Minutes – Executive Policy Committee – November 12, 2019

Report – Standing Policy Committee on Finance – November 8, 2019

Item No. 2 Financial Status Report and Forecast to September 30, 2019

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 to September 30, 2019 be received as information.

2. That in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund.

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

Minutes – Executive Policy Committee – November 12, 2019

Report – Standing Policy Committee on Finance – November 8, 2019

DECISION MAKING HISTORY:

Moved by Councillor Gillingham,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than four business days preceding the committee meeting, be considered by Committee.

Carried

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 November 8, 2019, 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, 2019**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	P. Olafson	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

The Financial Status Report and Forecast to September 30, 2019 currently anticipates a projected deficit of $9.4 million for the tax-supported budget (General Revenue Fund). In comparison, the last forecast presented to Committee (Forecast to August 31, 2019) had a projected deficit of $6.9 million.

It should be noted that the impact of the October storm event has been considered in this forecast. Included in the projected deficit of $9.4 million are $5.0 million of incremental costs related to the October storm event.

The October storm event has also resulted in incremental costs of $1.2 million in the Utilities, bringing total 2019 projected incremental storm costs to $6.2 million. For clarity, this additional $1.2 million is not included in the projected deficit of $9.4 million as utilities are reported separately from the tax-supported fund. A further $1.7 million is projected for 2020, resulting in a total $7.9 million in incremental costs related to this event.

Clean-up efforts are on-going and estimates included in this report represent best estimates at the time of report preparation. Costs reported above only represent incremental costs and not the full cost of the event.

At the time of report preparation, disaster financial assistance has not been announced by the Province of Manitoba, so no recoveries have been factored into this forecast. Council has directed the Public Service to apply for disaster financial assistance, should a program be announced. If a program is announced, the Public Service will apply to the Province of Manitoba for disaster financial assistance in accordance with the Emergency Measures Act, in an attempt to recover a portion of costs associated with the response to the October 2019 unprecedented weather event.

This report also contains a recommendation concerning usage of the Financial Stabilization Reserve Fund should the General Revenue Fund report a deficit at year end. This recommendation is administrative in nature and is requested on an annual basis.

RECOMMENDATIONS

1. That the Financial Status Report to September 30, 2019 be received as information.

2. That in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund

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 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.

IMPLICATIONS OF THE RECOMMENDATIONS

At this time, the Public Service anticipates a projected deficit of $9.4 million for the tax-supported budget (General Revenue Fund). The Public Service anticipates that the projected deficit will decrease 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.

Historically, the average change over the last five years between September and year-end is $8.4 million, ranging from a decrease of $5.7 million and an increase of $15.6 million.

As approved by Council, annual operating General Revenue Fund surpluses automatically transfer to the Financial Stabilization Reserve Fund. In the event the General Revenue Fund reports a deficit as at December 31, 2019, the Public Service is recommending a transfer from the Financial Stabilization Reserve to fund that deficit.

The recommendation identified in this report concerning transfers amongst City of Winnipeg funds falls under Section 288(1) of The City of Winnipeg Charter, which requires approval from City Council.

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
2018	$ 9.5	$ 19.5
2017	0.4	15.0
2016	0.6	(5.1)
2015	8.7	16.3
2014	(14.9)	0.7

This will continue to be monitored and options will be sought to eliminate the deficit. As a last resort, the Financial Stabilization Reserve could be drawn on to cover any remaining shortfall. The Financial Stabilization Reserve is projected to be $36.7 million higher than the Council mandated minimum balance of 6% of the tax-supported budgeted expenditures after budgeted transfers at December 31, 2019. In the event this transfer causes the fund to fall below the Council prescribed minimum of 6% of the tax-supported budgeted expenditures, a replenishment plan with Council's approval will be established to bring the Fund to the minimum threshold.

Transit

As of September 30, 2019, the Transit System is forecasting a year-end operating surplus of $5.2 million. This forecasted surplus is separate from the General Revenue Fund deficit of $9.4 million. The following table depicts summarized financial information for Transit:

(in millions of $)	September Forecast	2019 Budget	September Forecast Variance	August Forecast Variance
Fares	$ 90.3	$ 90.5	$ (0.2)	$ (0.6)
Transfer from GRF	70.6	70.6	-	-
Other	43.3	43.2	0.1	-
	204.2	204.3	(0.1)	(0.6)
Salaries	119.6	121.4	1.8	1.6
Fuel	18.0	20.8	2.8	2.3
Parts	14.1	14.8	0.7	0.9
Other	47.3	47.3	-	0.1
	199.0	204.3	5.3	4.9
Surplus	$ 5.2	$ -	$ 5.2	$ 4.3

This forecasted surplus includes a tax-supported transfer from the General Revenue Fund of $70.6 million, as per the 2019 adopted budget. The surplus is mostly the result of savings related to diesel fuel expenses, attributable to lower than budgeted market prices and savings incurred on salaries and benefits.

Any surplus incurred will flow to the Department's retained earnings. Use of retained earnings is at Council's discretion. For example, subject to Council approval, retained earnings could be used to fund capital projects.

Fire Paramedic Service

Discussions with Shared Health regarding funding for 2019 are ongoing. This forecast has therefore assumed a funding model where EMS costs are fully recovered from Shared Health.

October Storm Event

Subsequent to the cut-off date of this forecast, the City experienced a major unprecedented storm that dumped a month's worth of wet, heavy snow over a two day period inflicting tremendous damage on our urban forest. In order to provide the most up to date information possible, the impact of the October storm event has been considered in this forecast.

Incremental costs related to the storm event have resulted in additional expenditures of $5.0 million that have been included in the General Revenue Fund forecast. The majority of these tax-supported expenditures are in the Public Works department for tree and branch clean-up ($3.7 million) and snow and ice control ($1.1 million).

An additional $1.2 million of incremental costs related to the October storm event are also being incurred in the City's Utilities, bringing total incremental storm costs projected for 2019 to $6.2 million. The majority of these utility costs are in the Water and Waste department for additional garbage pickup, hauling, loading and grinding of tree waste. It should be noted that utilities are not reported in the tax supported General Revenue Fund, so this additional $1.2 million is not included in the projected deficit of $9.4 million. A further $1.7 million is projected for 2020, resulting in a total $7.9 million in incremental costs related to this event at this time.

Clean-up efforts are on-going and estimates included in this report represent best estimates at the time of report preparation. The costs being reported above only represent incremental costs and are not the full cost of the event.

Council has directed that the Chief Administrative Officer report back to Council, through the Standing Policy Committee on Finance by January 2020 on the operational and financial impacts, including a detailed accounting of all expenses related to cleanup and recovery, to the City of Winnipeg from this extreme weather event.

At the time of report preparation, disaster financial assistance has not been announced by the Province of Manitoba, so no recoveries have been factored into this forecast. Council has directed the Public Service to apply for disaster financial assistance, should a program be announced. If a program is announced, the Public Service will apply to the Province of Manitoba for disaster financial assistance in accordance with the Emergency Measures Act, in an attempt to recover a portion of costs associated with the response to the October 2019 unprecedented weather event.

Snow Removal and Ice Control Over Expenditure

The Public Works Department has experienced a significant over expenditure related to snow removal and ice control. During the year $47.3 million is expected to be spent on snow removal and ice control operations resulting in a projected over expenditure of $12.5 million. This amount includes approximately $1.1 related to the October storm event. The total 2019 Public Works Department snow removal and ice control budget is $34.8 million. The over-expenditures are the result of above average snow accumulation during February 2019, which saw the most snowfall in a February in 30 years. February 2019 had 38.4 centimeters of snow versus a 30 year average of 13.8 centimeters (Environment Canada) and as previously indicated, the October storm event. Snow removal and ice control services are governed by the Council approved *Policy on Snow Clearing and Ice Control* (http://winnipeg.ca/publicworks/snow/snowClearing/snowClearingPolicy.stm)

A separate over expenditure report has been prepared by the Department and submitted to this Committee.

Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2019, 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, 2019.

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 August 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 Revenues

FINANCIAL IMPACT

Financial Impact Statement Date: October 29 , 2019

Project Name:

Financial Status Report September 30, 2019

COMMENTS:

There is no financial impact associated with the approval of this report at this point in time. However, 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.

Carlos Matias
Acting 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.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Carlos Matias
Date: October 29, 2019

Attachments:

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 August Forecast
Schedule 4 – The City of Winnipeg – Summary by Fund
Schedule 5 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department
Schedule 6 – The City of Winnipeg – General Revenue Fund – Taxation Revenues

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

Schedule 1

Actual for the nine month period ended September 30, 2019
forecasted for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
REVENUES				
Taxation	$ 717,162	$ 717,607	$ 445	$ 547,490
Government transfers	143,835	144,722	887	90,802
Regulation fees	58,754	57,809	(945)	43,752
Sale of goods and services	53,935	55,593	1,658	41,330
Other	45,384	45,648	264	1,247
Interest	38,236	41,985	3,749	35,034
Payments-in-lieu of taxes	36,714	36,714	-	27,359
Transfer from other funds	30,932	32,257	1,325	20,653
Total Revenues	1,124,952	1,132,335	7,383	807,667
EXPENSES				
Assessment and taxation	23,554	22,349	1,205	12,382
Audit	1,396	1,388	8	750
Chief administrative offices	5,855	5,864	(9)	4,334
City clerks	13,575	13,285	290	11,117
Community services	114,068	114,116	(48)	85,909
Corporate	79,378	80,305	(927)	59,385
Corporate finance	8,342	7,499	843	5,613
Council	4,001	4,020	(19)	2,855
Customer service and communication	8,538	8,789	(251)	6,528
Fire paramedic service	201,517	202,005	(488)	146,062
Human resource services	6,055	6,444	(389)	4,584
Innovation, transformation and technology	25,113	24,172	941	14,989
Legal services	3,459	4,525	(1,066)	2,659
Mayor's office	1,832	1,805	27	1,069
Museums	765	765	-	732
Planning, property and development	44,113	46,084	(1,971)	33,930
Police service	301,417	303,085	(1,668)	223,206
Policy and strategic initiatives	830	670	160	479
Public works	244,802	259,527	(14,725)	213,570
Street lighting	13,116	12,144	972	10,108
Water and waste	23,226	22,917	309	15,045
Total Expenses	1,124,952	1,141,758	(16,806)	855,306
FORECASTED DEFICIT	$ -	$ (9,423)	$ (9,423)	$ (47,639)

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, 2019 FORECAST FOR THE YEAR ENDING DECEMBER 31, 2019

(in millions of dollars)
(unaudited)

Public Works department's unfavourable variance is mostly due to additional snow clearing program expenditures incurred in 2019, as well as increased costs associated with the clean-up of damages related to the October storm event. These increases are somewhat offset by savings in salary and benefits.	**(14.2)**
The Police Services department's net mill rate is higher than anticipated mainly due to a decrease in photo enforcement revenues.	**(1.4)**
The Fire Paramedic Service department's net mill rate is higher than anticipated mainly due to a shortfall in inspection fee revenues, unrealized costs savings as well as increases in vehicle maintenance.	**(1.3)**
Legal Services department's unfavourable variance is mostly related to an increase in external legal fees.	**(1.0)**
Street Lighting savings is mainly due to light and power cost savings.	**1.0**
Corporate Finance's favourable variance is mostly related to increased interest earned on investments.	**2.5**
Assessment and Taxation department's favourable variance is largely attributable to higher tax penalty interest revenue.	**3.5**
Other departmental revenues and expenses.	**1.5**
Forecasted Deficit	**$ (9.4)**

(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, 2019 FORECAST
FOR THE YEAR ENDING DECEMBER 31, 2019

(in millions of dollars)
(unaudited)

Forecasted General Revenue Fund Deficit - August 31, 2019	**$**	**(6.9)**
Public Work's unfavorable variance is mostly related to costs associated with the October storm event, offset by other savings in the department. The majority of the other savings relate to under expenditures in roadway construction and maintenance activities.		**(3.3)**
Corporate's unfavourable variance is mostly related to a shortfall in budgeted efficiency savings that are being realized in deparments.		**(1.1)**
Planning, property and development favourable variance is mostly related to increase regulation fees and transfer revenue from the Municipal Accommodation Fund.		**1.5**
Other departmental revenues and expenses.		**0.4**
Forecasted General Revenue Fund Deficit - September 30, 2019	**$**	**(9.4)**

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

Schedule 4

Actual for the nine month period ended September 30, 2019
forecasted for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
General Revenue Fund				
Revenues	$ 1,124,952	$ 1,132,335	$ 7,383	$ 807,667
Expenses	1,124,952	1,141,758	(16,806)	855,306
Deficit	$ -	$ (9,423)	$ (9,423)	$ (47,639)
Transit System				
Revenues	$ 133,645	$ 133,598	$ (47)	$ 92,049
Expenses	192,679	187,435	5,244	135,266
	(59,034)	(53,837)	5,197	(43,217)
Transfer to Reserves	(7,148)	(7,148)	-	(5,361)
Transfer from General Revenue Fund	70,561	70,561	-	52,921
Surplus Prior to Principal Debt Repayments	4,379	9,576	5,197	4,343
Principal Debt Repayments	(4,379)	(4,379)	-	(3,492)
Surplus	$ -	$ 5,197	$ 5,197	$ 851
Waterworks System				
Revenues	$ 130,347	$ 130,800	$ 453	$ 98,107
Expenses	79,201	79,982	(781)	62,418
	51,146	50,818	(328)	35,689
Transfer to:				
Water Main Renewal Reserve	(19,000)	(19,000)	-	(9,500)
General Revenue Fund	(13,862)	(13,862)	-	-
Surplus Prior to Principal Debt Repayments	18,284	17,956	(328)	26,189
Principal Debt Repayments	(4,868)	(4,868)	-	-
Surplus	$ 13,416	$ 13,088	$ (328)	$ 26,189

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

Actual for the nine month period ended September 30, 2019
forecasted for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
Sewage Disposal System				
Revenues	$ 194,703	$ 195,589	$ 886	$ 147,169
Expenses	91,051	87,807	3,244	72,025
	103,652	107,782	4,130	75,144
Transfer to Reserves	(110,372)	(110,372)	-	(24,500)
Transfer to General Revenue Fund	(20,350)	(20,350)	-	-
Transfer to Land Drainage	(11,802)	(11,127)	675	(10,432)
Surplus/(Deficit)	$ (38,872)	(34,067)	4,805	40,212
Solid Waste Disposal				
Revenues	$ 45,214	$ 44,317	$ (897)	$ 27,211
Expenses	49,530	46,441	3,089	29,937
	(4,316)	(2,124)	2,192	(2,726)
Transfer to Reserve	(334)	(319)	15	(214)
Deficit Prior to Principal Debt Repayments	(4,650)	(2,443)	2,207	(2,940)
Principal Debt Repayments	(2,413)	(2,322)	(91)	-
Deficit	$ (7,063)	$ (4,765)	$ 2,116	$ (2,940)
Land Drainage				
Revenues	5,728	5,203	(525)	4,450
Expenses	5,023	4,498	525	3,062
Surplus Prior to Principal Debt Repayments	705	705	-	1,388
Principal Debt Repayments	(705)	(705)	-	-
Surplus	$ -	-	-	1,388
Municipal Accommodations Fund				
Revenues	$ 72,443	$ 72,242	$ (201)	$ 51,446
Expenses	62,290	62,018	272	43,560
	10,153	10,224	71	7,886
Transfer to: General Revenue Fund	(10,153)	(10,224)	(71)	(167)
Surplus	$ -	$ -	$ -	$ 7,719

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

Schedule 5

forecasted for the year ending December 31, 2019
(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	$ 714,516	$ 716,785	$ 2,269	$ 23,554	$ 22,349	$ 1,205	$ 3,474
Audit	-	-	-	1,396	1,388	8	8
Chief administrative offices	-	137	137	5,855	5,864	(9)	128
City clerks	516	789	273	13,575	13,285	290	563
Community services	18,221	19,167	946	114,068	114,116	(48)	898
Corporate	143,605	143,802	197	79,378	80,305	(927)	(730)
Corporate finance	6,077	7,745	1,668	8,342	7,499	843	2,511
Council	-	1	1	4,001	4,020	(19)	(18)
Customer service and communication	1,452	1,607	155	8,538	8,789	(251)	(96)
Fire paramedic service	68,378	67,543	(835)	201,517	202,005	(488)	(1,323)
Human resource services	-	-	-	6,055	6,444	(389)	(389)
Innovation, transformation and technology	146	146	-	25,113	24,172	941	941
Legal services	475	586	111	3,459	4,525	(1,066)	(955)
Mayor's office	-	-	-	1,832	1,805	27	27
Museums	-	-	-	765	765	-	-
Planning, property and development	47,053	48,672	1,619	44,113	46,084	(1,971)	(352)
Police service	46,135	46,427	292	301,417	303,085	(1,668)	(1,376)
Policy and strategic initiatives	-	-	-	830	670	160	160
Public works	77,236	77,728	492	244,802	259,527	(14,725)	(14,233)
Street lighting	-	-	-	13,116	12,144	972	972
Waterworks and waste	1,142	1,200	58	23,226	22,917	309	367
Forecasted Deficit	$ 1,124,952	$ 1,132,335	$ 7,383	$ 1,124,952	$ 1,141,758	$ (16,806)	$ (9,423)

THE CITY OF WINNIPEG - GENERAL REVENUE FUND
TAXATION REVENUES

Schedule 6

forecasted for the year ending December 31, 2019
(in thousands of dollars)
(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
Property taxes	$ 607,737	$ 610,839	$ 3,102	$ 455,347
Business taxes	56,916	57,175	259	37,147
Transfer to Financial Stabilization Reserve*	-	(3,265)	(3,265)	-
	664,653	664,749	96	492,494
Street renewal frontage levy	63,245	63,395	150	63,395
Electricity tax	19,000	19,300	300	13,018
Gas tax	2,800	2,800	-	1,804
Other taxation	4,178	4,077	(101)	4,138
Total taxation and payments-in-lieu of taxes revenue	$ 753,876	$ 754,321	$ 445	$ 574,849
Taxation	$ 717,162	$ 717,607	$ 445	$ 547,490
Payments-in-lieu of taxes	36,714	36,714	-	27,359
Total taxation and payments-in-lieu of taxes revenue	$ 753,876	$ 754,321	$ 445	$ 574,849

* 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.