**Agenda – Executive Policy Committee – October 17, 2023**

**Report – Standing Policy Committee on Finance and Economic Development – September 14, 2023**

**Item No. 1 Financial Status and Forecast Report to June 30, 2023**

STANDING COMMITTEE RECOMMENDATION:

On September 14, 2023, the Standing Policy Committee on Finance and Economic Development concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the Financial Status and Forecast Report to June 30, 2023, 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. The amount required not to exceed the balance in the Financial Stabilization Reserve at the time of the transfer.

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

**Agenda – Executive Policy Committee – October 17, 2023**

**Report – Standing Policy Committee on Finance and Economic Development – September 14, 2023**

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On September 14, 2023, the Standing Policy Committee on Finance and Economic Development 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 and Forecast Report to June 30, 2023

**Critical Path:** Standing Policy Committee on Finance and Economic Development

## AUTHORIZATION

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

## EXECUTIVE SUMMARY

The Financial Status and Forecast Report to June 30, 2023, forecasts a deficit of $1.2 million (0.1% of budgeted expenditures) for the tax-supported budget (General Revenue Fund) and $2.2 million for Transit (0.9% of budgeted expenditures). This forecast is a $25.8 million improvement over the Q1 forecast (a $27.0 million deficit).

The most significant change from the previous forecast is a result of reduced rates of contributions to the Winnipeg Police Pension Plan resulting from an actuarial valuation. The forecast deficit of the General Revenue Fund is now primarily due to Winnipeg Fire Paramedic Services overtime and Workers Compensation costs over-expenditures of $6.9 million; Planning, Property and Development's shortfall in permit fees and a decrease in transfers from the Land Operating Reserve of $6.5 million; and Public Works' snow clearing and street cleaning overruns of $6.3 million; all of which are offset by favourable variances in Winnipeg Police Service and Corporate accounts due to reduced pension costs and collective bargaining impacts.

COVID-19 impacts have lessened in the General Revenue Fund, Transit, Utility funds and Special Operating Agencies (SOAs). $18.7 million of COVID-19 financial impacts were included in the 2023 Adopted Budget. An additional $2.8 million in COVID-19 financial impacts for 2023 have been identified in this report. This compares to $53.7 million in 2022 and $73.0 million in 2021.

The Financial Stabilization Reserve Fund can be drawn on to cover $1.2 million of the deficit if approved by Council. This would result in the Financial Stabilization Reserve Fund balance projected to be $18.4 million at the end of 2023. The Council approved minimum balance for the Financial Stabilization Reserve Fund for 2023 is $78.0 million which is 6% of the tax-supported budgeted expenditures (see Schedule 6, attached), leaving a $59.6 million shortfall in the reserve.

## RECOMMENDATIONS

1. That the Financial Status and Forecast Report to June 30, 2023, 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. The amount required not to exceed the balance in the Financial Stabilization Reserve at the time of the transfer.

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, 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 and Economic Development.

On January 12, 2023, the Standing Committee on Finance and Economic Development approved that the Financial Status and Forecast Report will be prepared and received quarterly.

## IMPLICATIONS OF THE RECOMMENDATIONS

At this time, the Public Service anticipates a forecasted deficit of $1.2 million for the tax-supported budget (General Revenue Fund). The Public Service is monitoring the General Revenue Fund on an ongoing basis.

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, 2023, the Public Service is recommending a transfer from the Financial Stabilization Reserve Fund to fund that deficit.

## HISTORY/DISCUSSION

### Financial Stabilization Reserve Fund

The Financial Stabilization Reserve Fund can be drawn on to cover $1.2 million of the deficit if approved by Council. This would result in the Financial Stabilization Reserve Fund balance projected to be $18.4 million at the end of 2023. The Council-approved minimum balance for the Financial Stabilization Reserve Fund for 2023 is $78.0 million which is 6% of the tax-supported budgeted expenditures (see Schedule 6, attached).

As presented at the June 30, 2023, Standing Policy Committee on Finance meeting, a deficit action plan was developed to minimize the use of Financial Stabilization Reserve.

## COVID-19 Pandemic

As part of the 2023 multi-year budget update, adjustments were made to account for the continued impact of the pandemic. There continues to be an impact on the forecast, above what is budgeted, due to COVID-19.

The table below summarizes the estimated total impact of COVID-19 on the current forecast.

Table 1

| *In millions of $* | COVID-19 Impact in 2023 Budget | Additional Impact Forecasted | COVID-19 Total Impact 2023 |
|---|---|---|---|
| Tax Supported (General Revenue Fund) | $ 3.1 | $ - | $ 3.1 |
| Transit | 13.4 | 2.8 | 16.2 |
| SOA's and Utilities | 2.2 | - | 2.2 |
| **TOTAL** | **$ 18.7** | **$ 2.8** | **$ 21.5** |

Transit continues to see lower ridership compared to pre-pandemic levels, this year averaging approximately 16% below normal levels to the end of June. Fare revenue is forecasted to be under budget by $2.6 million.

## Planning, Property and Development

The Planning, Property and Development's variance of $6.5 million is mainly due to a shortfall in permit fees and a decrease in transfers from the Land Operating Reserve.

The number and value of the permits issued as at June 30, 2023, compared to 2022 are down by 14% and 15% respectively based on available statistics. The transfer from the Land Operating Reserve is lower due to revised timing of projected sales. Expenses are higher due to salary costs for temporary staffing in the permits and inspections areas; however, these temporary positions are funded by an offsetting transfer from the Permit Reserve.

## Public Works Department

The Public Works Department is forecasting an over-expenditure primarily related to snow removal and ice control expenditures, as well as costs related to spring, streets, and neighbourhood cleaning.

As of June 30, 2023, $41.3 million is expected to be spent on snow removal and ice control operations resulting in a projected over-expenditure of $5.1 million. This amount includes $2.3 million related to the April storm event in which the budget assumes little to no snowfall in April. Moreover, the department includes $3.0 million over-expenditures in spring clean-up activities which is consistent with prior years. This shortfall in budget is partially offset by savings elsewhere in the department in both salaries and non-salary expenditures.

## Corporate Accounts

The Corporate accounts include general revenue and expense/savings budgets that are not directly allocated to any other public or internal service. They are largely included in the Assessment, Taxation and Corporate service-based budget. In addition to these amounts, an additional provision was included for the Winnipeg Police Service collective bargaining impact as a contingency. This amount will be transferred to the Police for the Q3 update and is anticipated to be $5.7 million.

Included in these accounts are budgeted efficiency savings of $22.1 million. In prior years, these savings have materialized during budget development through Council-approved transfers from reserves. As well, these savings have been realized through any number of means resulting in year-end surpluses in the General Revenue Fund including savings in departmental budgets. This report includes $10.0 million of these savings and anticipates that $12.1 million in budgeted savings will be realized over the remainder of this year.

## Winnipeg Police Service

Winnipeg Police Service's favourable variance is driven by lower pension plan expenses resulting from an actuarial valuation as at December 31, 2022. This valuation resulted in the employer contribution rate being reduced to 8% from the budgeted rate of 21.78%. This change in the contribution results in estimated savings of $23.7 million in the 2023 fiscal year.

The collective agreement for Winnipeg Police Officers had been approved by Council on July 13, 2023. This agreement includes average annual wage increases of 3.1%, retroactive to the beginning of 2022 and continuing to the end of 2025. The increase in salaries and benefits related to this new agreement results in a deficit to the 2023 budget of $5.7 million ($1.7M for 2022 retroactively). In addition, the 2023 Adopted Budget includes $9.2 million in expenditure management savings. This shortfall in budget is offset from savings attributed to pension expenses and $5.3 million in additional annual funding from the province.

## Winnipeg Fire Paramedic Service

Winnipeg Fire Paramedic Service is forecasting an over-expenditure primarily due to a significant increase in staff absence, including approved Workers Compensation Board injury claims, that increases overtime costs in order to maintain firefighting shift strength.

## Other

The Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2023, 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 June 30, 2023.

Attachments included are the following:

Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status and Forecast Report;
Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;
Schedule 3 – The City of Winnipeg – Summary by Fund;
Schedule 4 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department;
Schedule 5 – The City of Winnipeg – General Revenue Fund – Taxation Revenues; and
Schedule 6 – The City of Winnipeg – Forecasted Balance of the Financial Stabilization Reserve Fund

## FINANCIAL IMPACT

**Financial Impact Statement** **Date:** August 24, 2023

**Project Name:**
**Financial Status and Forecast Report to June 30, 2023**

**COMMENTS:**

This report is prepared for information purposes.

"Original signed by:
Janice Wood, CPA
Financial Analyst
Corporate Finance Department

## CONSULTATION

This Report has been prepared in consultation with:

- All City of Winnipeg Departments

## OURWINNIPEG POLICY ALIGNMENT

**Leadership and Good Governance**

**1.1 Organizational Alignment**
All City policy implementation and enforcement tools must be aligned with the localized United Nations Sustainable Development Goals framework, consisting of Leadership and Good Governance; Environmental Resilience; Economic Prosperity, Good Health and Well-Being;

**1.5 Evidence-Informed Decisions**
Invest in data and technology in order to support objective, evidence-informed decision-making; support open government and open data principles for collection and sharing; help coordinate records and information management; and improve process efficiency, results-based service delivery and accountability.

## 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: Janice Wood
Date: August 28, 2023
File No: N/A

Attachments:

Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status and Forecast Report;
Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;
Schedule 3 – The City of Winnipeg – Summary by Fund;
Schedule 4 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department;
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Schedule 6 – The City of Winnipeg – Forecasted Balance of the Financial Stabilization Reserve Fund