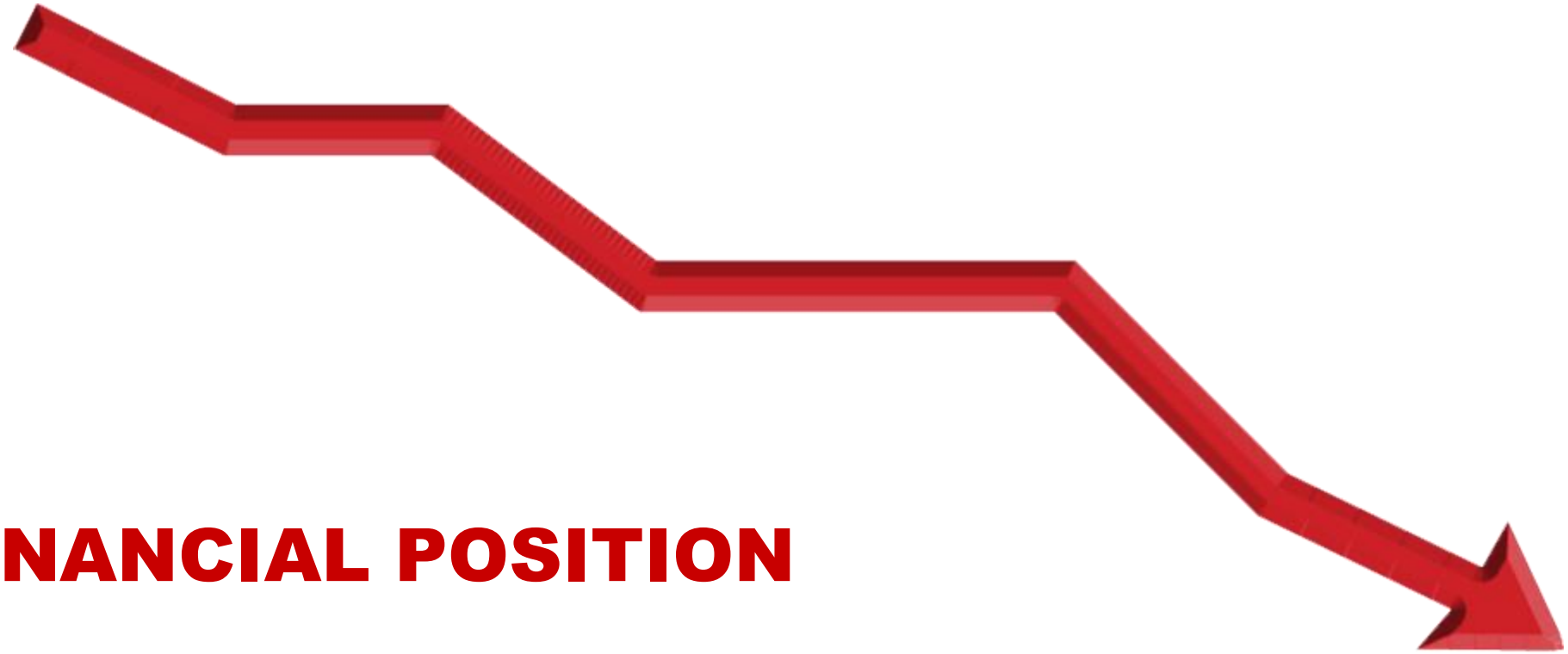


BUDGET 2025:

How long can we keep doing this?

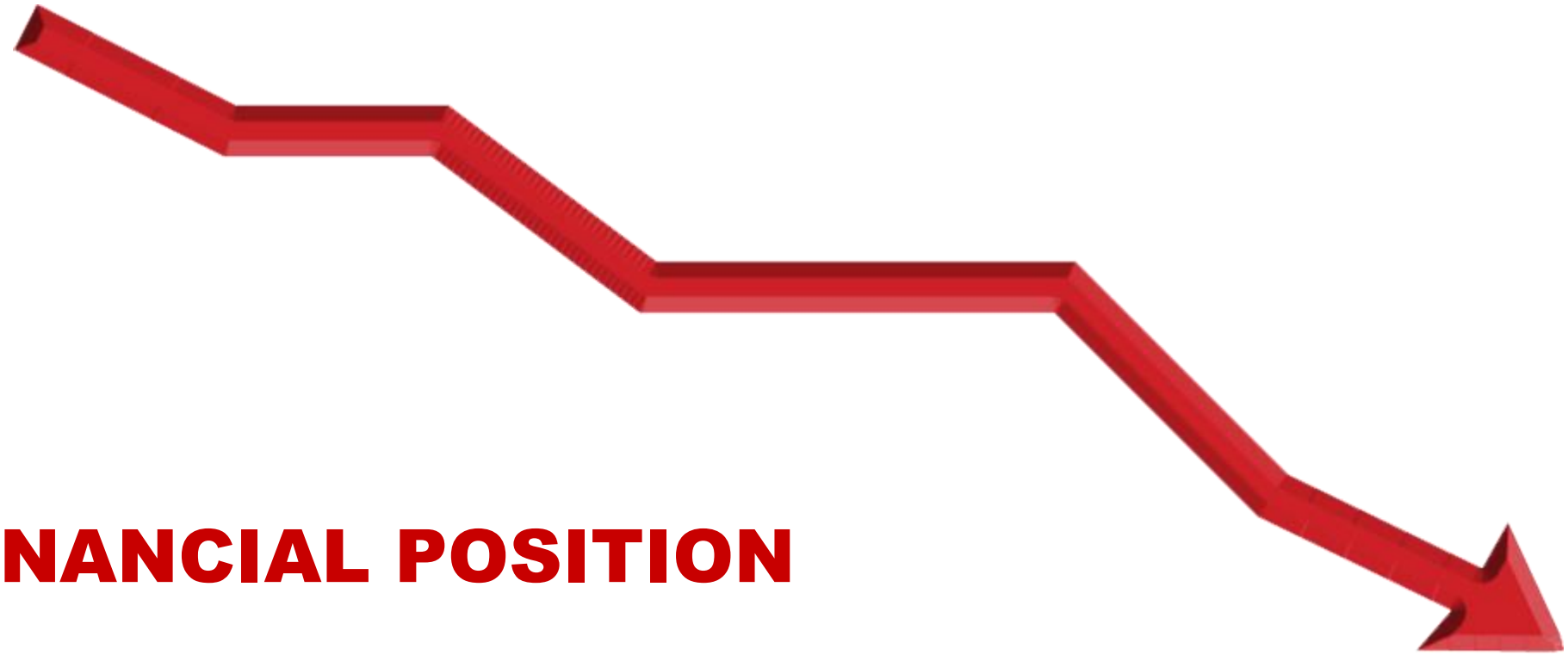
Presentation to EPC
January 22nd, 2025



NET FINANCIAL POSITION

Budgeted to go from **($1.2 Billion)** at the end of 2023, to **($1.8 Billion)** by the end of 2025.

- City of Winnipeg 2025 Preliminary Budget, page 364



NET FINANCIAL POSITION

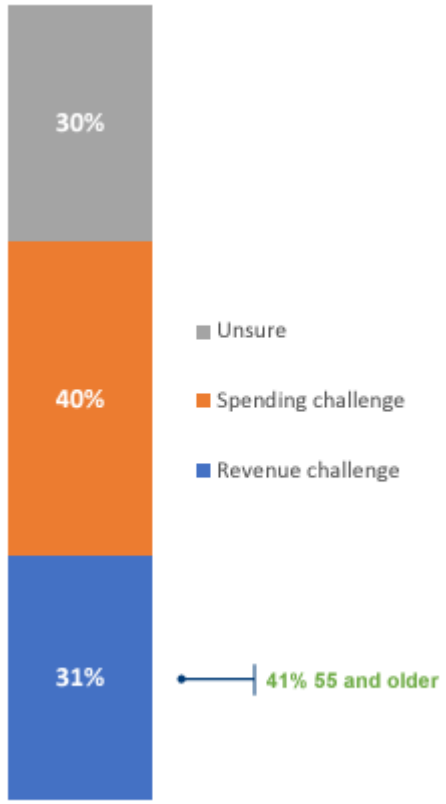
This is a record drop, both **in absolute terms**, and **as a proportion of total revenue**.

Nearly half a billion dollars in 2025 alone

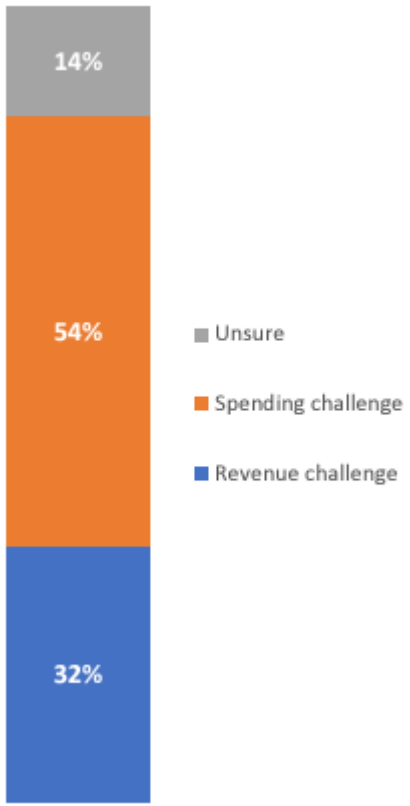
WHY IS THIS IMPORTANT?

Revenue vs Spending Challenge

STATISTICAL SURVEY



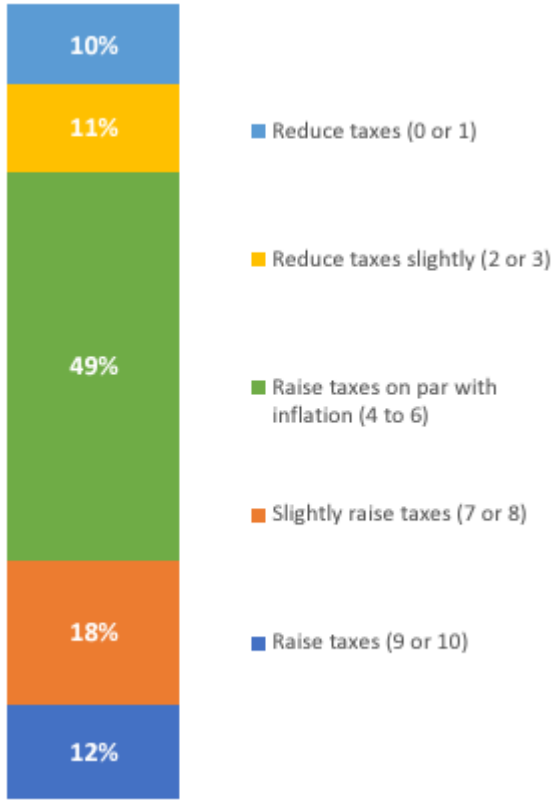
ONLINE SURVEY



WHY IS THIS IMPORTANT?

Service Cuts vs Tax Increases

STATISTICAL SURVEY



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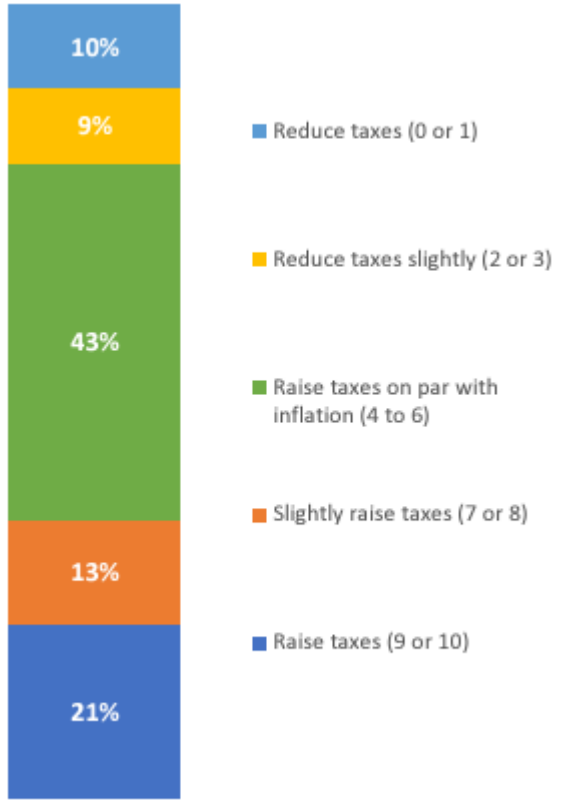


WHY IS THIS IMPORTANT?

CAPITAL DOLLARS ARE JUST OPERATING DOLLARS FROM ANOTHER YEAR

THE MUNICIPAL BALANCE SHEET



CASH + TANGIBLE CAPITAL ASSETS

LIABILITIES + ACCUMULATED SURPLUS

PREDICTING THE FUTURE

Net Financial Position

- **What it is**

  The difference between financial assets and liabilities.

PREDICTING THE FUTURE

Net Financial Position

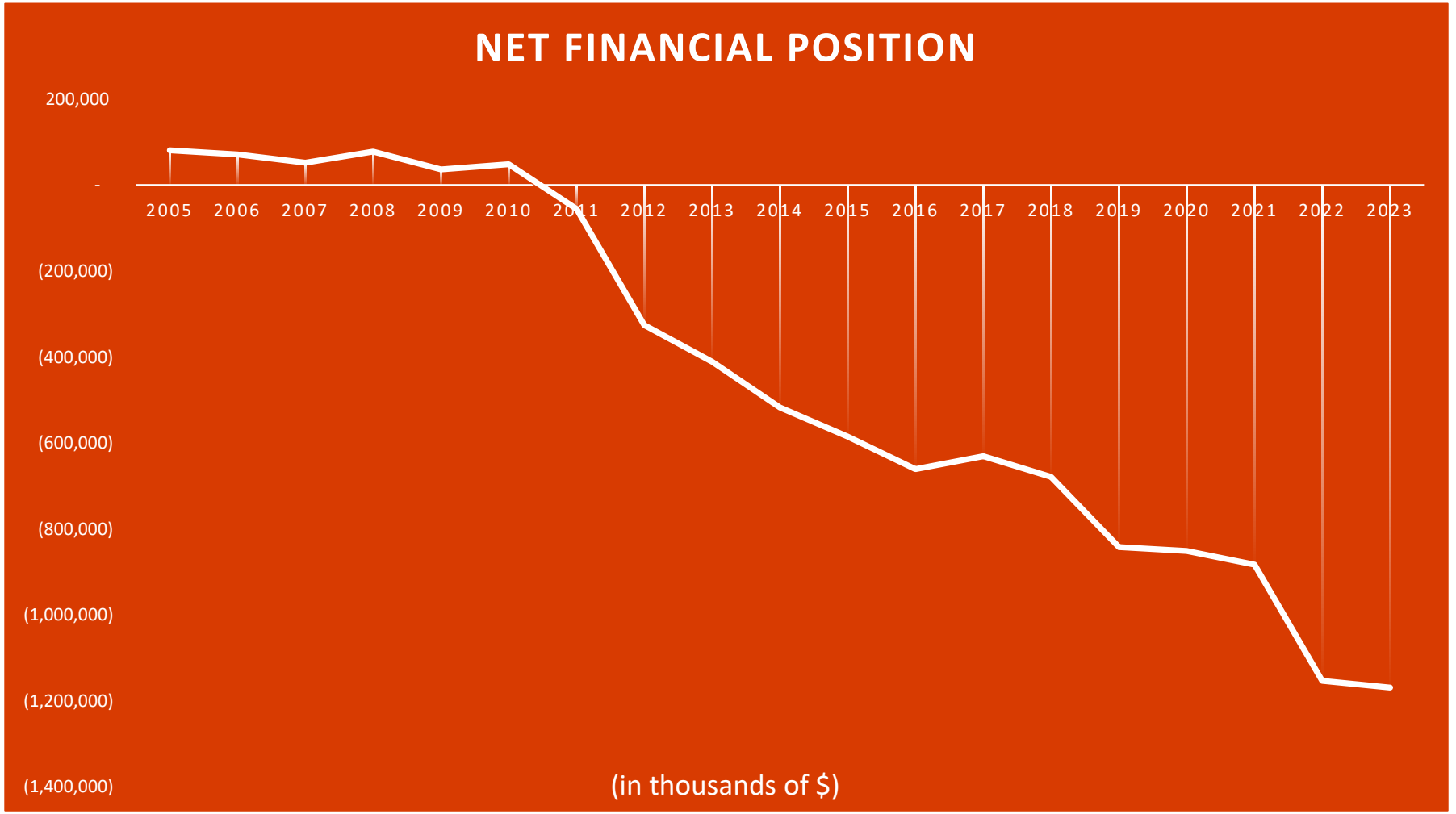
What it means

NFP is an indicator of how much a government will be relying on future revenues to fund current services and infrastructure.

***+ value** means financial assets exceed liabilities (net financial assets) and financial resources are on hand to finance future transactions.*

***– value** means liabilities exceed financial assets (net debt) and future revenues will be required to pay for past transactions.*

THIS IS NOT NEW



IT GETS WORSE

- **TOTAL RESERVES**

  Budgeted to go from **$327.6 million** to **$263.6 million**, which is a **$64 million drop**

  - City of Winnipeg Preliminary Budget 2025, page 339

We can only repeat that 4 more times!

IT GETS WORSE

NOT A SPENDING PROBLEM

- Infrastructure deficit is $800 million per year.

We cannot cut our way there. Impossible.

NOT A REVENUE PROBLEM

- Infrastructure deficit doesn’t include projects below $5 million.
- Still need to factor in Net Financial Position catching up with us, inflation, restoring past service cuts?

We need billions more in revenue. Impossible.

ADDRESSING THE ISSUE

WE HAVE A DEVELOPMENT PATTERN THAT COSTS WAY MORE IN INFRASTRUCTURE THAN OUR TAX BASE (ECONOMY) CAN SUPPORT

- **MAKE BETTER USE OF WHAT WE HAVE**
- **NO MORE NEW, FOCUS ON MAINTENANCE**
- **THINK BEYOND THE BUDGET**
- **BREAK DOWN SILOS**
- **EXPERIMENT**

THANK YOU

APPENDIX: INDICATORS EXPLAINED

SUSTAINABILITY is the degree to which a City can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without increasing the debt or tax burden relative to the economy within which it operates.

FINANCIAL ASSETS-TO-LIABILITIES

- Illustrates the extent to which a city will be relying on future revenues to fund current services and infrastructure. This is the Net Financial Position expressed as a ratio.

NET DEBT-TO-TOTAL REVENUES

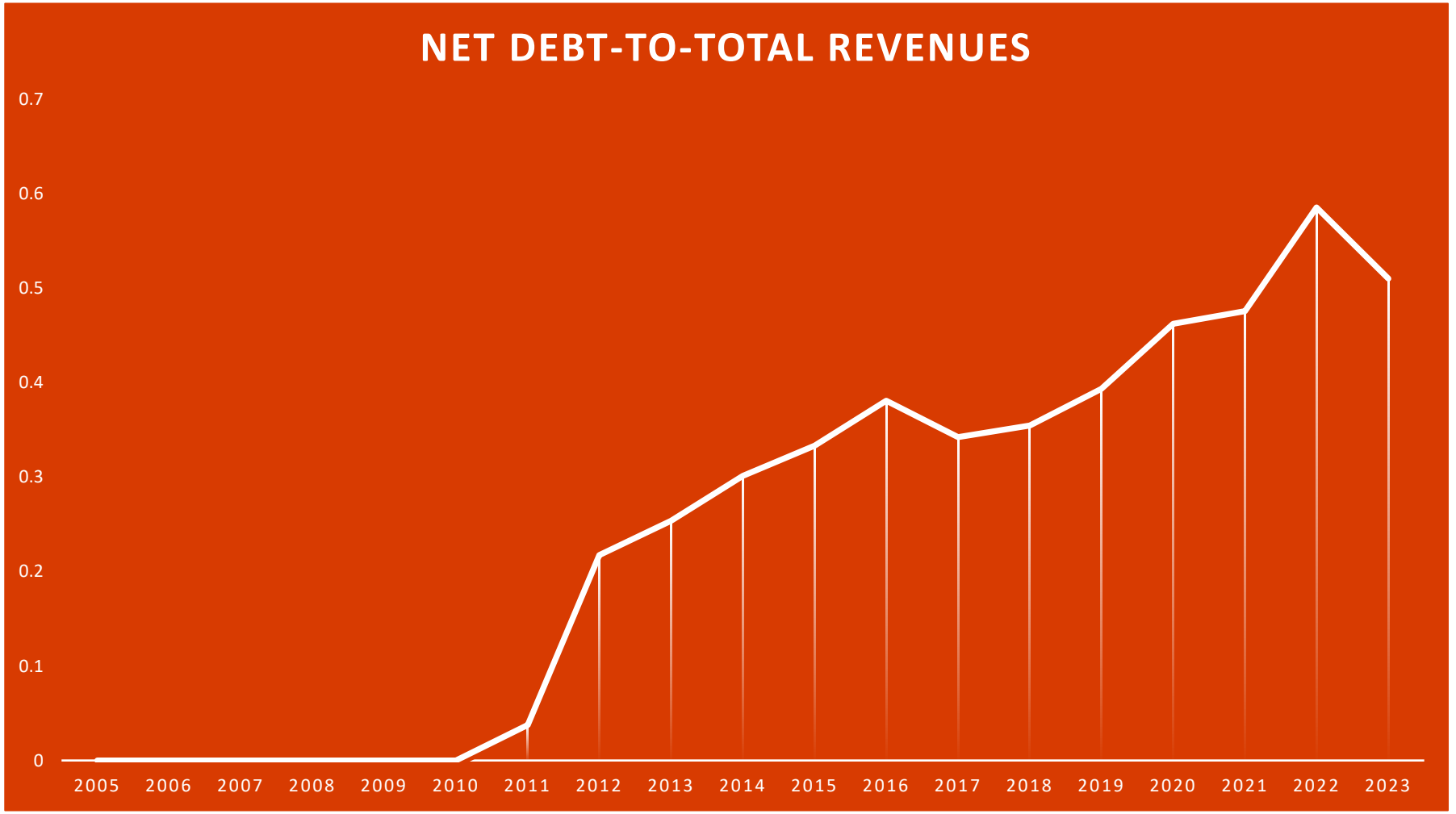
- A measure of the future revenue required to pay for past transactions. An increasing ratio indicates more time will be required to eliminate net debt.

ASSETS-TO-LIABILITIES

- Illustrates the extent to which a government finances its operations by issuing debt. A ratio below 1 indicates operations are being financed with debt.

APPENDIX: A FEW MORE INDICATORS

SUSTAINABILITY



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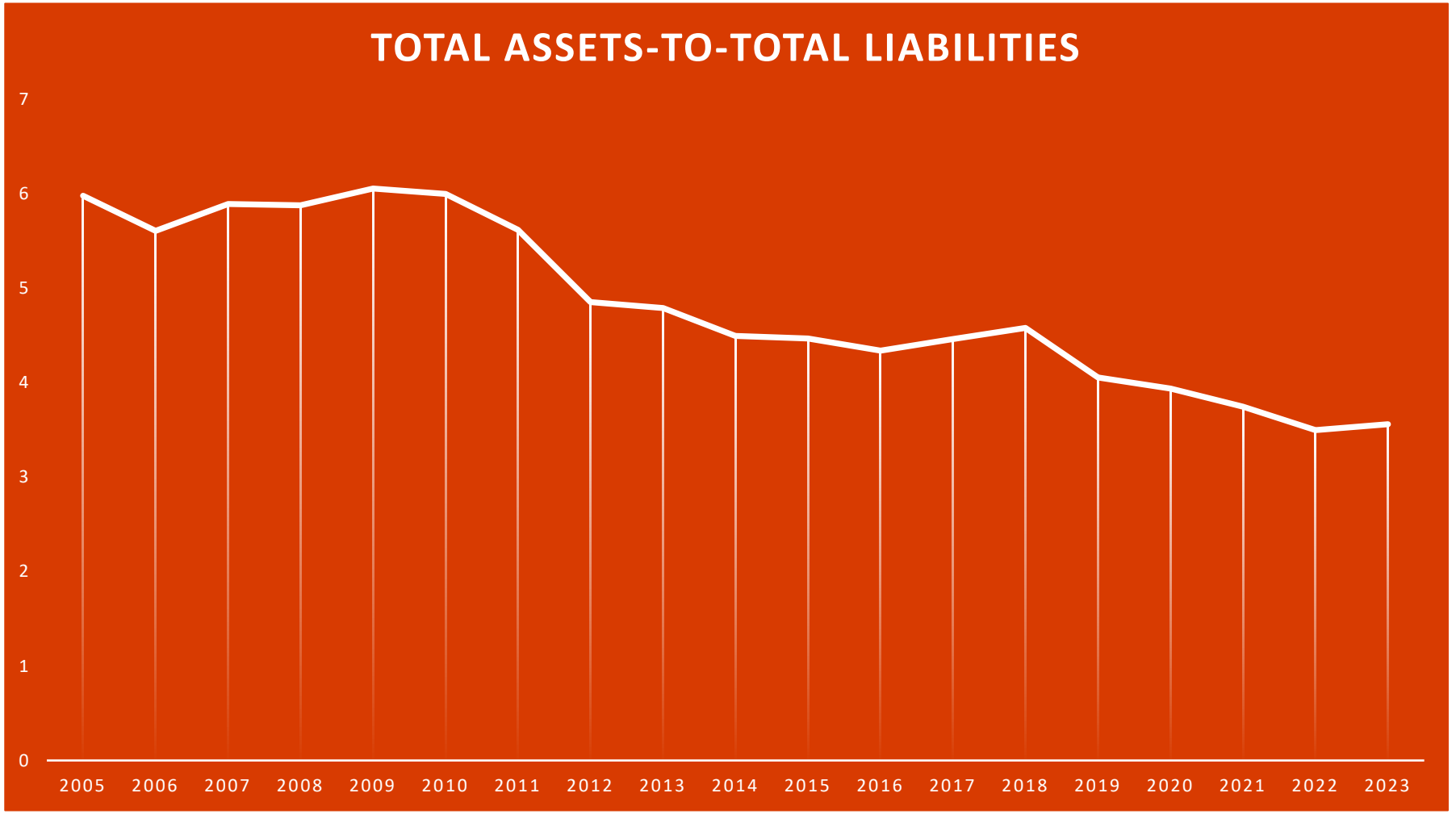
SUSTAINABILITY



APPENDIX: INDICATORS EXPLAINED

FLEXIBILITY is the degree to which a government can change its debt or tax burden on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.

PUBLIC DEBT CHARGES-TO-TOTAL REVENUES

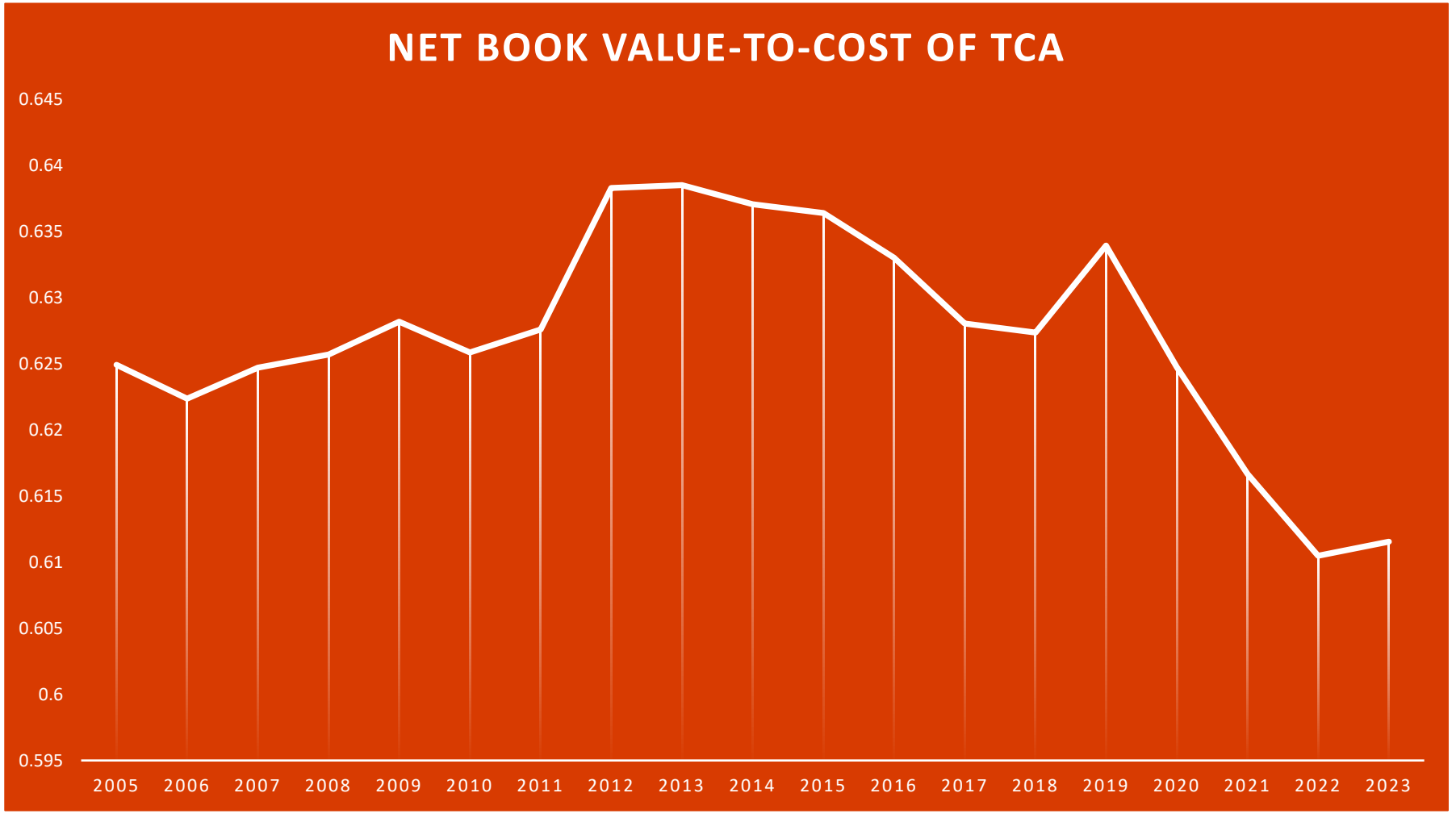
- Illustrates the extent to which past borrowing decisions present a constraint on the city's ability to meet its financial and service commitments.

NET BOOK VALUE OF TCA-TO-COST OF TCA

- Measures the extent to which the estimated useful lives of TCA are still available to provide services. A falling ratio may mean rising deferred maintenance.

APPENDIX: A FEW MORE INDICATORS

FLEXIBILITY



APPENDIX: INDICATORS EXPLAINED

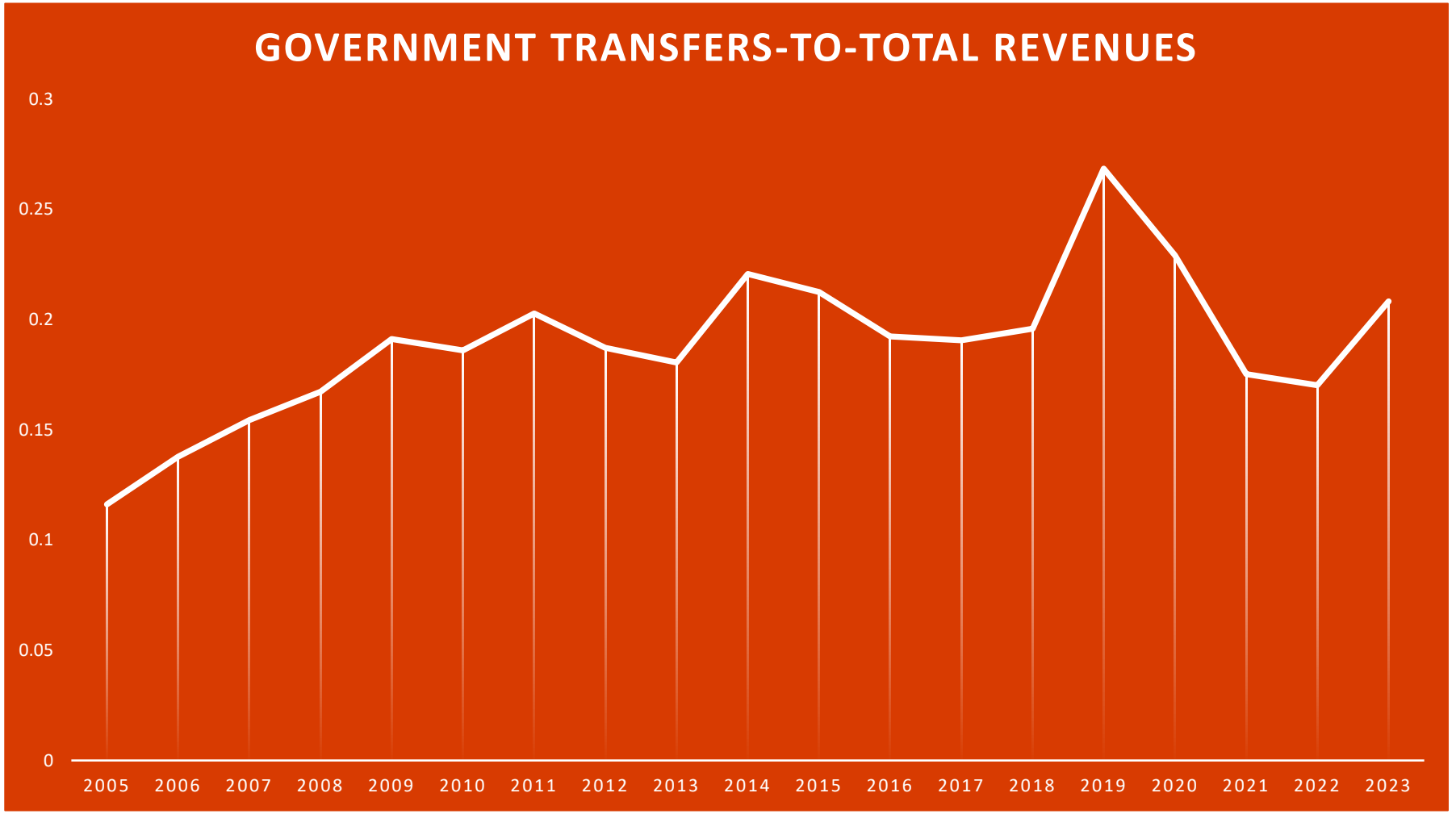
VULNERABILITY is the degree to which a government is dependent on sources of funding outside its control or influence.

GOVERNMENT TRANSFERS-TO-TOTAL REVENUES

- Measures the proportion of a city's revenues that are dependent on policy decisions outside its own control.

APPENDIX: FEW MORE INDICATORS

VULNERABILITY



APPENDIX: WHERE THEY COME FROM

- Public Sector Accounting Board (PSAB) mandates Public Sector Accounting Standards (PSAS)
- Statement of Recommended Practice 4 - Indicators of Financial Condition
  - Sustainability indicators
  - Flexibility indicators
  - Vulnerability indicators