Minutes – Executive Policy Committee – May 18, 2021

AUDIT COMMITTEE

Item No. 2 Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2020

EXECUTIVE POLICY COMMITTEE DECISION:

The Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service:

1. That the Audit Committee approve the audited consolidated financial statements of The City of Winnipeg for the year ended December 31, 2020 and direct the Chief Financial Officer to submit these to Council with the City's Annual Report for information on or before June 30, 2021.

2. That the Audit Committee direct the Chief Financial Officer to submit the audited consolidated financial statements of The City of Winnipeg for the year ended December 31, 2020 to the Province of Manitoba on or before June 30, 2021.

3. That the Audit Committee receives as information the attached Audit Findings Report prepared by KPMG LLP.

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

DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That the recommendation of the Winnipeg Public Service be concurred in.

Yea:	Bowman, Allard, Browaty, Gillingham, Gilroy, Mayes, Rollins	7
Nay:		0

Carried

ADMINISTRATIVE REPORT

Title: Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2020

Critical Path: Audit Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
P. Olafson	C. Kloepfer	C. Kloepfer	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

The City of Winnipeg 2020 audited consolidated financial statements reflect the financial position and the results of operations for the year, which includes organizations controlled by the City. These consolidated financial statements reflect Council's fiscally prudent and responsible plans to invest in key infrastructure, including roads, during a significant financial challenged period associated with the COVID-19 pandemic.

The audited consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include all activities under the control of the City of Winnipeg including Water and Waste utilities, Capital, Transit, SOAs, and other organizations such as Assiniboine Park Conservancy. Further, they are prepared on a full accrual basis meaning unfunded liabilities are included, as well as the amortization of tangible capital assets.

The audited consolidated financial statements attached (Appendix 1) report a deficit (expenses greater than revenue) of $52 million before capital-related revenues. The financial impact of the COVID-19 pandemic to the City's financial position are evident in these statements. With residents working from home, businesses and public facilities closing temporarily to the public along with other implications of public health order restrictions, significant revenue losses resulted from: reduced transit ridership, recreational programming, event hosting and parking.

These revenue losses were partially covered with funding received through the Federal Safe Restart Agreement, which was designed to assist municipalities and public transit operations with their pandemic responses. The City's COVID-19 Crisis Cash Flow Management Plan also assisted to offset these revenue losses.

Council approved spending on capital assets of $409 million in 2020. Construction investments included $153 million in roads plus $70 million in underground and other networks being put into service during the year.

While investment in City infrastructure continues to be a priority, the City has a disciplined balance for capital spending with increased revenues and responsible long-term borrowing. The

City's credit ratings affirm solid fiscal performance (Standard and Poor's as AA, and Moody's Investors Services as Aa2), citing economic diversity to provide a buffer against coronavirus-related pressures and volatility in economic cycles as well as the strong governance and management structure of the City.

RECOMMENDATIONS

1. That the Audit Committee approve the audited consolidated financial statements of The City of Winnipeg for the year ended December 31, 2020 and direct the Chief Financial Officer to submit these to Council with the City's Annual Report for information on or before June 30, 2021.

2. That the Audit Committee direct the Chief Financial Officer to submit the audited consolidated financial statements of The City of Winnipeg for the year ended December 31, 2020 to the Province of Manitoba on or before June 30, 2021.

3. That the Audit Committee receives as information the attached Audit Findings Report prepared by KPMG LLP.

4. 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

Section 100(i) of *The City of Winnipeg Charter* requires the Chief Financial Officer to submit to Council, within six months of the fiscal year-end of the City, a report on the financial position of the City for the end of its fiscal year.

Further, under section 100(j), the Chief Financial Officer will submit that report to the Province of Manitoba, also within six months of the fiscal year-end.

IMPLICATIONS OF THE RECOMMENDATIONS

The City will meet the requirements of *The City of Winnipeg Charter.*

HISTORY/DISCUSSION

The City of Winnipeg annually prepares consolidated financial statements, including notes and schedules thereto. These are prepared in accordance with Canadian public sector accounting standards recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. KPMG LLP, the City's external auditor, will be issuing an unqualified audit opinion on the consolidated financial statements.

The City of Winnipeg 2020 audited consolidated financial statements reflect the financial position and the results of operations for the year, which includes organizations controlled by the City. These consolidated financial statements reflect Council's fiscally prudent and responsible plans to invest in key infrastructure, including roads, during a significant financial challenged period associated with the COVID-19 pandemic.

Council approved spending on capital assets of $409 million in 2020. Construction investments included $153 million in roads plus $70 million in underground and other networks being put into service during the year.

The City's consolidated revenues (excluding other capital-related revenues) totaled $1.675 billion (decrease of $8 million from 2019) while consolidated expenses totaled $1.727 billion (increase of $24 million from 2019). Overall, the consolidated financial statements report a deficit (expense greater than revenues) of $52 million before other capital-related revenues.

At the Standing Policy Committee on Finance meeting of February 16, 2021, it was reported the General Revenue Fund incurred a surplus of $2.5 million at December 31, 2020. The consolidated financial statements include the General Revenue Fund and are also prepared in accordance with Canadian public sector accounting standards. As such, these consolidated financial statements include all activities under the control of the City of Winnipeg (eg. Water and Waste utilities, Capital, Transit, SOAs, etc.). Further, they are prepared on a full accrual basis meaning unfunded liabilities are included, as well as the amortization of tangible capital assets.

The overall annual surplus of $113 million is attributable to revenue from government transfers and tangible capital asset and other capital contributions. This revenue does not produce cash resources for the City's general operations. It represents amounts received and invested in the City's tangible capital assets.

COVID-19 Pandemic

On December 31, 2019, the World Health Organization was alerted to several cases of pneumonia in Wuhan, China. The virus causing these illnesses did not match any other known virus. This was the precipice of the event that changed our world and continues to be the focal point globally today. The impacts of COVID-19 have been numerous and significant.

The financial impact of this event to the City are apparent in the 2020 audited consolidated financial statements. With residents working from home, businesses and public facilities closing temporarily to the public and other implications of public health order restrictions, significant revenue losses are resulted from reduced transit ridership, recreational programming, event hosting and parking.

These revenue losses were partially covered through the Federal Safe Restart Agreement, designed to assist municipalities and public transit operations in their response to the pandemic. The City's COVID-19 Crisis Cash Flow Management Plan also worked to offset these revenue losses.

Revenues

Taxation revenues increased by $15 million from 2019, mostly due to assessment roll growth and a 2.33% property tax increase which includes:

- 1% tax increase for the renewal of regional streets and sidewalks, and bridges (Regional Street Renewal Program);
- 1% for the renewal of local streets, lanes and sidewalks (Local Street Renewal Program); and
- .33% for payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass).

This was offset by reduced accommodation tax revenues resulting from the pandemic's travel restrictions.

Sales of services and regulatory fees decreased $96 million compared to 2019 and were $97 million underbudget due to less transit ridership, reduced recreational programming, minimal event hosting and reduced parking revenues due to the impact of COVID-19.

Government transfers (operating) have increased $89 million over 2019 and were $87 million higher than budgeted. The increase is a result of funding received from the Government of Canada as the Federal Safe Restart agreement.

Government transfers (capital) have decreased $241 million due to a significant amount of funding that was received from both Province of Manitoba and Government of Canada to support the construction of the Southwest Rapid Transit Corridor (Stage 2) and the Pembina Highway Underpass project in 2019.

Developer contributions-in-kind were $46 million lower than budget. This is attributable to fewer developer contributions-in-kind related to capital compared to the historical average.

Expenses

Property and development expenses increased $36 million over 2019. This increase is due to the impact fee refunds issued in 2020 for $37 million.

Public works expenses have decreased by $14 million compared to 2019 primarily due to lower costs related to snow clearing activities and because 2019 figures include the significant storm in October 2019.

Budget

Included in the Council approved 2021 budget is the 2020 consolidated budget, the source of budget information disclosed in these financial statements. This disclosure is required by the Canadian public accounting standards and reflects transparency and accountability for governments. For 2020, the consolidated operating deficit was $29 million more than the 2020 consolidated budget.

The City's net financial liabilities have increased by $9 million to $851 million, or an increase of 1%. Net financial liabilities are an indicator of how much a government will be relying on future revenues to fund current services and infrastructure. The City's credit ratings affirm solid fiscal performance (Standard and Poor's as AA, and Moody's Investors Services as Aa2), citing economic diversity to provide a buffer against coronavirus-related pressures and volatility in economic cycles as well as the strong governance and management structure of the City.

FINANCIAL IMPACT

Financial Impact Statement **Date:** April 23, 2021

Project Name:

Annual Consolidated Financial Statements of the City of Winnipeg, for the year ended December 31, 2020.

COMMENTS:

This report is for information purposes.

"Original signed by:
Melissa Wensel, CPA, CA
Manager of Financial Reporting and Accounting Services

CONSULTATION

This Report has been prepared in consultation with:

All City of Winnipeg Departments and Agencies (in preparing the consolidated financial statements)

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: Melissa Wensel
Date: April 26, 2021
File No: 2020 Year End

Attachments: