Winnipeg

2020 Operating Budget

Audit Department



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 - not applicable

5. Operating and Capital Budget Referrals - not applicable

6. Budget Summary

7. Questions

Strategic Objectives and Priorities

Strategic Objectives

- To support City Council and the Public Service by providing objective and independent advice and assurance with respect to governance, risk management, performance and accountability.
- To support the achievement of transparent, efficient and effective City government services.
- To deliver value-added, cost effective and innovative audit services and reports.

Key Priorities

- To continue the proactive involvement of Audit in organizational initiatives.
- Increase collaboration with other control and risk management functions in the organization .
- To promote a respectful, team-oriented and professional workplace.

Performance Measurement

Description	2016	2017	2018
Audit Projects Completed:			
Assurance Projects	26	24	21
Advisory Projects	4	3	2
Investigation Projects	46	81	114
Number of Auditors (FTE) to total organizational staff	**1:1359**	**1:1369**	**1:1371**
Audit costs as a percentage of overall City operating expenditures	**0.06%**	**0.07%**	**0.08%**

Number of Assurance Projects (our primary Mandate) is on decreasing trend

Number of Investigations is significantly increasing

Auditors to organizational FTE is significantly lower than comparable Canadian jurisdictions (Winnipeg Audit FTE reduced from 10 to 6.65 since 2010) – benchmark based on a comparison to five (5) major Canadian cities municipal audit offices = 1 auditor : 940 organizational staff

Audit costs as % are lower than comparable Canadian jurisdictions

Recommended Target to Balance the Budget

1. Departmental Operating Budget – (1.2%) budget rate decrease based on 2019 expenditures. (0% over 2019 plus Legal Services allocation)

2. Cash to capital funding levels:

Department	2020	2021	2022	2023	2024	2025
Audit department	-	-	-	-	-	-

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*
SERVICE AND OTHER	-	-	-	-			-	-	-
TOTAL REVENUE	**-**	**-**	**-**	**-**		***1***	**-**	**-**	**-**
SALARIES & BENEFITS	0.806	0.794	0.818	*0.024*			0.841	0.866	0.889
SERVICES	0.199	0.523	0.480	*(0.043)*			0.452	0.427	0.404
MATS PARTS & SUPPLIES	0.016	0.015	0.015	-			0.015	0.015	0.015
ASSETS & PURCHASES	0.001	0.003	0.003	-			0.003	0.003	0.003
GRANTS, TRANSFERS & OTHER	0.132	0.061	0.063	*0.002*			0.064	0.064	0.064
RECOVERIES				-					
TOTAL OPERATIONAL EXPENDITURES	**1.154**	**1.396**	**1.379**	***(0.017)***	***-1%***		**1.375**	**1.375**	**1.375**
DEBT & FINANCE CHARGES	-	-	-	-			-	-	-
TRANSFER TO CAPITAL	-	-	-	-			-	-	-
TRANSFERS TO REGIONAL STREET RESERVE	-	-	-	-			-	-	-
TOTAL EXPENDITURES	**1.154**	**1.396**	**1.379**	***(0.017)***	***-1%***	***2***	**1.375**	**1.375**	**1.375**
Mill Rate (Contribution) / Support	**1.154**	**1.396**	**1.379**	***(0.017)***			**1.375**	**1.375**	**1.375**
Options to Achieve Operating Budget Target:									
a. Reduce consultant services budget intended for Independent Fairness Commission			(0.044)				(0.072)	(0.097)	(0.120)
Total Options to Achieve the Target			**(0.044)**	**-**	**-**	**-**	**(0.072)**	**(0.097)**	**(0.120)**
EPC Recommended Target to Balance			**(0.044)**	**-**	**-**	**-**	**(0.072)**	**(0.097)**	**(0.120)**
Variance			**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

Year over Year Variance Explanations

(in millions)

Year over year (increase) / decrease	2020 Draft Budget	2021 Draft Projection	2022 Draft Projection	2023 Draft Projection
1) *Revenue change due to the following:*				
N/A				
Net Revenue Change	**$ -**	**$ -**	**$ -**	**$ -**
2) *Expenditure change due to the following:*				
- Increase in salaries and benefits	$ 0.025	$ 0.023	$ 0.025	$ 0.023
- Decrease in consulting services	(0.044)	(0.028)	(0.025)	(0.023)
- Miscellaneous adjustments	0.002			
Net Expenditure Change	**$ (0.017)**	**$ (0.005)**	**$ -**	**$ -**

Implications of the Recommended Target to Balance Operating Budget

a. The Independent Fairness Commissioner (IFC) is a Council mandated role that is required to conduct a compliance review of real estate transactions and management services which require presentation to SPCPDHDD or Council.
b. To achieve the budget target, compliance reviews on all real estate transactions prior to submission to Committee for approval will not be subject to an IFC review. Lower risk transactions identified by Audit and PPD Department management would not be reviewed.
c. In 2018 the IFC reviewed 35 real estate transactions. Up to November 2019 the IFC has reviewed 38 transactions.
d. Based on 2019 transaction volumes, in 2020, it is estimated that a minimum of 6 transactions would not be independently reviewed by the IFC. This will equate to a 17% reduction in service level.
e. By 2023, it is estimated that a minimum of 17 transactions would not be independently reviewed by the IFC. This will equate to a 45% reduction in service level.

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)*	6.65	6.65	-	6.65	6.65	6.65
Salaries & Benefits *(in millions of $)*	$ 0.794	$ 0.818	$ 0.024	$ 0.841	$ 0.866	$ 0.889
Vacancy Management included in Salaries & Benefits *(in millions of $)*	*$ (0.016)*	*$ (0.016)*	*$ (0.000)*	*$ (0.017)*	*$ (0.017)*	*$ (0.018)*

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

Operating Budget Summary

Recommended target – 4 year budget – 0% annual budget growth rate

(in millions of $)

	2019 Approved Budget	2020 Projection (from 2019)	**2020 Draft Budget**	**2021 Draft Projection**	**2022 Draft Projection**	**2023 Draft Projection**
Expenditure Budget*	1.40	1.43	**1.38**	**1.38**	**1.38**	**1.38**
EPC Recommended Expenditure Target			**1.38**	**1.38**	**1.38**	**1.38**
Variance			**-**	**-**	**-**	**-**

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

Questions?