Rights (CMHR). This is offset by an increase in remittance to the Province of Manitoba, as a requirement under the CMHR loan agreement. Also contributing to the favourable variance is an increase in tax penalty revenue. | | **4.0** |
| Public Works: | | |
| Revenues are greater than budget primarily due to street cuts operations and surplus transferred from the General Revenue Enterprises Fund. This is resulting from 2016 Budget recommendation 1J. Increased transfers from the Insect Control Reserve for the West Nile Virus Program also contributed. | **6.8** | |
| Expenses are greater than budget primarily due to street cuts operations transferred from the General Revenue Enterprises Fund. This is resulting from 2016 Budget recommendation 1J. Increased expenses are also related to spending related to the West Nile Virus Program. These are offset by increased revenues above. The net departmental variance is mostly related to position vacancies. | **(4.1)** | **2.7** |
| Water and Waste department's favourable net mill rate variance is mostly related to decreased tax-supported solid waste expenses. | | **1.7** |
| Community Service department's favourable net mill rate variance is mostly related to savings in salaries and benefits. | | **1.4** |
| The Fire Paramedic department's net mill rate is higher than anticipated due to salaries and benefits expense, including overtime, being over budget. Also contributing is care delay service revenues, anticipated to be less than budget. These are offset partially by additional transfers from the Winnipeg Regional Health Authority. | | **(1.0)** |
| Corporate's unfavourable variance is mostly related to a shortfall in budgeted savings and lower than expected recoveries from civic pension charges. | | **(2.5)** |
| The Police Services department's net mill rate is higher than anticipated mainly due to pension costs being over budget, primarily resulting from revised actuarial estimates, as well as a decrease in net photo radar revenues. While the department also anticipates increased salaries and benefits costs, it has identified other expense savings elsewhere to offset these. | | **(5.8)** |
| Other departmental revenues and expenses. | | **2.0** |
| ***Forecasted Surplus*** | | **$ 2.5** |

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 SEPTEMBER TO OCTOBER FORECAST
## OCTOBER 31, 2016 FORECAST
## FOR THE YEAR ENDING DECEMBER 31, 2016

*(in millions of dollars)*
*(unaudited)*

| | | |
|---|---|---|
| Forecasted General Revenue Fund Deficit - September 30, 2016 | **$** | **(0.6)** |
| Other departmental revenues and expenses. | | **3.1** |
| Forecasted General Revenue Fund Surplus - October 31, 2016 | **$** | **2.5** |

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

**Schedule 4**

*Actual for the ten month period ended October 31, 2016*
*forecasted for the year ending December 31, 2016*
*(in thousands of dollars)*
*(unaudited)*

| | Adopted Budget | Forecast | Variance From Budget | Actual |
|---|---|---|---|---|
| **General Revenue Fund** | | | | |
| Revenues | $ 1,055,130 | $ 1,057,644 | $ 2,514 | $ 825,011 |
| Expenses | 1,055,130 | 1,055,097 | 33 | 863,368 |
| Surplus/(Deficit) | $ - | $ 2,547 | $ 2,547 | $ (38,357) |
| **Transit System** | | | | |
| Revenues | $ 130,491 | $ 127,805 | $ (2,686) | $ 104,532 |
| Expenses | 193,852 | 190,376 | 3,476 | 152,274 |
| | (63,361) | (62,571) | 790 | (47,742) |
| Transfer to Reserves | (6,558) | (6,558) | - | (6,558) |
| Transfer from General Revenue Fund | 69,919 | 69,919 | - | 55,935 |
| Surplus | $ - | $ 790 | $ 790 | $ 1,635 |
| **Waterworks System** | | | | |
| Revenues | $ 113,812 | $ 110,231 | $ (3,581) | $ 89,862 |
| Expenses | 76,987 | 72,851 | 4,136 | 65,195 |
| | 36,825 | 37,380 | 555 | 24,667 |
| Transfer to: | | | | |
| Water Main Renewal Reserve | (16,500) | (16,500) | - | (13,500) |
| General Revenue Fund | (13,205) | (13,205) | - | - |
| Surplus Prior to Principle Debt Repayments | 7,120 | 7,675 | 555 | 11,167 |
| Principle Debt Repayments | (4,272) | (4,272) | - | - |
| Surplus | $ 2,848 | $ 3,403 | $ 555 | $ 11,167 |

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

**Schedule 4**

*Actual for the ten month period ended October 31, 2016*
*forecasted for the year ending December 31, 2016*
*(in thousands of dollars)*
*(unaudited)*

| | Adopted Budget | Forecast | Variance From Budget | Actual |
|---|---|---|---|---|
| **Sewage Disposal System** | | | | |
| Revenues | $ 166,067 | $ 159,272 | $ (6,795) | $ 131,105 |
| Expenses | 82,280 | 78,849 | 3,431 | 79,174 |
| | 83,787 | 80,423 | (3,364) | 51,931 |
| Transfer to Reserves | (34,675) | (33,750) | 925 | (13,552) |
| Transfer to General Revenue Fund | (28,984) | (28,633) | 351 | (8,518) |
| Surplus | $ 20,128 | 18,040 | (2,088) | 29,861 |
| **Solid Waste Disposal** | | | | |
| Revenues | $ 43,336 | $ 43,747 | $ 411 | $ 27,992 |
| Expenses | 37,792 | 34,272 | 3,520 | 21,748 |
| | 5,544 | 9,475 | 3,931 | 6,244 |
| Transfer to Reserve | (368) | (354) | 14 | (270) |
| Surplus Prior to Principle Debt Repayments | 5,176 | 9,121 | 3,945 | 5,974 |
| Principle Debt Repayments | (1,972) | (1,998) | 26 | - |
| Surplus | $ 3,204 | $ 7,123 | $ 3,971 | $ 5,974 |
| **Municipal Accommodations Fund** | | | | |
| Revenues | $ 75,098 | $ 73,209 | $ (1,889) | $ 58,918 |
| Expenses | 58,964 | 58,658 | 306 | 44,201 |
| | 16,134 | 14,551 | (1,583) | 14,717 |
| Transfer to: | | | | |
| General Revenue Fund | (16,134) | (14,551) | 1,583 | (170) |
| Surplus | $ - | $ - | $ - | $ 14,547 |

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

**Schedule 5**

*forecasted for the year ending December 31, 2016*
*(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 | $ 651,088 | $ 650,232 | $ (856) | $ 19,986 | $ 15,136 | $ 4,850 | $ 3,994 |
| Audit | - | - | - | 1,368 | 903 | 465 | 465 |
| Chief administrative offices | - | - | - | 3,471 | 2,901 | 570 | 570 |
| City clerks | 114 | 328 | 214 | 14,550 | 14,352 | 198 | 412 |
| Community services | 17,138 | 17,631 | 493 | 111,409 | 110,548 | 861 | 1,354 |
| Corporate | 140,619 | 140,836 | 217 | 72,356 | 75,122 | (2,766) | (2,549) |
| Corporate finance | 5,902 | 5,883 | (19) | 9,015 | 8,225 | 790 | 771 |
| Corporate support services | 2,095 | 1,612 | (483) | 37,254 | 36,534 | 720 | 237 |
| Council | - | - | - | 3,476 | 3,487 | (11) | (11) |
| Fire paramedic service | 59,430 | 58,432 | (998) | 190,274 | 190,322 | (48) | (1,046) |
| Legal services | 651 | 614 | (37) | 3,183 | 3,059 | 124 | 87 |
| Mayor's office | - | - | - | 1,869 | 1,870 | (1) | (1) |
| Museums | - | - | - | 1,031 | 1,031 | - | - |
| Planning, property and development | 45,321 | 44,812 | (509) | 45,528 | 45,955 | (427) | (936) |
| Police services | 48,048 | 46,006 | (2,042) | 280,670 | 284,411 | (3,741) | (5,783) |
| Policy and strategic initiatives | - | - | - | 807 | 807 | - | - |
| Public works | 73,172 | 79,983 | 6,811 | 215,521 | 219,584 | (4,063) | 2,748 |
| Street lighting | - | - | - | 12,963 | 12,470 | 493 | 493 |
| Waterworks and waste | 11,552 | 11,275 | (277) | 30,399 | 28,380 | 2,019 | 1,742 |
| ***Forecasted Surplus/(Deficit)*** | $ 1,055,130 | $ 1,057,644 | $ 2,514 | $ 1,055,130 | $ 1,055,097 | $ 33 | $ 2,547 |