Winnipeg

2020 Operating and Capital Budget

Assessment and Taxation



November 20, 2019

Agenda

1. Strategic Objectives and Priorities

2. Performance Measurement

3. Operating Budget (including options to achieve target)
   - Operating Budget (Departmental or Service Based Basis)
   - Year over Year Variance Explanations
   - Implications of the Recommended Target to Balance the Operating Budget
   - Salaries and benefits, FTEs, and vacancy management and options to achieve target

4. Capital Budget (including options to achieve target)
   - Capital Budget
   - Implications of the Recommended Target for the Capital Budget
   - Capital Forecast to Submission Reconciliation

5. Operating and Capital Budget Referrals - not applicable

6. Budget Summary

7. Questions

Strategic Objectives and Priorities

Strategic Objectives

- Develop strategic capital plan for the department to ensure the system infrastructure is stable and continue to meet the departments needs.
- Commence work on the 2022 General Assessment.
- Defend the 2020 assessed values at the Board of Revision as well as continue to work on reducing the number of appeals outstanding at the Municipal Board.
- Continue to explore development of ways the public can access their assessment and taxation information.

Key Priorities

- Defend the assessments at the Board of Revision and Municipal Board.
- Commence work on the reassessment activities for the 2022 General Assessment and as well continue to work on roll growth activities.
- Deliver timely and accurate tax billing and collection service for the City of Winnipeg.

Performance Measurement

Service Level Statistics

Description	2016	2017	2018
Budgeted Revenue:			
Property tax	$550.5 million	$570.2 million	$586.9 million
Business tax	$57.3 million	$57.5 million	$56.9 million
Other taxation	$23.8 million	$24.1 million	$24.2 million
Property Tax:			
Residential properties	213,073	215,871	218,361
Non-residential properties	13,816	13,799	13,873
% Residential	93.9%	94.0%	94.0%
% Non-residential	6.1%	6.0%	6.0%
Total market value assessment	$84.2 billion	$85.3 billion	$89.6 billion
Total taxable portioned assessment	$40.9 billion	$41.4 billion	$43.6 billion
% Residential	72.8%	73.2%	72.06%
% Non-residential	27.2%	26.8%	27.94%
Number of real and personal property assessment notices produced [A]	220,686	26,208	225,735
Business tax:			
Number of businesses	15,720	15,393	15,708
Collections:			
Current	97.9%	97.7%	98.0%
Arrears	66.5%	63.8%	59.8%

[A] General Reassessment in 2016 and 2018

Recommended Target to Balance the Budget

1.Departmental Operating Budget: -1.2% annual budget rate decrease net of capital expenditures, based on 2019 expenditures. (0% over 2019 plus Legal Services allocation)

2. Cash to capital funding levels ($000's):

Department	2020	2021	2022	2023	2024	2025
Assessment and Taxation	-	237	412	-	250	412

3. Key assumptions for multi-year budget:

These proposed recommended targets present a balanced tax-supported operating budget from 2020 to 2023:

a. Property Tax Increases: 2.33% annually (road renewal and southwest rapid transit (stage 2))
b. Fees and Charges: Inflationary increases annually
c. Natural Assessment Base Growth: 1.2% annually
d. Efficiencies/Vacancy Management: $17 Million annually
e. Additional Transfers/Savings: $32.5 million in 2020 growing to $40 million by 2023
f. Provincial Operating Grants: Flat at $149.7 million annually (2016 level)
g. Utility dividend rate: 11% of Water and Sewer Sales
h. Remaining Tax Supported Debt Room: $150 million in total

Operating Budget

2020 Draft Operating Budget and 2021 to 2023 Projections in millions of $	2018 Actual	2019 Budget	2020 Draft Budget *	*Year over Year Increase / (Decrease)*	%	*Exp. No.*	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
PROPERTY TAXATION	585.591	607.737	632.440	*24.703*			656.016	677.838	701.119
BUSINESS TAXATION	56.916	56.916	57.916	*1.000*			57.916	57.916	57.916
OTHER TAXATION	25.732	25.978	27.376	*1.398*			28.125	28.849	29.558
PROVINCIAL GRANTS	3.000	3.000	3.000	-			3.000	3.000	3.000
TRANSFERS FROM OTHER CITY FUNDS	0.100	0.081	0.082	*0.001*			0.083	0.085	0.087
OTHER CORPORATE REVENUE	20.844	20.804	22.623	*1.820*			22.659	22.750	22.761
TOTAL REVENUE	**692.183**	**714.516**	**743.437**	***28.921***	***4%***	***1***	**767.799**	**790.438**	**814.441**
SALARIES & BENEFITS	9.582	10.388	10.423	*0.035*			10.700	11.023	11.304
SERVICES	0.862	1.304	1.117	*(0.187)*			1.247	1.126	1.263
MATS PARTS & SUPPLIES	0.283	0.383	0.389	*0.006*			0.404	0.403	0.419
ASSETS & PURCHASES	0.018	0.037	0.042	*0.005*			0.042	0.042	0.042
GRANTS, TRANSFERS & OTHER	11.945	8.315	5.808	*(2.508)*			5.818	5.827	5.543
RECOVERIES	(0.016)	(0.005)	(0.005)	-			(0.005)	(0.005)	(0.005)
TOTAL OPERATIONAL EXPENDITURES	**22.672**	**20.423**	**17.773**	***(2.649)***	***-13%***		**18.205**	**18.416**	**18.566**
DEBT & FINANCE CHARGES	2.491	2.601	2.617	*0.016*			2.410	2.203	1.862
TRANSFER TO CAPITAL	-	0.530	-	*(0.530)*			0.237	0.412	-
TOTAL EXPENDITURES	**25.164**	**23.554**	**20.390**	***(3.164)***	***-13%***	***2***	**20.852**	**21.031**	**20.429**
Mill Rate Support / (Contribution)	**(667.019)**	**(690.962)**	**(723.047)**	***(32.085)***			**(746.947)**	**(769.407)**	**(794.012)**
Options to Achieve Operating Budget Target:									
a. Reduce various operating accounts budget			(0.064)				(0.064)	(0.064)	(0.064)
b. Reduce Provision for Bad Debt							(0.298)	(0.298)	(0.298)
c. Reduce Appeal Interest							-	(0.337)	(0.800)
d. Reduce Grants									(0.295)
Total Options to Achieve the Target			**(0.064)**	**-**	**-**	**-**	**(0.362)**	**(0.699)**	**(1.457)**
EPC Recommended Target to Balance			**(0.064)**	**-**	**-**	**-**	**(0.549)**	**(0.762)**	**(1.208)**
Variance from the Target			**-**	**-**	**-**	**-**	**0.187**	**0.063**	**(0.249)**

* 2020 Draft Budget and 2021 to 2023 Draft Projections include the options to achieve the operating target.

Year over Year Variance Explanations

Year over year (increase) / decrease	2020 Draft Budget	2021 Draft Projection	2022 Draft Projection	2023 Draft Projection
1) *Revenue change due to the following:*				
- Increase in the municipal property tax due to growth in the assessment base and changes in tax credits	$ 24.703	$ 23.576	$ 21.822	$ 23.282
- Increase in tax penalty revenue	1.900			
- Increase in electricity and gas tax revenue	1.300	0.730	0.678	0.779
- Increase in Business Tax Revenue due to a decrease in the transfer to the Economic Development Reserve related to Old Tuxedo Yards	1.000			
- Miscellaneous adjustments	0.019	0.056	0.139	(0.058)
Net Revenue Change	**$ 28.921**	**$ 24.362**	**$ 22.639**	**$ 24.003**
2) *Expenditure change due to the following:*				
- Increase in salaries and benefits	$ 0.035	$ 0.277	$ 0.324	$ 0.281
- Decrease in municipal tax (appeal losses)	(2.300)			
- Transfer to Capital	(0.530)	0.237	0.175	(0.412)
- Changes in cyclical expenses related to General Assessment	(0.139)	0.143	(0.126)	0.139
- Transfer to Land Operating Reserve	(0.131)			
- Decrease in provision for bad debts		(0.298)		
- Decrease in appeal interest			(0.337)	(0.463)
- Decrease in Grants				(0.295)
- Miscellaneous adjustments	(0.098)	0.104	0.142	0.148
Net Expenditure Change	**$ (3.164)**	**$ 0.462**	**$ 0.179**	**$ (0.603)**

Implications of the Recommended Target to Balance Operating Budget

a. The reduction in general operating expenses in various accounts will have a minimal impact on the operations of the department.
b. Provision of Bad Debt is primarily used to write-off unpaid business taxes relating to bankruptcy or businesses that have closed and enforcement is not possible. Based on the current allowance the proposed annual funding is being reduced. The risk will be that there is insufficient allowance to cover these adjustments.
c. Reduction in Appeal Interest will result in refunds relating to successful assessment appeals not receiving interest for taxes paid in excess.
d. In 2023, the elimination of the Minimal Municipal Unserviced Property Tax Credit would impact approximately 1,180 property owners that reside in their homes and that do not have access to the City of Winnipeg sewer and water mains. Property owners would no longer be receiving a tax credit up to $250.

Salary Budget and Full Time Equivalents (FTEs) / Vacancy Management / Options to Achieve the Target

2020 Draft Operating Budget

	2019 Adopted Budget	2020 Draft Budget*	Increase / (Decrease)	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
Full Time Equivalents *(number of FTEs)*	130.89	129.89	(1.00)	129.89	129.89	129.89
Salaries & Benefits *(in millions of $)*	$ 10.388	$ 10.423	$ 0.035	$ 10.700	$ 11.023	$ 11.304
Vacancy Management included in Salaries & Benefits *(in millions of $)*	*$ (0.369)*	*$ (0.355)*	*$ 0.014*	*$ (0.360)*	*$ (0.367)*	*$ (0.374)*

* 2020 Draft Budget and 2021 to 2023 Draft Projections include the options to achieve the operating budget target

Capital Budget

Assessment and Taxation - GENERAL CAPITAL FUND

Capital Investment Plan - Authorization

($000's)

	Authorization							
	2019 Adopted	2020 Draft Budget*	Draft Forecast* 2021	2022	2023	2024	2025	6-Year Total
List of Capital Projects:								
1 Assessment Automation	**350**	**-**	237	312	-	250	312	1,111
2 Local Improvements - Ongoing Program	**2,000**	**630**	350	100	480	147	100	1,807
TOTAL CAPITAL PROJECTS	**2,350**	**630**	587	412	480	397	412	**2,918**

Options to Achieve the Target	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**6-Yr Total**
a. Reduce Assessment Automation	(200)	(113)	(38)	-	-	(38)	(389)
b. Reduce Local Improvements - Ongoing Program	(970)	(1,650)	(2,300)	(1,920)	(2,253)	(2,300)	(11,393)
Total Options to Achieve the Target *	**(1,170)**	**(1,763)**	**(2,338)**	**(1,920)**	**(2,253)**	**(2,338)**	**(11,782)**
EPC Recommended Target to Balance	(1,170)	(1,763)	(2,338)	(1,920)	(2,253)	(2,338)	**(11,782)**
Variance (Shortfall from Target)	-	-	-	-	-	-	-

* 2020 Draft Budget and Five Year Draft Forecast include the options to achieve the capital target

Implications of the Recommended Target for the Capital Budget

a. Reduction in Assessment Automation will limit the scope of system upgrades and rehabilitation to key assessments and taxation systems which is required to ensure effective and efficient taxation.
b. Reduction in number of Local Improvements projects including the Asphalt Backlane program.

Capital Forecast to Draft Budget (Including Options to Achieve Capital Target) Reconciliation

HANDOUT WILL BE PROVIDED

ATTACHMENT TO THE PRESENTATION



Adobe Acrobat Document

Operating Budget Summary

Recommended target – 4 year budget – 0% annual budget growth rates based on 2019 expenditures

(in millions of $)

	2019 Approved Budget	2020 Projection (from 2019)	**2020 Draft Budget**	**2021 Draft Projection**	**2022 Draft Projection**	**2023 Draft Projection**	**2020 - 2023 Draft - Total**
Expenditure Budget*	23.55	21.19	**20.39**	**20.85**	**21.03**	**20.43**	**82.70**
EPC Recommended Expenditure Target			**20.39**	**20.67**	**20.97**	**20.68**	**82.70**
Variance from the Target			**-**	**0.19**	**0.06**	**(0.25)**	**-**

* Note: Draft budget and projections include the options to achieve the EPC recommended

Capital Budget Summary

Recommended target for capital

(in millions of $)

	2019 Approved Capital	2020 Draft Budget	Draft Forecast				
			2021	2022	2023	2024	2025
Cash to Capital Budget*	0.53	-	**0.24**	**0.41**	-	**0.25**	**0.41**
EPC Recommended Capital Target		-	**0.24**	**0.41**	-	**0.25**	**0.41**
Variance from the Target		-	-	-	-	-	-

* Note: Draft budget and forecast include the options to achieve the EPC recommended targets to balance.

Questions?