Agenda – Council – December 12, 2024

Report – Standing Policy Committee on Finance and Economic Development – November 27, 2024

Item No. 2 Financial Status and Forecast Report to September 30, 2024

STANDING COMMITTEE RECOMMENDATION:

On December 4, 2024, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and Economic Development and submitted the following to Council:

1. That the Financial Status and Forecast Report, to September 30, 2024, be received as information.

2. That, in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund transfers to the General Revenue Fund the amount required to avoid a deficit. The amount required does not exceed the balance in the Financial Stabilization Reserve at the time of the transfer.

3. That the budgeted transfer of $15.4 million from the General Revenue Fund to the Financial Stabilization Reserve in the 2024 Adopted Budget not be processed.

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

Report – Standing Policy Committee on Finance and Economic Development – November 27, 2024

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 4, 2024, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and Economic Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On November 27, 2024, 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.

David Grant submitted a communication in opposition to the matter.

ADMINISTRATIVE REPORT

Title: Financial Status and Forecast Report to September 30, 2024

Critical Path: Standing Policy Committee on Finance and Economic Development – Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Speidel	T. Graham	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

The Financial Status and Forecast Report to September 30, 2024, is forecasting a deficit of $23.4 million (1.7 percent of budgeted expenditures) for the tax-supported budget (General Revenue Fund). This is a $4.2 million increase in the forecasted deficit compared to Q2 ($19.2 million).

The forecasted deficit in the General Revenue Fund is primarily due to:

- higher than expected overtime and workers compensation costs in Winnipeg Fire Paramedic Services offset by additional revenues for a net impact of $13.1 million;
- higher than expected costs for snow clearing and ice control, annual spring clean-up activities, and roadway construction and maintenance in Public Works of $13.0 million;
- higher than expected costs of $14.5 million in Winnipeg Police Service offset by increased revenues of $12.3 million, for a net impact of $2.2 million;
- delays in implementing the proposed 9-1-1 levy, which reduces revenues by $3.7 million;
- lower than expected regulation revenue in Planning, Property and Development of $5.1 million;
- favourable variances due to the elimination of the transfer to the FSR (Financial Stabilization Reserve), deferral of debt costs and higher interest earned on short-term investments. Schedule 2 provides the details of the overall deficit.

The $4.2 million increase in the shortfall over the last quarter is mainly due to an increase in the allowance for tax appeals, lower regulation revenue and challenges in meeting expected efficiencies, offset by additional interest savings (see Schedule 3).

The Financial Stabilization Reserve Fund (FSR) can be drawn on to cover $14.3 million of the deficit, if approved by Council. This would result in the FSR balance being fully depleted at the end of 2024. The Council approved minimum balance for the FSR for 2024 is $81.3 million, which is 6 percent of the tax-supported budgeted expenditures (see Schedule 7).

If the remaining deficit of $9.1 million is not addressed through expenditure management practices, other revenue sources or year-end entries, a provision will need to be included in the 2025 budget for any remaining amount.

RECOMMENDATIONS

1. That the Financial Status and Forecast Report, to September 30, 2024, be received as information.

2. That, in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund transfers to the General Revenue Fund the amount required to avoid a deficit. The amount required does not exceed the balance in the Financial Stabilization Reserve at the time of the transfer.

3. That the budgeted transfer of $15.4 million from the General Revenue Fund to the Financial Stabilization Reserve in the 2024 Adopted Budget not be processed.

4. That the Proper Officers of the City be authorized to do all the 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, until September and then monthly thereafter, 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

As of September 30, 2024, the Public Service expects a forecasted deficit of $23.4 million for the tax-supported budget (General Revenue Fund). To resolve this, the Financial Stabilization reserve will be used to fund $14.3 million. The other $2 million in the FSR will be used to cover the variance in the taxation revenue projections (see schedule 6).

HISTORY/DISCUSSION

The forecasted results on September 30, 2024, and the year-end, before final transfers for the General Revenue Fund for the past five years were as follows (in millions $):

YEAR	SURPLUS (DEFICIT) JUNE 30	SURPLUS (DEFICIT) SEPTEMBER 30	SURPLUS (DEFICIT) DECEMBER 31
2024	($19.2)	($23.4)	TBD
2023	($1.2)	($3.1)	($0.3)
2022	($55.9)	($56.8)	($83.0)
2021	($14.3)	($17.3)	($22.3)
2020	($0.7)	$1.1	$2.5
2019	($7.7)	($9.4)	($1.1)

Financial Stabilization Reserve Fund

The Financial Stabilization Reserve Fund can be drawn on to cover up to $14.3 million of the deficit if approved by Council. The remaining $2 million will be used to cover any variance in taxation revenues (see schedule 6). These transfers would result in the Financial Stabilization Reserve Fund balance being fully depleted at the end of 2024. The Council approved minimum balance for the Financial Stabilization Reserve Fund for 2024 is $81.3 million which is 6 percent of the tax-supported budgeted expenditures (see Schedule 6, attached). On September 28, 2011, Council approved that a replenishment plan must be adopted by Council when the reserve falls below the mandated threshold.

Public Works Department

The Public Works Department is forecasting an annual over-expenditure of $13.0 million primarily related to increased costs for snow removal and ice control, spring and neighborhood cleaning, and roadway and construction maintenance. There is no significant change in the mill rate impact since last quarter.

Higher than budgeted snow clearing and ice control costs in the latter part of the year could have a negative impact on this forecast.

Winnipeg Fire Paramedic Service

Winnipeg Fire Paramedic Service is forecasting an over-expenditure primarily due to increased Workers Compensation Board (WCB) injury claims and overtime of $18.2 million. This is partially offset by additional revenues of $5.1 million for a net impact of $13.1 million. There is no significant change in the mill rate impact since last quarter.

Winnipeg Police Service

Winnipeg Police Service is forecasting an over-expenditure of $14.5 million. A portion of this is offset by additional revenues of $12.4 million for a net deficit of $2.2. The Department's deficit position has improved by $1.5 million since last quarter. The remaining shortfall is mainly due to challenges in meeting the departments expenditure management targets included in the 2024 budget.

Planning, Property and Development

The Planning, Property and Development department has a $5.0 million deficit, as of Q3, mainly from lower regulation revenues due to decreased permit activity and lower than expected sub-division revenue. This is an increase in the deficit of $2.5 million since last quarter.

Corporate Finance

The Corporate Finance Department is forecasting a surplus of $10.9 million mainly due to an increase in short-term interest. This is an improvement over the last quarter of $6.3 million.

Corporate Accounts

Corporate accounts are forecasting a savings of $18.9 million mainly due to the elimination of the transfer to the FSR and lower debt charges offset by the delay in implementing revenues related to 9-1-1 fees. These net savings are impacted by the efficiency savings realized for this Q3 forecast (see schedule 2). This is $2.5 million improvement since last quarter mainly due to further reduction in debt costs.

The Corporate accounts include general revenue and expense/savings budgets not directly allocated to any other public or internal service. Included in these accounts are budgeted efficiency savings of $23.3 million for all of 2024. These savings are realized through any number of means, including savings in departmental budgets. For the Q3 forecast, $20.0 million of these savings have been recognized (see schedule 2).

Transit

Transit is forecasting an $8.0 million surplus; however, the department anticipates that they will have additional year-end accounting adjustments that will reduce this balance by year-end (see New Accounting Standards below). The increase since Q2 is mainly due to lower-than-expected fuel costs offset by lower fare revenue, increased WCB claims and increased costs for bus parts. Transit continues to see lower levels of fare revenue due to on-going challenges with fare evasion.

	Forecast	Budget	Variance	Previous Forecast
Fares	$ 83.7	$ 86.1	$ (2.4)	$ 83.5
Other	164.1	162.9	1.2	163.4
Total Revenue	$ 247.8	$ 249.0	$ (1.2)	$ 246.9
Salaries	$ 138.3	$ 139.1	$ 0.8	$ 141.8
Parts	18.5	16.5	(2.0)	17.6
Fuel	22.1	30.7	8.6	24.2
Other	60.9	62.8	1.9	62.9
Total Expenditures	$ 239.8	$ 249.0	$ 9.2	$ 246.5
	$ 8.00	$ -	$ 8.00	0.40
Potential year-end adjustments	(4.60)	-	(4.60)	-
Surplus (Deficit)	**$ 3.40**	**$ -**	**$ 3.40**	**$ 0.40**

New Accounting Standards

In 2024, the City's audited financial statements will incorporate new PSAB standards for Revenue Recognition. The adoption of this standard impacts two revenue streams: 1) Sales of services and regulatory fees and 2) Land sales and other revenue. All other revenue streams are recognized using other PSAB standards. The adoption of this standard does not require restatement of prior year balances.

The City is in the process of finalizing the impacts of these standards and has been able to estimate the impact on transit, but have not yet reflected any potential adjustments for the GRF into the Q3 forecast (early estimates indicate a positive impact, but we are unable to quantify at this time). As a result, there may be further changes to the forecasted results in future reports and in the year-end results.

FINANCIAL IMPACT

Financial Impact Statement

Date: November 6, 2024

Project Name:
Financial Status and Forecast Report to September 30, 2024

COMMENTS:

There are no financial implications with receiving this report as information.

Randy Bernard

Randy Bernard, CPA, CMA
Manager of Finance & Administration (Campus)
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; Social Equity; and City Building contained in this Plan.

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

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (CLA) and its Goals and Objectives, and it was determined that the CLA is not applicable to this specific report.

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: Helen Hasiuk
Date: November 13, 2024

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 – General Revenue Fund – Reconciliation to March Forecast
Schedule 4 – The City of Winnipeg – Summary by Fund;
Schedule 5 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department;
Schedule 6 – The City of Winnipeg – General Revenue Fund – Taxation Revenues; and
Schedule 7 – The City of Winnipeg – Forecasted Balance of the Financial Stabilization Reserve Fund