

**Minutes – Standing Policy Committee on Finance – January 11, 2019**

**REPORTS**

**Item No. 7                      Financial Status Report and Forecast to November 30, 2018**

**STANDING COMMITTEE DECISION:**

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received the report as information.

**Minutes – Standing Policy Committee on Finance – January 11, 2019**

DECISION MAKING HISTORY:

Moved by Councillor Nason,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

# ADMINISTRATIVE REPORT

**Title:** Financial Status Report and Forecast to November 30, 2018

**Critical Path:** Standing Policy Committee on Finance

## AUTHORIZATION

Author	Department Head	CFO	CAO
P. Olafson	M. Ruta	M. Ruta	M. Jack, Acting CAO

## EXECUTIVE SUMMARY

The Financial Status Report and Forecast to November 30, 2018 currently anticipates a projected surplus of \$14.2 million for the tax-support budget (General Revenue Fund).

## RECOMMENDATIONS

1. That the Financial Status Report to November 30, 2018 be received as information.

## REASON FOR THE REPORT

On December 17, 1997, City 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.

## IMPLICATIONS OF THE RECOMMENDATIONS

At this time, the Public Service projects a surplus of \$14.2 million. The Public Service anticipates that the projected surplus will have a slight increase over the remainder of the year based on financial improvements typically realized from that forecasted for November 30, as well as through continued efforts to control expenses without impacting the delivery of core services. This will be dependent on snowfall in December. The Public Service monitors the General Revenue Fund on a regular basis. The average change over the last three of the five published years between November and year-end is \$4.0 million, ranging \$0.6 – 6.8 million.

## HISTORY/DISCUSSION

The forecasted results at November and the year-end position before final transfers for the General Revenue Fund for the past five years were as follows:

Year	Surplus (deficit) in millions at November 30	Surplus (deficit) in millions at December 31 before final transfers
2017	\$ 8.7	\$ 15.0
2016	(6.2)	(5.1)
2015	11.0	16.3
2014	(6.1)	0.7
2013	(2.4)	(1.8)

At its meeting of December 13, 2018, City Council approved measures to be taken, in the event a deficit remains at the end of the City's fiscal year (December 31, 2018). If the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund will transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund. Also considering any amount budgeted as a transfer from the Financial Stabilization Reserve in the 2019 budget, should this Reserve fall below the minimum 6% target of tax-supported expenditures threshold as a result, a replenishment plan starting in 2020, of up to 3 years, will be established to bring the Financial Stabilization Reserve to the minimum threshold amount.

If the General Revenue reports a surplus at year-end, it will be transferred to the Financial Stabilization Reserve.

### **Fire Paramedic Service**

Discussions with Shared Health regarding funding for 2018 are ongoing, with formal confirmation received setting a funding limit of \$24.5 million which is consistent with funding forecasted.

In early 2018, it was determined that the allowance for non-collection of accounts relating to customer receivables for ambulance services was too low when considering long-term payment history and the age of receivables. Additionally, the 2018 budget for allowance was too low based on forecasted billings for 2018. These two items have resulted in a net \$1.6 million negative impact in this forecast. Consistent with the previous agreement with the Winnipeg Regional Health Authority ("WRHA"), this is an expense that is subject to cost sharing, with half of the expense to be recovered through additional grant funds from the WRHA. Shared Health (Shared Health has taken over the ambulance responsibilities from WRHA effective April 1, 2018) has agreed to fund their portion of the expense and accordingly this is included in their funding limit.

### **Transit**

As of November 30, 2018, the Transit System is forecasting a year-end operating surplus of \$12.8 million. This forecasted surplus is separate from the General Revenue Fund Surplus of \$14.2 million. The following table depicts summarized financial information for Transit:

(in millions of \$)	November Forecast	2018 Budget	November Forecast Variance	September Forecast Variance
Fares	\$ 89.8	\$ 84.3	\$ 5.5	\$ 4.2
Other	<u>109.3</u>	<u>109.4</u>	<u>(0.1)</u>	<u>0.2</u>
	199.1	193.7	5.4	4.4
Salaries	115.2	120.8	5.6	3.3
Parts	12.8	17.4	4.6	4.0
Fuel	18.9	15.6	(3.3)	(3.6)
Other	<u>39.4</u>	<u>39.9</u>	<u>0.5</u>	<u>(0.2)</u>
	186.3	193.7	7.4	3.5
Surplus	<u>\$ 12.8</u>	<u>\$ -</u>	<u>\$ 12.8</u>	<u>\$ 7.9</u>

Revenue has exceeded budget targets by stronger sale of Transit's various fare products than expected. The department noted decreased ridership in 2017, consistent with national and North American trends. With the 2018 twenty-five cent fare increase, it was anticipated this trend would continue in 2018. In fact, ridership in 2018 has been stable compared to 2017 and is resulting in higher than budgeted fare revenue due to the fare increase.

Transit is also forecasting expenses to be under budget for 2018. Bus parts expenses are expected to be under budget through various cost saving initiatives including utilizing a strategy to manage emissions in a more cost efficient manner, developing an in-house program for farebox component re-builds and revising the schedule for transmission repairs. Salaries and benefits are also forecasted to be under budget due to turnover of bus operators and mechanics. New hires in these positions are being offset by higher than expected retirements and resignations. Salary dollars are saved when new hires start at lower pay steps than the experienced staff they are replacing. Additionally, the fall schedule that was implemented resulted in savings in scheduled overtime and dispatch requirements which produced savings beyond what was previously forecasted. Forecasts have also been revised in various accounts such as non-professional, allocated department costs, internal financing, payroll tax, printing and advertising accounts to recognize anticipated further savings that will be achieved in these areas. These savings have been partially offset by higher than budgeted diesel fuel expenses, attributable to diesel prices.

### **Assessment Appeals**

Included in the Assessment and Taxation Department's forecast is an additional provision of \$3.6 million concerning outstanding assessment appeals (for a total forecasted 2018 expense of \$11.0 million). The department estimates a value representing what outstanding assessment appeals may cost the City. This additional provision for 2018 is related to a recent decision at the Municipal Board which will

directly impact outstanding appeals from 2012 and 2013. Along with the forecasted provision of \$2.3 million for the 2019 budget, this is anticipated to fully fund the allowance based on currently estimated appeal losses projected at December 31, 2018. In total, there are approximately 2,100 realty and business assessment appeals outstanding at the Municipal Board between 2010 and 2018.

Under the previous four-year assessment cycle, the number of appeals outstanding decreased in the third and fourth year which allowed the department, tax agents and the Municipal Board to schedule and complete a larger number of appeals prior to the end of the assessment cycle. The City is currently in its fourth two-year assessment cycle and a trend is developing with respect to the pace Municipal Board Appeals are scheduled, heard and determined.

The liability to the City is also impacted by interest applied to the outstanding appeals. Pursuant to *The Municipal Act (Interest on Excess Taxes Regulation 51/97)*, interest payable on tax refunds resulting from successful appeals is set at 4.75% per year.

### **Budget Transfers**

During the year, operating budgets were amended to reflect service responsibilities transferred and the actuals included in this report are consistent with the transfer. This includes:

- The transfer of two positions and other operating costs from the Property, Planning and Development department to create the Office of Sustainability located in the Chief Administrative Offices Department, as approved by Council on September 27, 2017;
- The transfer of the Economic Analyst position from Corporate Support Services Department to the Infrastructure Planning Office.

Recommendation 1Q of the Council approved 2016 Budget provides that the CAO be delegated the authority, for departmental units under his authority, to transfer funds and/or budgets between departmental units to reflect administrative structure changes made by the CAO. This follows the authority provided in the City Organization By-law (7100/97) that states, "Except as otherwise provided herein and subject to the appointment of statutory officers as contemplated by The City of Winnipeg Charter, the administrative structure of The City of Winnipeg shall be established by the Chief Administrative Officer."

### **Other**

Corporate Finance Department has prepared this report showing forecasted revenues and expenses to December 31, 2018, 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 November 30, 2018. Attachments included are the following:

Schedule 1 – The City of Winnipeg – General Revenue Fund – Financial Status Report and Forecast;

Schedule 2 – The City of Winnipeg – General Revenue Fund – Budget Variances;

Schedule 3 – The City of Winnipeg – General Revenue Fund – Reconciliation of September to November Forecast;  
Schedule 4 – The City of Winnipeg – Summary by Fund,  
Schedule 5 – The City of Winnipeg – General Revenue Fund – Net Mill Rate by Department; and  
Schedule 6 – The City of Winnipeg – General Revenue Fund - Taxation Revenue.

**FINANCIAL IMPACT**

**Financial Impact Statement    Date: December 27, 2018**

**Project Name:**

**Financial Status Report November 30, 2018**

**COMMENTS:**

This report is prepared for information purposes.

**Kaleigh Wills**  
Manager of Financial Reporting and Accounting Services



## **CONSULTATION**

This Report has been prepared in consultation with:

All City of Winnipeg Departments

## **OURWINNIPEG POLICY ALIGNMENT**

01-3 Prosperity Direction 1 Provide Efficient and Focused Civic Administration and Governance. This report supports demonstration of accountability by the City's public service through reporting.

## **SUBMITTED BY**

Department: Corporate Finance  
Division: Corporate Controller's  
Prepared by: Kaleigh Wills  
Date: December 31, 2018  
File No:  
Attachments:

**THE CITY OF WINNIPEG - GENERAL REVENUE FUND**  
**FINANCIAL STATUS REPORT AND FORECAST**

Schedule 1

Actual for the eleven month period ended November 30, 2018

forecasted for the year ending December 31, 2018

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Year to Date Actual
<b>REVENUES</b>				
Taxation	\$ 695,324	\$ 695,300	\$ (24)	\$ 645,550
Government transfers	133,530	135,144	1,614	110,236
Sale of goods and services	54,477	56,853	2,376	51,156
Regulation fees	58,073	57,912	(161)	51,341
Other	45,313	46,049	736	7,618
Interest	36,202	38,947	2,745	37,072
Payments-in-lieu of taxes	35,795	35,795	-	33,426
Transfer from other funds	23,374	24,788	1,414	8,737
<b>Total Revenues</b>	<b>1,082,088</b>	<b>1,090,788</b>	<b>8,700</b>	<b>945,136</b>
<b>EXPENSES</b>				
Assessment and taxation	22,433	25,224	(2,791)	14,845
Audit	1,375	1,396	(21)	1,017
Chief administrative offices	4,658	4,648	10	4,314
City clerks	13,161	13,687	(526)	10,580
Community services	109,946	108,904	1,042	98,579
Corporate	73,751	67,849	5,902	65,940
Corporate finance	9,112	8,365	747	8,078
Corporate support services	34,811	34,605	206	30,021
Council	3,575	3,510	65	3,024
Fire paramedic service	193,457	196,436	(2,979)	173,352
Legal services	3,292	3,243	49	3,031
Mayor's office	1,805	1,755	50	1,310
Museums	1,031	1,031	-	1,029
Planning, property and development	40,430	41,637	(1,207)	36,315
Police services	291,450	290,843	607	263,424
Policy and strategic initiatives	785	560	225	504
Public works	241,375	238,688	2,687	222,079
Street lighting	13,306	12,439	867	11,397
Water and waste	22,335	21,734	601	18,032
<b>Total Expenses</b>	<b>1,082,088</b>	<b>1,076,554</b>	<b>5,534</b>	<b>966,871</b>
<b>FORECASTED SURPLUS</b>	<b>\$ -</b>	<b>\$ 14,234</b>	<b>\$ 14,234</b>	<b>\$ (21,735)</b>

Notes:

(1) See Schedule 5 for comparable departmental view.

(2) See Schedule 6 for breakdown of taxation and payments-in-lieu of taxes.

**THE CITY OF WINNIPEG - GENERAL REVENUE FUND**  
**BUDGET VARIANCES ARISING FROM THE**  
**NOVEMBER 30, 2018 FORECAST**  
**FOR THE YEAR ENDING DECEMBER 31, 2018**

Schedule 2

*(in millions of dollars)*  
*(unaudited)*

Corporate Accounts favourable variance is mostly related to savings in debt and finance charges due to delaying new debt issuance. Additionally, savings are projected from adjustments to provisions, and pension contribution and severance savings. These savings are somewhat offset by a shortfall in budgeted efficiency savings that are being realized in departments.	<b>6.0</b>
The Police Services department's net mill rate is lower than anticipated mainly due to savings in salaries and other benefits as well as higher revenues.	<b>3.3</b>
Corporate Finance department's favourable variance is mostly related to higher investment interest revenue and savings in salaries and benefits.	<b>2.7</b>
Public Works positive variance mostly relates to net savings in insect control expenditures due to favourable weather conditions and savings from salaries and benefits. This is somewhat offset by higher snow clearing program expenditures.	<b>1.3</b>
Community Service department's favourable net mill rate variance is mostly related to savings in salaries and benefits.	<b>1.1</b>
City Clerks department's favourable net mill rate variance is mostly related to higher revenues for appeals with the board of revision.	<b>1.0</b>
Assessment and Taxation department's unfavourable variance is largely attributable to higher assessment appeals allowance, which is somewhat offset by higher tax penalty interest revenue.	<b>(1.5)</b>
Fire paramedic service net mill rate is projected higher than budgeted mainly due to net bad debt expenses. The department is forecasting higher ambulance fees due to higher volume of calls as well as savings compared to budget due to the collective agreement settlement with Manitoba Government and General Employees' Union, both to the financial benefit of Shared Health Services. At the same time, inter-facility transfers are now being funded by Shared Health Services.	<b>(1.6)</b>
Other departmental revenues and expenses.	<b>1.9</b>
<b><i>Forecasted Surplus</i></b>	<b><u>\$ 14.2</u></b>

(1) See Schedule 1 and 5 for breakdown of other departmental revenues and expenses.

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**THE CITY OF WINNIPEG - GENERAL REVENUE FUND** **Schedule 3**  
**RECONCILIATION OF SEPTEMBER TO NOVEMBER FORECAST**  
**NOVEMBER 30, 2018 FORECAST**  
**FOR THE YEAR ENDING DECEMBER 31, 2018**

*(in millions of dollars)*  
*(unaudited)*

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Forecasted General Revenue Fund Surplus - September 30, 2018	<b>\$ 9.5</b>
The Police Services department's change in net mill rate mainly due to various increased revenues.	<b>2.4</b>
Property, Planning and Development's departments improvement is largely due to an improvement in the transfer from Municipal Accommodations.	<b>2.2</b>
Fire paramedic service's decreased net mill rate is mostly due to an improvement in salary and benefit expenses.	<b>1.3</b>
Corporate Account's increased favourable variance is mostly related to additional savings for savings in debt and finance charges due to delaying new debt issuance and additional pension contribution and severance savings. This is somewhat offset by a shortfall in budgeted efficiency savings that are being realized in departments.	<b>1.1</b>
Assessment and Taxation department's unfavourable variance is due to higher than budget assessment appeal allowance.	<b>(3.0)</b>
Other departmental revenues and expenses.	<u><b>0.7</b></u>
<b><i>Forecasted General Revenue Fund Surplus - November 30, 2018</i></b>	<b><u><u>\$ 14.2</u></u></b>

**THE CITY OF WINNIPEG - SUMMARY BY FUND  
FINANCIAL STATUS REPORT AND FORECAST**

Schedule 4

Actual for the eleven month period ended November 30, 2018

forecasted for the year ending December 31, 2018

(in thousands of dollars)

(unaudited)

	Adopted Budget	Forecast	Variance From Budget	Actual
<b>General Revenue Fund</b>				
Revenues	\$ 1,082,088	\$ 1,090,788	\$ 8,700	\$ 945,136
Expenses	1,082,088	1,076,554	5,534	966,871
Surplus/(Deficit)	<u>\$ -</u>	<u>\$ 14,234</u>	<u>\$ 14,234</u>	<u>\$ (21,735)</u>
<b>Transit System</b>				
Revenues	\$ 127,339	\$ 132,728	\$ 5,389	\$ 123,560
Expenses	187,006	179,644	7,362	161,401
	(59,667)	(46,916)	12,751	(37,841)
Transfer to Reserves	(6,737)	(6,737)	-	(6,737)
Transfer from General Revenue Fund	66,404	66,404	-	60,871
Surplus	<u>\$ -</u>	<u>\$ 12,751</u>	<u>\$ 12,751</u>	<u>\$ 16,293</u>
<b>Waterworks System</b>				
Revenues	\$ 133,121	\$ 133,769	\$ 648	\$ 122,901
Expenses	77,886	75,179	2,707	77,210
	55,235	58,590	3,355	45,691
Transfer to:				
Water Main Renewal Reserve	(17,500)	(17,500)	-	(17,500)
General Revenue Fund	(15,487)	(15,487)	-	-
Surplus Prior to Principal Debt Repayments	22,248	25,603	3,355	28,191
Principal Debt Repayments	(4,660)	(4,660)	-	-
Surplus	<u>\$ 17,588</u>	<u>\$ 20,943</u>	<u>\$ 3,355</u>	<u>\$ 28,191</u>
<b>Sewage Disposal System</b>				
Revenues	\$ 198,041	\$ 199,930	\$ 1,889	\$ 181,960
Expenses	85,847	84,508	1,339	83,803
	112,194	115,422	3,228	98,157
Transfer to Reserves	(41,561)	(41,561)	-	(17,858)
Transfer to General Revenue Fund	(22,728)	(22,728)	-	-
Transfer to Land Drainage	(5,696)	(4,760)	936	(5,221)
Surplus	<u>\$ 42,209</u>	<u>\$ 46,373</u>	<u>\$ 4,164</u>	<u>\$ 75,078</u>

## THE CITY OF WINNIPEG - SUMMARY BY FUND FINANCIAL STATUS REPORT AND FORECAST

*Actual for the eleven month period ended November 30, 2018*

*forecasted for the year ending December 31, 2018*

*(in thousands of dollars)*

*(unaudited)*

	<b>Adopted Budget</b>	<b>Forecast</b>	<b>Variance From Budget</b>	<b>Actual</b>
<b>Solid Waste Disposal</b>				
Revenues	\$ 46,321	\$ 44,251	\$ (2,070)	\$ 34,635
Expenses	47,468	44,311	3,157	37,037
	(1,147)	(60)	1,087	(2,402)
Transfer to Reserve	(348)	(332)	16	(252)
Surplus Prior to Principal Debt Repayments	(1,495)	(392)	1,103	(2,654)
Principal Debt Repayments	(2,259)	(2,259)	-	-
Deficit	<u>\$ (3,754)</u>	<u>\$ (2,651)</u>	<u>\$ 1,103</u>	<u>\$ (2,654)</u>
<b>Land Drainage</b>				
Revenues	5,946	5,101	(845)	5,546
Expenses	5,258	4,400	858	3,616
Surplus Prior to Principal Debt Repayments	688	701	13	1,930
Principal Debt Repayments	(688)	(701)	(13)	-
Surplus	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,930</u>
<b>Municipal Accommodations Fund</b>				
Revenues	\$ 72,050	\$ 71,215	\$ (835)	\$ 64,422
Expenses	59,968	58,148	1,820	47,555
	12,082	13,067	985	16,867
Transfer to: General Revenue Fund	(12,082)	(13,067)	(985)	(175)
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,692</u>

**THE CITY OF WINNIPEG - GENERAL REVENUE FUND  
FINANCIAL STATUS REPORT AND FORECAST**

*forecasted for the year ending December 31, 2018  
(in thousands of dollars)  
(unaudited)*

	Revenues			Expenses			Net Mill Rate
	Adopted Budget	Forecast	Variance Budget/Forecast	Adopted Budget	Forecast	Variance Budget/Forecast	
Assessment and taxation	\$ 690,893	\$ 692,132	\$ 1,239	\$ 22,433	\$ 25,224	\$ (2,791)	\$ (1,552)
Audit	-	-	-	1,375	1,396	(21)	(21)
Chief administrative offices	-	70	70	4,658	4,648	10	80
City clerks	96	1,620	1,524	13,161	13,687	(526)	998
Community services	18,001	18,026	25	109,946	108,904	1,042	1,067
Corporate	133,432	133,494	62	73,751	67,849	5,902	5,964
Corporate finance	5,977	7,933	1,956	9,112	8,365	747	2,703
Corporate support services	1,597	1,597	-	34,811	34,605	206	206
Council	-	2	2	3,575	3,510	65	67
Fire paramedic service	62,666	64,008	1,342	193,457	196,436	(2,979)	(1,637)
Legal services	653	655	2	3,292	3,243	49	51
Mayor's office	-	-	-	1,805	1,755	50	50
Museums	-	-	-	1,031	1,031	-	-
Planning, property and development	45,661	46,843	1,182	40,430	41,637	(1,207)	(25)
Police services	44,707	47,401	2,694	291,450	290,843	607	3,301
Policy and strategic initiatives	-	-	-	785	560	225	225
Public works	77,290	75,870	(1,420)	241,375	238,688	2,687	1,267
Street lighting	-	-	-	13,306	12,439	867	867
Waterworks and waste	1,115	1,137	22	22,335	21,734	601	623
<b>Forecasted Surplus</b>	<b>\$ 1,082,088</b>	<b>\$ 1,090,788</b>	<b>\$ 8,700</b>	<b>\$ 1,082,088</b>	<b>\$ 1,076,554</b>	<b>\$ 5,534</b>	<b>\$ 14,234</b>

**THE CITY OF WINNIPEG - GENERAL REVENUE FUND**  
**TAXATION REVENUES**

Schedule 6

*forecasted for the year ending December 31, 2018*  
*(in thousands of dollars)*  
*(unaudited)*

	<b>Adopted Budget</b>	<b>Forecast</b>	<b>Variance From Budget</b>	<b>Year to Date Actual</b>
Property taxes	\$ 585,584	\$ 593,281	\$ 7,697	\$ 543,893
Transfer to Financial Stabilization Reserve*	-	(7,690)	(7,690)	-
	585,584	585,591	7	543,893
Business taxes	56,916	59,259	2,343	49,039
Transfer to Financial Stabilization Reserve*	-	(2,343)	(2,343)	-
	56,916	56,916	-	49,039
Street renewal frontage levy	63,017	62,918	(99)	62,918
Electricity tax	18,325	18,900	575	15,884
Gas tax	3,000	2,740	(260)	2,276
Other taxation	4,277	4,030	(247)	4,966
<b>Total taxation and payments-in-lieu of taxes revenue</b>	<b>\$ 731,119</b>	<b>\$ 731,095</b>	<b>\$ (24)</b>	<b>\$ 678,976</b>
Taxation	\$ 695,324	\$ 695,300	\$ (24)	\$ 645,550
Payments-in-lieu of taxes	35,795	35,795	-	33,426
<b>Total taxation and payments-in-lieu of taxes revenue</b>	<b>\$ 731,119</b>	<b>\$ 731,095</b>	<b>\$ (24)</b>	<b>\$ 678,976</b>

\* On September 28, 2011, City Council approved a report from the Executive Policy Committee to permit transfers to or from the Financial Stabilization Reserve to offset any variance in the revenue projections for taxes billed including net supplementary taxes used in the General Revenue Fund budget and the actual amounts achieved.