Agenda – Council – January 30, 2025

Report – Standing Policy Committee on Finance and Economic Development – January 17, 2025

Item No. 1 Financial Status and Forecast Report to November 30, 2024

STANDING COMMITTEE RECOMMENDATION:

On January 21, 2025, 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, effective January 1, 2025, the City changes their Financial Status and Forecast Reporting schedule to the Standing Policy Committee on Finance and Economic Development from five reports to four quarterly reports.

2. 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 – January 17, 2025

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 21, 2025, 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 January 17, 2025, 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 November 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	M. Dryburgh, Acting CAO

EXECUTIVE SUMMARY

The Financial Status and Forecast Report to November 30, 2024, is forecasting a deficit of $20.5 million (1.5 percent of budgeted expenditures) for the tax-supported budget ("General Revenue Fund"). This is a $2.9 million improvement over the Q3 forecast ($23.4 million deficit).

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

- higher overtime and workers compensation costs in Winnipeg Fire Paramedic Services offset by additional revenues for a net impact of $13.7 million;
- higher costs for snow clearing and ice control, annual spring clean-up activities, and roadway construction and maintenance in Public Works offset by additional revenues for a net impact of $13.5 million;
- delays in implementing the proposed 9-1-1 levy, which reduces revenues by $3.7 million;
- higher costs and lower-than-budgeted regulation revenue in Planning, Property and Development for a net impact of $5.3 million;
- favourable variances due to the elimination of the transfer to the Financial Stabilization Reserve ("FSR"), deferral of debt costs and higher interest earned on short-term investments. Schedule 2 provides the details of the overall deficit.

The $2.9 million decrease in the shortfall over the last quarter is mainly due to better interest earnings, reduced debt charges and additional provincial revenues.

The FSR can be drawn on to cover $9.7 million of the deficit a $4.7 million reduction in the draw from last quarter. The transfer is required due to lower than expected tax revenues. The draw from the FSR, to cover the deficit, 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 $10.8 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, effective January 1, 2025, the City changes their Financial Status and Forecast Reporting schedule to the Standing Policy Committee on Finance and Economic Development from five reports to four quarterly reports.

2. 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 Policy 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 November 30, 2024, the Public Service expects a forecasted deficit of $20.5 million for the General Revenue Fund. To resolve this, the FSR will be used to fund $9.7 million. The other $6.7 million in the FSR will be used to cover the variance in the taxation revenue projections (see Schedule 7). There are no direct implications to the recommendations of this report.

As of January 1, 2025, the Financial Status and Forecast Reports to the Standing Policy Committee on Finance and Economic Development will be reduced from five reports to four quarterly reports in March, June, September, and December.

HISTORY/DISCUSSION

The forecasted results on November 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) NOVEMBER 30	SURPLUS (DEFICIT) DECEMBER 31
2024	($19.2)	($23.4)	($20.5)	TBD
2023	($1.2)	($3.1)	($7.1)	($0.3)
2022	($55.9)	($56.8)	($69.6)	($83.0)
2021	($14.3)	($17.3)	($17.9)	($22.3)
2020	($0.7)	$1.1	($0.4)	$2.5
2019	($7.7)	($9.4)	($6.7)	($1.1)

Financial Stabilization Reserve Fund

The FSR can be drawn on to cover up to $9.7 million of the deficit. The remaining $6.7 million will be used to cover any variance in taxation revenues (see Schedule 6). These transfers would result in the FSR balance being fully depleted at the end of 2024.

As directed by Council on September 28, 2011, the City transfers amounts directly from the FSR during the year to offset variances in taxes billed. Taxes billed include Property Taxes, Business Taxes, and Net Taxes Added. Net Taxes Added are items such as new buildings, additions and renovations being added to both the assessment and taxation rolls after the annual property tax amounts have been set.

In 2024, Net Taxes Added are lower than expected by approximately $11.3 million. This is offset by higher than expected property taxes of $4.6 million. 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 6). 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 a deficit of $13.5 million primarily due to costs exceeding budget by $17.6 million for snow removal and ice control, spring and neighborhood cleaning, and roadway and construction maintenance. This is offset by higher revenues of $4.1 million. There is no significant change in the mill rate impact since last quarter.

Winnipeg Fire Paramedic Service

The Winnipeg Fire Paramedic Service is forecasting a deficit of $13.7 million primarily due to increased Workers Compensation Board injury claims and overtime of $19.1 million. This is partially offset by additional revenues of $5.4 million. There is no significant change in the mill rate impact since last quarter.

Winnipeg Police Service

The Winnipeg Police Service is forecasting a surplus of $0.8 million, which is a $3.0 million improvement from prior forecast. This change is mainly due to additional funding from the Province and expenditure efficiencies.

Planning, Property and Development

The Planning, Property and Development Department is forecasting a deficit of $5.3 million primarily due to lower regulation revenues from decreased permit activity and lower-than-expected sub-division revenue. There is no significant change in the mill rate impact since last quarter.

Corporate Finance

The Corporate Finance Department is forecasting a surplus of $12.9 million, which is a $2.0 million improvement over the last quarter. This change is mainly due to an increase in short-term interest.

Corporate Accounts

Corporate Accounts is forecasting a surplus of $21.0 million mainly due to elimination of the transfer to the FSR and lower debt charges offset by the delay in implementing revenues related to the 9-1-1 levy. These net savings are impacted by the efficiency savings realized for this forecast (see Schedule 2). This is a $2.1 million improvement since last quarter mainly due to further reductions 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, which have all been recognized in this November forecast (see Schedule 2). These savings are realized through any number of means, including savings in departmental budgets.

Transit

Transit is forecasting an $9.3 million surplus; however, Transit anticipates that they will have additional year-end accounting adjustments related to the new revenue recognition accounting standard that will reduce this balance. The increase since Q3 is mainly due to lower-than-expected fuel costs and continuous salary savings due to delays in hiring offset by 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	$ 84.1	$ 86.1	$ (2.0)	$ 83.7
Other	164.6	162.9	1.7	164.1
Total Revenue	$ 248.7	$ 249	$ (0.3)	$ 247.8
Salaries	$ 137.9	$ 139.1	$ 1.2	$ 138.3
Parts	19.7	16.5	(3.2)	18.5
Fuel	21.7	30.7	9.0	22.1
Other	60.1	62.8	2.7	60.9
Total Expenditures	$ 239.4	$ 249.0	$ 9.6	$ 239.8
	$ 9.3	$ -	$ 9.3	$ 8.0
Potential year-end adjustments *	(4.6)	-	(4.6)	(4.6)
Surplus (Deficit)	**$ 4.7**	**$ -**	**$ 4.7**	**$ 3.4**

* Potential adjustments to fare revenue as a result of the new PSAB standard. Amounts are estimates only and are subject to change.

Reporting Schedule

The City prepares financial forecasts for the Standing Policy Committee on Finance and Economic Development on a quarterly basis to provide an update on how departments are spending against the budget for the General Revenue Fund. The Financial Status and Forecast Reports are currently completed for March, June, September, and November, as well as a year-end report in December which include the actuals to year-end.

Reports for March, June, and September are presented to the Committee before year-end and provide the Committee with information on spending, which can be used to provide direction for the remainder of the year, if needed, based on the results.

The November report is not presented to the Committee until after year-end when the Committee can no longer give direction on spending. Therefore, the Public Service recommends the Committee remove this as reporting requirement effective January 1, 2025.

FINANCIAL IMPACT

Financial Impact Statement

Date: January 3, 2025

Project Name:
Financial Status and Forecast Report to November 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: January 6, 2025

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 September 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