Agenda – Executive Policy Committee – May 19, 2026

REPORTS

Item No. 6 Financial Stabilization Reserve Replenishment Plan – Interim Measures (Part 2)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That, effective immediately, and to replenish the Financial Stabilization Reserve, Council approve the following transfers of prior years' capital surplus or unspent funds:

    A. 2023 and 2024 P3 payments of $1.8 million and $1.6 million, respectively, totaling $3.4 million from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve;

    B. City share of the Accelerated Regional Street Renewal Program of $15 million.

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

ADMINISTRATIVE REPORT

Title: Financial Stabilization Reserve Replenishment Plan – Interim Measures (Part 2)

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Pablo	T. Graham	T. Graham	J. Dunford

EXECUTIVE SUMMARY

The Financial Stabilization Reserve (FSR) is the City's "rainy day fund." It is used to manage unexpected financial pressures. Council policy requires the FSR to maintain a minimum balance equal to six percent of tax-supported operating expenditures, which is $85.1 million (2025).

As of the end of 2025, the FSR balance is $25.9 million. The 2026 Adopted Budget recommends that the Public Service reports to Council on a replenishment plan for the FSR.

On June 25, 2025, Council approved interim measures to partially replenish the FSR. The Public Service recommends additional one-time transfers to the FSR totaling $18.4 million from existing capital reserves/program surplus:

- 2023 and 2024 payments totaling $3.4 million from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment (SWRT2) Reserve;
- the City's share of the Accelerated Regional Street Renewal (ARSR) Program of $15 million.

These measures require a two-thirds vote of Council. They are intended to provide the City with additional financial strengths while longer-term solutions are being evaluated.

If the proposed interim measures are approved, the projected FSR 2026 ending balance would be $44.2 million.

RECOMMENDATIONS

1. That, effective immediately, and to replenish the Financial Stabilization Reserve, Council approve the following transfers of prior years' capital surplus or unspent funds:

    A. 2023 and 2024 P3 payments of $1.8 million and $1.6 million, respectively, totaling $3.4 million from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve;

B. City share of the Accelerated Regional Street Renewal Program of $15 million.

2. 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

The balance in the Financial Stabilization Reserve Fund is below the minimum threshold required by current Council policy at the end of the 2025 fiscal year. According to the Financial Management Plan, Council must adopt a replenishment plan if the FSR balance falls below the target percentage of tax-supported expenditures.

On December 17, 2025, Council directed Public Service to report back with recommendations on a replenishment or long-term plan for the Financial Stabilization Reserve.

IMPLICATIONS OF THE RECOMMENDATIONS

Given that specific actions will be necessary to replenish the FSR, the second set of interim measures are provided for approval in 2026.

This report proposes transferring $3.4 million from the SWRT2 Reserve to the FSR. This transfer is in addition to the annual budgeted transfer amount of $2 million (from 2024 to 2027) as noted in Appendix 4A of 2026 Adopted Budget. The risk associated with this transfer is the potential insufficiency of funds in later years to cover the Public-Private Partnership (P3) costs as per the model. Public Service will continue to monitor the SWRT2 funding model as part of 2027 and future budget processes.

The proposal to transfer $15 million from the ARSR program has minimum impact to the Council approved roads program. Proposed capital road projects had already been approved by City Council in 2025 and 2026 Capital Budget. No new City funding is required for the proposed projects in Appendix A, which then frees up the City share from the previously approved ARSR projects. Public Service has initiated discussions with funding partners and will pursue program extensions if required to avoid the loss of external funding.

As on-going budget discussions happen in 2026, additional measures will be brought forward for Council approval and/or as part of 2027 budget process.

HISTORY/DISCUSSION

Financial Stabilization Reserve

The Financial Stabilization Reserve is the city's emergency fund to counteract budgetary fluctuations and/or fund deficits in the stabilization of the city's mill rate requirements.

While the original Financial Management Plan established a combined stabilization reserve target of eight percent of tax-supported expenditures, Council has since amended this framework. The current minimum mandated balance for the FSR is six percent of tax-supported operating expenditure, which is the basis used throughout this report unless otherwise stated for

historical context. The regulations for this reserve are noted in the June 25, 2025, administrative report titled “Financial Stabilization Reserve Replenishment Plan – Interim Measures.”

Council’s decisions related to the FSR are summarized below:

Lowered the minimum balance from 8 percent to 6 percent of tax-supported expenditures.

- March 23, 2015

Allowed transfers between the FSR and the General Revenue Fund (GRF) to ensure that the tax-supported operating budget is balanced

- March 20, 2020

Approved that the sources of funding for the FSR include transfer of surplus amount from any fund (operating or reserve)

- January 29, 2025

Approved the transfer of prior years’ capital surplus of $3.7 million from the SWRT2 Reserve; and 2024 operational surplus from Winnipeg Transit $5.4 million and Animal Services $1.8 million

- June 26, 2025

Approved the Firefigher resource pool FTEs increased to 20 (~$700,000) in 2026 to be funded by FSR and the amendment to remove actual taxrevenue variances compared to budget

- December 17, 2025

The FSR has been impacted by several factors, including the COVID-19 pandemic, inflationary pressures, significant snow events, over-expenditures in key departments, delays in implementing new revenue streams and other cost pressures. Some of these unbudgeted cost pressures are listed in Attachment 3 of the 2026 Budget Recommendations (see page 26). As a result, the FSR has fallen below the Council mandated minimum 6 percent of tax-supported operating expenditures. The following table shows the balance and the minimum mandated level of the FSR over the last five years.

In millions of $	FSR Balance	Required Threshold
2021	$70.819	$75.092
2022	2.135	71.673
2023	15.712	78.000
2024	17.574	81.254
2025	25.882	85.119

The FSR unaudited ending balance for 2025 is $25.9 million after covering the net shortfall in the GRF of $14.3 million and including the interim measures approved on June 26, 2025. The minimum threshold balance for this reserve in 2025 is $85.1 million, resulting in a shortfall of $59.2 million.

To address this, Public Service is proposing a set of second interim measures to replenish the FSR effective immediately: transfer of prior years’ capital surplus or unspent funds from:

- 2023 and 2024 Public-Private Partnership (P3) payments of $1.8 million and $1.6 million, respectively, totaling $3.4 million from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve;

- City share of the Accelerated Regional Street Renewal program of $15 million.

These second set of interim measures require two-thirds of Council vote. The proposed transfers are one-time in nature, do not increase property taxes, and do not impact existing Council-approved capital projects for 2025 or 2026. The measures help protect essential services from future financial shocks by strengthening the City's emergency reserve. Assuming no other changes to these financial assumptions and the proposed interim measures are approved, the projected FSR 2026 ending balance would be $44.2 million, leaving $45.4 million to meet the mandated 2026 minimum balance.

Financial Stabilization Reserve	**in millions of $**
2025 Unaudited balance	25.9
Add: Interim measures	
Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve	3.4
City share of capital closing surplus from Accelerated Roads program	15.0
Add: budgeted revenue/transfers	13.4
Less: budgeted charges	(13.5)
2026 Projected Ending Balance	**44.2**
2026 Minimum Target Level (6% of $1.493 billion)	89.6
2026 Shortfall against Target Level	**45.4**

Council has directed the Public Service to continue to adopt a culture of continuous improvements to meet the budgeted efficiencies (~$58 million in 2026) and address the structural deficit in city operations. Public Service will continue to work on replenishing the FSR as part of the 2027 budget process.

Transfer of Prior Years' capital from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve

The SWRT (Stage 2) and Pembina Highway Underpass Payment Reserve was established to fund the P3 annual service/financing payments for the SWRT (Stage 2) and Pembina Highway Underpass capital project. The funding model for this project anticipates surpluses in the earlier years to potentially fund deficits in the later years, ensuring long-term funding model for the City's obligations under the P3 contract.

On a yearly basis, Public Service reviews open capital projects and remaining project balances are addressed as part of the annual budget process.

In the 2025 capital closing process, which was reviewed in the 2026 budget process, the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass P3 project (funded by SWRT2 Reserve) results were:

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass P3 Payments

in millions of $

Project Year	Adopted Budget	Actual Cost	Unspent Balance
2023	$ 13.467	$ 11.615	$ 1.852
2024	$ 13.865	$ 12.306	$ 1.559
Total Unspent Funds			**$ 3.411**

Unspent funds normally go back to the SWRT2 Reserve as part of the capital closing review process. This report proposes transferring $3.4 million from the SWRT2 Reserve to the FSR. This transfer is in addition to the annual budgeted transfer amount of $2 million (from 2024 to 2027) as noted in Appendix 4A of 2026 Adopted Budget. The risk associated with this transfer is the potential insufficiency of funds in later years to cover the P3 costs as per the model.

If the 2026 budgeted reserve revenue and expenditure remain unchanged, the SWRT2 Reserve will have a forecasted balance of $12.3 million after this proposed transfer in 2026.

Southwest Rapid Transit (Stage 2) and Pembina Highway Underpass Payment Reserve	**in millions of $**
2025 Unaudited balance	15.7
Less: Transfer to FSR	(3.4)
Add: budgeted revenue/transfers	15.6
Less: budgeted charges	(15.6)
2026 Projected Ending Balance	**12.3**

Public Service will continue to monitor the SWRT funding model as part of 2027 and future budget processes.

City Share of the Unspent Funds from the Accelerated Regional Street Renewal Program

The Accelerated Regional Street Renewal (ARSR) program was a tri-party funded agreement between Canada, Manitoba, and Winnipeg, under the New Building Canada Fund approved as part of the 2019 Capital Budget and Five-Year Forecast.

REGIONAL STREET RENEWAL PROGRAM Authorization ($000's)	2019	2020	2021	2022	2023	2024	Six-Year Total
ACCELERATED REGIONAL STREET RENEWAL							
- Federal New Building Canada Fund (NBFC)	12,000	25,000	26,000	24,000	13,000		100,000
- Province of Manitoba Regional Roads	17,000	15,000	29,100	29,100	9,800		100,000
- Regional Street Renewal Reserve	12,000	25,000	26,000	24,000	13,000		100,000
- Developer Funding		2,586				-	2,586
- Regional Street Renewal Reserve Ineligibles	3,800	3,800	3,400	3,300	1,600		15,900
Sub-total Accelerated Regional Streets Renewal	**44,800**	**71,386**	**84,500**	**80,400**	**37,400**	**-**	**318,486**

The ARSR program represented significant incremental funding to the City's roads program accompanied by an aggressive construction schedule. Bid pricing received early in the program was higher than expected and as such, City funding was increased to $125.1 million. The program currently has a completion date of September 30, 2027.

Most work on the program is now substantially complete, with the exception of Lelia Avenue – McPhillips to McGregor Street (Leila Avenue). For projects other than Lelia Avenue, only minor end of project items are left to complete. The work at Leila Avenue has been delayed due to sewer separation work needed under this road. Those sewer updates are not going to occur in time for the road to be completed before the end of 2027. The renewal treatment has expanded from rehabilitation to reconstruction. The new Basis of Estimate requires a budget of approximately $22.7 million up from previously identified $6.2 million. This Leila Avenue project will now be funded by Regional Street Renewal program and funding details are noted below.

In the spring of 2025, the Public Service reviewed the status of the program and at that time, it was estimated that the unspent amount of the program would be approximately $39.9 million, comprised of $14.9 million in City funding, $11.9 million in Federal funding, $11.9 million in Provincial funding and $1.1 million of Developer funding. The total ARSR unspent amounts are comprised of surpluses from other projects as well as not starting the Leila Avenue work. To prevent the $23.8 million in unspent Federal and Provincial funding from being lost, the Public Service approached our funding partners and proposed additional seven projects to the ARSR program. Our funding partners accepted the City's proposal and with the additional seven projects that have been added to the program, the program is now forecasted to fully expend the program budget of $331.7 million.

The Public Service is in the process of formalizing the amendments to the funding agreement and authority to amend the agreement resides with the Chief Administrative Officer. The table

below outlines the seven projects that have been added to the program as well as the revised funding of those projects.

This report is requesting that $15.0 million of the unspent City funds from ARSR be used to replenish the FSR. Regarding the $15.0 million that is being proposed for transfer to the FSR, consistent with budget and standard City administrative practice, these amounts have been transferred out of the Regional Streets Renewal Reserve and currently reside in the City's General Capital Fund. Therefore, to accomplish this task administratively requires a transfer from the General Capital Fund to the FSR.

Regarding the remainder of 'freed-up' funding ($39.780 million less $15 million = $24.78 million), it is the Public Service's intent to have this funding remain in roads projects, with $22.7 million to fund Lelia Avenue, $1.6 million to fund a new Active Transportation on Kingsbury and the remainder of $0.48 million to fund other roads projects.

Unspent Funds for Accelerated Regional Street Renewal Program and Proposed Funding Contributions

in thousands of $	**Total**	Canada	Manitoba	Winnipeg**	Developer
Approximate Share	100%	30%	30%	40%	
Unspent Funds	39,900	11,930	11,930	14,930	1,110
Proposed Projects	**Revised Budget**	Canada	Manitoba	Winnipeg*	
Wilkes Av – Harstone Rd to PTH 100	**3,190**	990	990	1,210	
St Mary's Rd – Fermor Ave to Arden Av	**6,350**	1,970	1,970	2,410	
Corydon Av – Shaftesbury Bv to Kenaston Bv	**6,450**	2,001	2,001	2,448	
Dufferin Av / McGregor St	**7,830**	2,429	2,429	2,972	
St Mary's Rd – PTH 100 to Chrypko Dr	**9,500**	2,947	2,947	3,606	
McPhillips St southbound – Emes Rd to N Point Dr	**3,225**	1,000	1,000	1,225	
Main Street – SB North of Seaforth Av to Partridge Av Red River Bv to City Limit	**3,235**	1,004	1,004	1,227	
To match the unspent funds	**-**	(411)	(411)	822	
TOTAL BASED ON REVISED BUDGET	**$39,780**	$11,930	$11,930	$15,920	
Provincial and Federal Share = Freed up City Resources			$ 23,860		
Will be used for Leila Avenue Work estimated at $22.7 million and Active Transportation on Kingsbury estimated at $1.6 million					
* Winnipeg's share is already included in the adopted capital budget and five-year forecast. Refer to Appendix A.					

The new Active Transportation corridor on Kingsbury is being initiated as an alternative corridor to Leila. The 2015 Pedestrian and Cycling Strategies identified Leila as a protected bike route, however, upon review of the corridor it was determined that Kingsbury was a more suitable

alternative as it provides better safety and connectivity to the community and schools. As the City policy is to incorporate Active Transportation corridors identified on road renewals with a scope of work that is a major rehabilitation or reconstruction, Kingsbury is considered 'tied' to the Leila renewal in order to maintain the intent of the policy. A portion of the funding for the Kingsbury AT corridor is from the ARSR program.

The roadworks on Leila cannot begin until after the sewer improvements have been completed. WWD is in the process of tendering this work with an anticipated completion date of late 2027. Therefore, the roadworks on Leila can commence in 2028. The work on Kingsbury AT corridor is anticipated to be completed in 2027.

As the proposal is to protect the city's financial position, a two-third Council majority vote is required to use dedicated roads tax funding for a purpose other than roadways. All projects will continue to be funded as approved by City Council and, at the same time, help the City replenish its rainy-day fund.

Jurisdictional Scan

When preparing a replenishment plan, the Public Service surveyed other jurisdictions regarding financial stabilization balances.

Municipal Comparatives:

Jurisdiction	Description	Ending Balance
Vancouver	Target balance of 16% of non-utility revenue	$162 million or 8.8% (2024)
Calgary	Minimum balance of five percent of tax supported expenses	$396 million or 9.2% (2025)
Edmonton	Minimum balance of five percent with a target of 8.3 per cent of current general government expenses	$91 million unappropriated balance (2026 Forecast)
Ottawa	One percent of tax supported spending	$148 million or 3% (2025)
Toronto	Minimum balance of two percent of property tax revenue	$662 million or 12% (2025)
Province of Manitoba	Minimum legislated balance of 5 percent of government department operating expenditures	$585 million (2026 Budget)

If the proposal in this report is approved, the forecasted 2026 ending balance of the FSR is $44.2 million or three percent.

Replenishment Plan Options

To fully replenish the FSR, the following measures could be used:

1. Change the required minimum balance;
2. Change the terms and conditions of the reserve;
3. Implement continuous improvements initiatives;
4. Cost/service reductions;
5. Property tax increase;
6. Implement additional tax measures or new revenue sources;
7. One-time contributions;
8. Transfers from other reserves; and
9. Use a combination of all the above.

Further details on each measure will be considered in the future.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 10, 2026

Project Name:
Financial Stabilization Reserve Replenishment Plan – Interim Measures (Part 2)

COMMENTS:

Approval of the recommendations will result in transfers to the Financial Stabilization Reserve of:

- $3.4 million transfer of prior years' capital surplus from the Southwest Rapid Transit (Stage 2) and Pembina Highway Underpass Payment Reserve, and
- $15 million transfer representing the City share of the Accelerated Regional Street Renewal Program.

Following these transfers, the Financial Stabilization Reserve 2026 ending balance is projected to be $44.2 million.

Randy Bernard

Randy Bernard, CPA
Manager of Finance & Administration (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- Legal Services
- Public Works
- Winnipeg Transit

OURWINNIPEG POLICY ALIGNMENT

Goal: Leadership and Good Governance
1.6 Results-Based Budgeting: Use this Plan as a foundation for municipal budget priorities to achieve integrated, intergenerational life-cycle planning that maximizes community return on investment.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

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

SUBMITTED BY

Department: Corporate Finance
Division: Financial Planning and Review
Prepared by: Liza Pablo
Date: April 17, 2026

Attachment:

Appendix A - Proposed Funding for Accelerated Regional Street Renewal (ARSR) Projects