Minutes – Executive Policy Committee – May 16, 2023

AUDIT COMMITTEE

Item No. 1 Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2022

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 attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2022, and direct the Chief Financial Officer to submit these audited consolidated financial statements to Council with the City's Annual Report for information, prior to June 30, 2022.

2. That the Chief Financial Officer submit the audited consolidated financial statements of The City of Winnipeg to the Province of Manitoba prior to June 30, 2022.

3. That 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 Orlikow,

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

Carried

ADMINISTRATIVE REPORT

Title: Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2022

Critical Path: Audit Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Speidel	C. Kloepfer	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The City's 2022 audited consolidated financial statements reflect the financial position and the results of operations of The City of Winnipeg, which includes organizations controlled by the City. They report on Council's fiscally prudent and responsible plans to invest in key infrastructure while facing significant financial challenges associated with the COVID-19 pandemic. An indicator of the impact is partially reflected in the reduced balance in the Financial Stabilization Reserve falling below its target balance of $72 million.

The audited consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. As such, these audited consolidated financial statements include all activities under the control of the City of Winnipeg (eg. Water and Waste utilities, Capital, Transit, Special Operating Agencies, etc.). Further, they are prepared on a full accrual basis meaning unfunded liabilities as well as amortization of tangible capital assets are accounted for.

The audited consolidated financial statements attached as Appendix 1 report a deficit (expenses greater than revenue) of $131 million before capital-related revenues.

Investments in capital assets totaled $494 million in 2022. Construction resulted in $138 million in roads as well as $129 million in underground and other networks being completed and put into service during the year. The completion of Canada's Diversity Gardens and The Leaf at Assiniboine Park also contributed $118 million of capital assets put into service in 2022.

The City's net financial liabilities have increased from $883 million to $1 billion. 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+; Moody's Investors Services as Aa2). In June 2022, Standard and Poor's raised the rating on the City of Winnipeg from AA to AA+. This rating was reaffirmed in its November 2022 rating report, stating Winnipeg's diversified economy will support revenue growth, prudent financial management, moderate debt burden and ample liquidity which will help sustain the city's creditworthiness in the long term.

RECOMMENDATIONS

1. That the Audit Committee approve the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2022, and direct the Chief Financial Officer to submit these audited consolidated financial statements to Council with the City's Annual Report for information, prior to June 30, 2022.

2. That the Chief Financial Officer submit the audited consolidated financial statements of The City of Winnipeg to the Province of Manitoba prior to June 30, 2022.

3. That 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 be in compliance with 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.

Investments in capital assets totaled $494 million in 2022. Construction resulted in $138 million in roads as well as $129 million in underground and other networks being completed and put into service during the year. The completion of Canada's Diversity Gardens and The Leaf at Assiniboine Park also contributed $118 million of capital assets put into service in 2022.

The City's consolidated revenues (excluding other capital-related revenues) totaled $1.769 billion (increase of $93 million or 6% over 2021) while consolidated expenses totaled $1.900 billion (an increase of $145 million or 8% over 2021). Overall, the financial statements report a deficit (expense greater than revenues) of $131 million before other capital-related revenues.

At the Standing Policy Committee on Finance and Economic Development meeting of February 13, 2023, it was reported the General Revenue Fund incurred an unaudited deficit of $83.0 million at December 31, 2022. Subsequently, an adjustment was made which increased this deficit to $86.1 million. The consolidated financial statements attached to this report include the General Revenue Fund and are 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, Special Operating Agencies, etc.). Further, they are prepared on a full accrual basis meaning unfunded liabilities as well as amortization of tangible capital assets are accounted.

The overall annual surplus of $70.6 million is attributable to revenue from government transfers for tangible capital assets 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

The City's 2022 financial results indicate ongoing stress from COVID-19. The continued financial impact of this event to the City are apparent in the 2022 audited consolidated financial statements, though some improvements compared to 2021 are also seen. Improvement in revenues are seen compared to 2021 in regards to transit ridership, recreational programming and parking, however these are still below pre-pandemic times.

Revenues

Sales of services and regulatory fees increased $39 million from 2021 due largely to improvements in transit ridership as there was a gradual return of ridership in the second half of 2022. This ridership averaged 79% of pre-pandemic levels compared to 52% in the second half of 2021. In addition, there were rebounds in parking and convention related revenues.

Taxation revenues increased $36 million from 2021, primarily due to assessment roll growth and a 2.33% property tax increase which comprises:

- 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).
- 0.33% for payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass).

Investment income has also increased $13 million from 2021 and is $12 million higher than budget due to increased interest earned on investments.

Developer contributions-in-kind related to capital were $21 million higher than in 2021. This increase is in the water, sewage and land drainage utilities. The timing of these capital contributions varies from year to year.

Expenses

Public works expenses ($65 million) have increased over 2021 due largely to higher snow and ice control costs and higher salary and benefit expenses. Utility operations expenses ($39 million) also have increased over 2021. Increases in utility expenses result from higher Transit

expenses ($19 million) due largely to higher fuel costs, higher salary and benefit costs and Transit Plus service costs due to increased demand in this service. Higher costs in the water and waste utilities compared to 2021 including higher Sewage Disposal amortization expense also contributed to this increase. Protection and community services expenses ($26 million) and Civic Corporations ($16 million) are also higher in 2022.

Budget

Included in the Council-approved 2022 Budget Update is the 2022 consolidated budget, the source of budget information disclosed in these financial statements. This disclosure is required by the aforementioned Canadian public accounting standards and is another source of transparency and accountability for governments. For 2022, the consolidated operating deficit was $130.7 million compared to the 2022 consolidated budgeted deficit of $52.3 million.

FINANCIAL IMPACT

Financial Impact Statement **Date:** April 13, 2023

Project Name:

Annual Consolidated Financial Statements of the City of Winnipeg, for the year ended December 31, 2022.

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

N/A

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller
Prepared by: Melissa Wensel
Date: April 14, 2023
File No: 2022 Year End

Attachments:

Appendix 1: The City of Winnipeg consolidated financial statements for the year ended December 31, 2022



2022 Consolidated Financial Statements

Appendix 2: Audit Findings Report, KPMG



2022-12-31 City of Winnipeg AFR FINAL