Agenda – Executive Policy Committee – December 5, 2018

Report – Standing Policy Committee on Finance – November 27, 2018

Item No. 1 Financial Status Report and Forecast to September 30, 2018

STANDING COMMITTEE RECOMMENDATION:

On November 27, 2018, 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 to September 30, 2018 be received as information.

2. That in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund will transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund. Also considering any amount budgeted as a transfer from the Financial Stabilization Reserve in the 2019 budget, should this Reserve fall below the minimum 6% target of tax-supported expenditures threshold as a result, a replenishment plan starting in 2020, of up to 3 years, will be established to bring the Financial Stabilization Reserve to the minimum threshold amount.

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

Agenda – Executive Policy Committee – December 5, 2018

Report – Standing Policy Committee on Finance – November 27, 2018

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 27, 2018, 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, 2018**

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

AUTHORIZATION

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

EXECUTIVE SUMMARY

The Financial Status Report and Forecast to September 30, 2018 currently anticipates a projected surplus of $9.5 million for the tax-support budget (General Revenue Fund).

Additional information on taxation revenues and forecasted transfers to the Financial Stabilization Reserve has been provided in Schedule 6.

RECOMMENDATIONS

1. That the Financial Status Report to September 30, 2018 be received as information.

2. That in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund will transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund. Also considering any amount budgeted as a transfer from the Financial Stabilization Reserve in the 2019 budget, should this Reserve fall below the minimum 6% target of tax-supported expenditures threshold as a result, a replenishment plan starting in 2020, of up to 3 years, will be established to bring the Financial Stabilization Reserve to the minimum threshold amount.

3. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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.

Recommendation 2 included in this report, concerning a transfer between City of Winnipeg funds, falls under Section 288(1) of The City of Winnipeg Charter, which requires approval from City Council.

IMPLICATIONS OF THE RECOMMENDATIONS

At this time, the Public Service anticipates a projected surplus of $9.5 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 monitors the General Revenue Fund on a regular basis.

The average change over the last five years between September and year-end is $7.2 million, ranging from a decrease of $5.7 million and an increase of $15.6 million.

Actual Year-end Scenario - General Revenue Fund Surplus

As approved by Council, annual operating General Revenue Fund surpluses automatically transfer to the Financial Stabilization Reserve Fund.

Actual Year-end Scenario - General Revenue Fund Deficit

Should the General Revenue Fund report a 2018 deficit, the Public Service is recommending a transfer from the Financial Stabilization Reserve. Also considering any amount budgeted as a transfer from the Financial Stabilization Reserve in the 2019 budget, should this Reserve fall below the minimum 6% target of tax-supported expenditures threshold as a result, a replenishment plan starting in 2020, of up to 3 years, will be established to bring the Financial Stabilization Reserve to the minimum threshold amount.

HISTORY/DISCUSSION

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 30	Surplus (deficit) in millions at December 31 before Final Transfers
2017	$ 0.4	$ 15.0
2016	0.6	(5.1)
2015	8.7	16.3
2014	(14.9)	0.7
2013	(5.7)	(1.8)

Fire Paramedic Service

Discussions with Shared Health regarding funding for 2018 are ongoing, with formal confirmation received setting a funding limit of $24.5 million which is consistent with funding forecasted.

In early 2018, it was determined that the allowance for non-collection of accounts relating to customer receivables for ambulance services was too low when considering long-term payment history and the age of receivables. Additionally the 2018 budget for allowance was too low based on forecasted billings for 2018. These two items have resulted in a net $1.6 million negative impact in this forecast. Consistent with the previous agreement with the Winnipeg Regional Heath Authority ("WRHA"), this is an expense that is subject to cost sharing, with half of the expense to be recovered through additional grant funds from the WRHA. Shared Health (Shared Health has taken over the ambulance responsibilities from WRHA effective April 1, 2018) has agreed to fund their portion of the expense and accordingly been included in their funding limit.

Transit

As of September 30, 2018, the Transit System is forecasting a year-end operating surplus of $7.9 million. The following table depicts summarized financial information for Transit:

(in millions of $)	September Forecast	2018 Budget	September Forecast Variance	June Forecast Variance
Fares	$ 88.5	$ 84.3	$ 4.2	$ 3.1
Other	109.6	109.4	0.2	0.1
	198.1	193.7	4.4	3.2
Salaries	117.5	120.8	3.3	1.4
Parts	13.4	17.4	4.0	1.5
Fuel	19.2	15.6	(3.6)	(3.5)
Other	40.1	39.9	(0.2)	(0.8)
	190.2	193.7	3.5	(1.4)
Surplus	$ 7.9	$ -	$ 7.9	$ 1.8

The primary reason for this is higher revenues realized on the sale of Transit's various fare products. The department noted decreased ridership in 2017, consistent with national and North American trends. With the 2018 twenty-five cent fare increase, it was anticipated this trend would continue in 2018. In fact, ridership in 2018 has been stable compared to 2017 and is resulting in higher than budgeted fare revenue due to the fare increase. Transit is also forecasting expenses to be under budget for 2018. Bus parts expenses are expected to be under budget being realized through various initiatives including utilizing a strategy to manage emissions in a more cost efficient manner. Salaries and benefits are also forecasted to be under budget due to turnover of bus operators and mechanics. New hires in these positions are being offset by higher than expected retirements and resignations. These savings have been partially offset by higher than budgeted diesel fuel expenses, attributable to diesel prices.

Budget Transfers

During the year, operating budgets were amended to reflect service responsibilities transferred and the actuals included in this report are consistent with the transfer. This includes:

- The transfer of two positions and other operating costs from the Property, Planning and Development department to create the Office of Sustainability located in the Chief Administrative Offices Department, as approved by Council on September 27, 2017;

- The transfer of the Economic Analyst position from Corporate Support Services Department to the Infrastructure Planning Office.

Recommendation 1Q of the Council approved 2016 Budget provides that the CAO be delegated the authority, for departmental units under his authority, to transfer funds

and/or budgets between departmental units to reflect administrative structure changes made by the CAO. This follows the authority provided in the City Organization By-law (7100/97) that 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

Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2018, 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, 2018. Attachments included are the following:

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

Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;

Schedule 3 – The City of Winnipeg – General Revenue Fund – Reconciliation of June to 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; and

Schedule 6 – The City of Winnipeg – General Revenue Fund - Taxation Revenue.

FINANCIAL IMPACT

Financial Impact Statement Date: November 19, 2018

Project Name:

Financial Status Report September 30, 2018

COMMENTS:

This report is prepared for information purposes.

Kaleigh Wills
Manager of Financial Reporting and Accounting Services

CONSULTATION

This Report has been prepared in consultation with:

All City of Winnipeg Departments

OURWINNIPEG POLICY ALIGNMENT

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

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Kaleigh Wills
Date: November 19, 2018
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, 2018
forecasted for the year ending December 31, 2018
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
REVENUES				
Taxation	$ 695,324	$ 695,158	$ (166)	$ 533,995
Government transfers	133,530	134,867	1,337	55,714
Sale of goods and services	54,477	56,055	1,578	42,598
Regulation fees	58,073	55,638	(2,435)	40,620
Other	45,313	46,133	820	1,860
Interest	36,202	38,625	2,423	33,390
Payments-in-lieu of taxes	35,795	35,795	-	27,357
Transfer from other funds	23,374	23,450	76	8,147
Total Revenues	1,082,088	1,085,721	3,633	743,681
EXPENSES				
Assessment and taxation	22,433	21,942	491	12,262
Audit	1,375	1,416	(41)	853
Chief administrative offices	4,658	4,579	79	3,448
City clerks	13,161	13,921	(760)	9,936
Community services	109,946	108,798	1,148	83,275
Corporate	73,751	69,041	4,710	57,090
Corporate finance	9,112	8,474	638	6,586
Corporate support services	34,811	34,310	501	24,475
Council	3,575	3,558	17	2,474
Fire paramedic service	193,457	198,193	(4,736)	142,417
Legal services	3,292	3,235	57	2,512
Mayor's office	1,805	1,805	-	1,120
Museums	1,031	1,031	-	1,007
Planning, property and development	40,430	41,120	(690)	31,079
Police services	291,450	290,730	720	216,655
Policy and strategic initiatives	785	735	50	384
Public works	241,375	239,199	2,176	196,778
Street lighting	13,306	12,442	864	9,332
Water and waste	22,335	21,722	613	14,076
Total Expenses	1,082,088	1,076,251	5,837	815,759
FORECASTED SURPLUS	$ -	$ 9,470	$ 9,470	$ (72,078)

Notes:

(1) See Schedule 5 for comparable departmental view.

(2) See Schedule 6 for breakdown of taxation and payments-in-lieu of taxes.

THE CITY OF WINNIPEG - GENERAL REVENUE FUND — Schedule 2
BUDGET VARIANCES ARISING FROM THE SEPTEMBER 30, 2018 FORECAST FOR THE YEAR ENDING DECEMBER 31, 2018

(in millions of dollars)
(unaudited)

Corporate Accounts favourable variance is mostly related to savings in debt and finance charges due to delaying new debt issuance. Additionally, savings from adjustments to provisions and pension contribution savings. These savings are somewhat offset by a shortfall in budgeted efficiency savings that are being realized in departments.	**4.9**
Corporate Finance department's favourable variance is mostly related to higher investment interest revenue and savings in salaries and benefits.	**2.4**
Assessment and Taxation department's favourable variance is largely attributable to higher tax penalty interest revenue.	**1.5**
Public Works positive variance mostly relates to savings in insect control expenditures due to favourable weather conditions and savings from salaries and benefits. This is somewhat offset by higher snow clearing program expenditures.	**1.1**
Community Service department's favourable net mill rate variance is mostly related to savings in salaries and benefits.	**1.0**
Planning, Property and Development department's unfavourable variance is mostly due to a decreased in sub-division filing fees revenue, a decreased transfer from Municipal Accommodations.	**(2.2)**
Fire paramedic service net mill rate is projected higher than budgeted mainly due to higher overtime and net bad debt expenses. The department is forecasting higher ambulance fees due to higher volume of calls as well as savings compared to budget due to the collective agreement settlement with Manitoba Government and General Employees' Union, both to the financial benefit of Shared Health Services. At the same time, inter-facility transfers are now being funded by Shared Health Services.	**(2.9)**
Other departmental revenues and expenses.	**3.7**
Forecasted Surplus	**$ 9.5**

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

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
RECONCILIATION OF JUNE TO SEPTEMBER FORECAST
SEPTEMBER 30, 2018 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2018

Schedule 3

(in millions of dollars)
(unaudited)

Forecasted General Revenue Fund Deficit - June 30, 2018	**$**	**(2.7)**
The Police Services favourable variance is mainly due to a reduced overtime and salary expenses, as well an improvement in photo enforcement revenues.		**3.5**
Fire Paramedic Service decreased net mill rate is the result of higher revenue due to higher volume of ambulance calls and lower benefit expenses.		**1.9**
Corporate Finance's favorable variance is due to higher forecasted interest revenue.		**1.8**
Public Works department's improvement is mainly due to savings in insect control due to favourable weather conditions.		**1.4**
Corporate Account's favourable variance is mostly related to additional pension savings. This is somewhat offset by a shortfall in budgeted efficiency savings that are being realized in departments.		**1.2**
Other departmental revenues and expenses.		**2.4**
Forecasted General Revenue Fund Surplus - September 30, 2018	**$**	**9.5**

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

Schedule 4

Actual for the nine month period ended September 30, 2018
forecasted for the year ending December 31, 2018
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
General Revenue Fund				
Revenues	$ 1,082,088	$ 1,085,721	$ 3,633	$ 743,681
Expenses	1,082,088	1,076,251	5,837	815,759
Surplus/(Deficit)	$ -	$ 9,470	$ 9,470	$ (72,078)
Transit System				
Revenues	$ 127,339	$ 131,690	$ 4,351	$ 96,815
Expenses	187,006	183,480	3,526	130,874
	(59,667)	(51,790)	7,877	(34,059)
Transfer to Reserves	(6,737)	(6,737)	-	(6,737)
Transfer from General Revenue Fund	66,404	66,404	-	49,803
Surplus	$ -	$ 7,877	$ 7,877	$ 9,007
Waterworks System				
Revenues	$ 133,121	$ 133,587	$ 466	$ 98,645
Expenses	77,886	75,869	2,017	63,597
	55,235	57,718	2,483	35,048
Transfer to:				
Water Main Renewal Reserve	(17,500)	(17,500)	-	(10,000)
General Revenue Fund	(15,487)	(15,487)	-	-
Surplus Prior to Principal Debt Repayments	22,248	24,731	2,483	25,048
Principal Debt Repayments	(4,660)	(4,660)	-	-
Surplus	$ 17,588	$ 20,071	$ 2,483	$ 25,048
Sewage Disposal System				
Revenues	$ 198,041	$ 198,604	$ 563	$ 145,124
Expenses	91,543	88,951	2,592	72,292
	106,498	109,653	3,155	72,832
Transfer to Reserves	(41,561)	(41,561)	-	(15,674)
Transfer to General Revenue Fund	(22,728)	(22,728)	-	-
Surplus	$ 42,209	45,364	3,155	57,158

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

Actual for the nine month period ended September 30, 2018
forecasted for the year ending December 31, 2018
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Solid Waste Disposal				
Revenues	$ 46,321	$ 43,657	$ (2,664)	$ 24,751
Expenses	47,468	44,849	2,619	28,317
	(1,147)	(1,192)	(45)	(3,566)
Transfer to Reserve	(348)	(332)	16	(225)
Surplus Prior to Principal Debt Repayments	(1,495)	(1,524)	(29)	(3,791)
Principal Debt Repayments	(2,259)	(2,259)	-	-
Deficit	$ (3,754)	$ (3,783)	$ (29)	$ (3,791)
Land Drainage				
Revenues	5,946	5,178	(768)	4,546
Expenses	5,258	4,477	781	2,934
Surplus Prior to Principal Debt Repayments	688	701	13	1,612
Principal Debt Repayments	(688)	(701)	(13)	-
Surplus	$ -	-	-	1,612
Municipal Accommodations Fund				
Revenues	$ 72,050	$ 71,166	$ (884)	$ 51,992
Expenses	59,968	59,459	509	39,809
	12,082	11,707	(375)	12,183
Transfer to:				
General Revenue Fund	(12,082)	(11,707)	375	(160)
Surplus	$ -	$ -	$ -	$ 12,023

THE CITY OF WINNIPEG - GENERAL REVENUE FUND

Schedule 5

FINANCIAL STATUS REPORT AND FORECAST

forecasted for the year ending December 31, 2018
(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	$ 690,893	$ 691,878	$ 985	$ 22,433	$ 21,942	$ 491	$ 1,476
Audit	-	-	-	1,375	1,416	(41)	(41)
Chief administrative offices	-	-	-	4,658	4,579	79	79
City clerks	96	1,603	1,507	13,161	13,921	(760)	747
Community services	18,001	17,886	(115)	109,946	108,798	1,148	1,033
Corporate	133,432	133,584	152	73,751	69,041	4,710	4,862
Corporate finance	5,977	7,713	1,736	9,112	8,474	638	2,374
Corporate support services	1,597	1,597	-	34,811	34,310	501	501
Council	-	-	-	3,575	3,558	17	17
Fire paramedic service	62,666	64,468	1,802	193,457	198,193	(4,736)	(2,934)
Legal services	653	661	8	3,292	3,235	57	65
Mayor's office	-	-	-	1,805	1,805	-	-
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	45,661	44,135	(1,526)	40,430	41,120	(690)	(2,216)
Police services	44,707	44,915	208	291,450	290,730	720	928
Policy and strategic initiatives	-	-	-	785	735	50	50
Public works	77,290	76,169	(1,121)	241,375	239,199	2,176	1,055
Street lighting	-	-	-	13,306	12,442	864	864
Waterworks and waste	1,115	1,112	(3)	22,335	21,722	613	610
Forecasted Surplus	$ 1,082,088	$ 1,085,721	$ 3,633	$ 1,082,088	$ 1,076,251	$ 5,837	$ 9,470

THE CITY OF WINNIPEG - GENERAL REVENUE FUND TAXATION REVENUES

Schedule 6

forecasted for the year ending December 31, 2018
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
Property taxes	$ 585,584	$ 591,156	$ 5,572	$ 441,264
Transfer to Financial Stabilization Reserve*	-	(5,565)	(5,565)	-
	585,584	585,591	7	441,264
Business taxes	56,916	59,259	2,343	38,819
Transfer to Financial Stabilization Reserve*	-	(2,343)	(2,343)	-
	56,916	56,916	-	38,819
Street renewal frontage levy	63,017	62,918	(99)	62,918
Electricity tax	18,325	18,750	425	13,124
Gas tax	3,000	2,750	(250)	1,592
Other taxation	4,277	4,028	(249)	3,635
Total taxation and payments-in-lieu of taxes revenue	$ 731,119	$ 730,953	$ (166)	$ 561,352
Taxation	$ 695,324	$ 695,158	$ (166)	$ 533,995
Payments-in-lieu of taxes	35,795	35,795	-	27,357
Total taxation and payments-in-lieu of taxes revenue	$ 731,119	$ 730,953	$ (166)	$ 561,352

* On September 28, 2011, City Council approved a report from the Executive Policy Committee to permit transfers to or from the Financial Stabilization Reserve to offset any variance in the revenue projections for taxes billed including net supplementary taxes used in the General Revenue Fund budget and the actual amounts achieved.