

### Multi-year Budget (2020 to 2023)

#### Council Briefing

October 18, 2019



### Multi-year Budget (2020 to 2023)

Agenda

- Multi-year Budget Context
- Multi-year Budget Process
- EPC Recommended Operating and Capital Targets to Balance



### Multi-year Budget (2020 to 2023)

Multi-year Budget Context



#### The 1990s: A Challenging Decade

Winnipeg's current fiscal policies were **custom tailored to the situation** it faced in the 1990s

- Population Decline
- Negative experiences (Flood of 1997, Winnipeg Jets leaving)
- Low Revenue Growth
- High Dependence on property taxes
- Among the highest property taxes in Canada



#### The 1990s: A Challenging Decade

As a result, the City hoped to **stop, or manage, the decline** with:

- Years of property tax freezes
- Restricted Capital Investment
- Expenditure Reductions
- Reduced FTE's
- Reduced Debt
- Withdrawals from reserves



#### The 2010s: A Decade of Growth

Winnipeg's economic challenges have reversed since the 1990s. One of main challenges now is meeting the demands of a growing city.

- Fastest population growth since the 1950's
- Second fastest Real GDP in 2018 out of major cities
- Lowest municipal property tax of any major Canadian city
- Low reliance on property tax
- Low debt payments



#### The 2010s: A Decade of Growth

As a result, we are now experiencing **growing pains that we have to address** to keep our population moving forward.

- There is a structural imbalance between revenues and the costs generated by growth (including new infrastructure)
- Failure to meet this challenge could impede on future growth and the desirability of Winnipeg as a destination for prospective residents and businesses



#### Present: New Solutions are Needed

The solutions the City adopted in the 1990s are no longer working

- Low property tax revenue has led to deferred capital investment and constrained service delivery
- Dedicated property tax increases (2.33%) has led to an improvement in street renewal and transit infrastructure
- Options for closing the gap between operating revenues and expenditures with funding from reduced debt payments and drawing from reserves is limited and unreliable going forward



#### Present: New Solutions are Needed

The City has hard fiscal choices to make.

- Deferral of capital investment means the infrastructure gap will grow, and key community needs won't be met – a civic competitiveness issue
- Continued operating expenditure constraints, and FTE reductions mean making hard choices about service priorities and cuts



How does Winnipeg's current growth compare to our past?



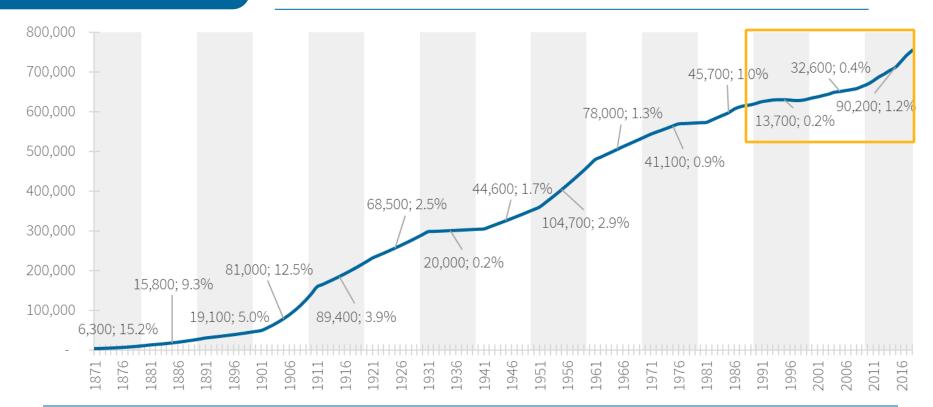
### Is Winnipeg Growing?

**Yes**, the fastest it has in recent history.

#### 2010's 2010-2018 2000's +90k In the 2000's, Winnipeg grew by 33,000 people, Over the past 9 years, equivalent to 9 people Winnipeg has grown per day 2000-2009 by over 90,000 people, 1990's or roughly 27 people per day. In the 1990's, Winnipeg 1990-1999 grew by 14,000 people, equivalent to 4 people +14k per day

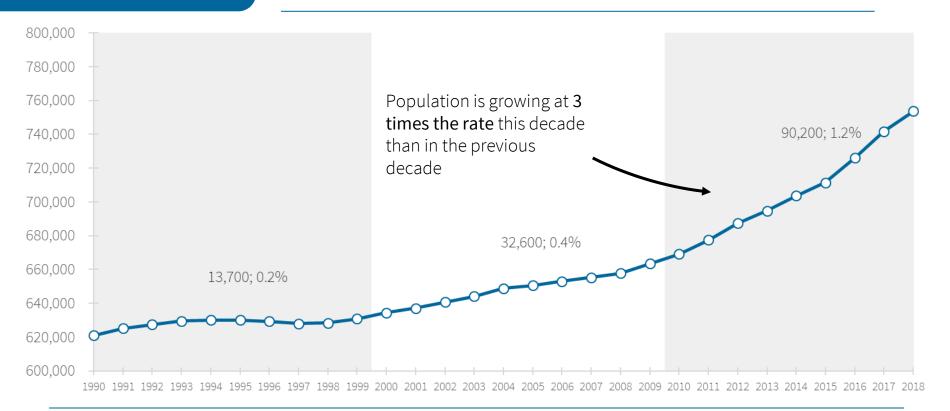


#### City of Winnipeg's Population: 1871 to 2018





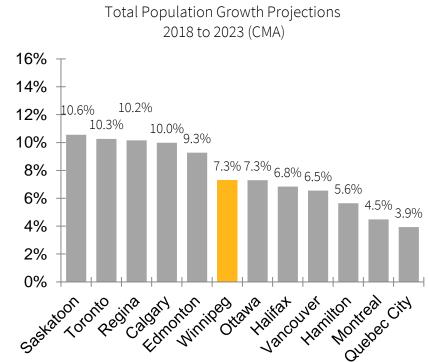
#### City of Winnipeg's Population: 1980 to 2018





### Population Growth Across Canada







What was our financial situation like in the 1990s?



3.

### Financial History – The 1990's

In the mid-1990's, residents and businesses were becoming increasingly concerned about 3 things within the City:

"Our taxes are among the highest in the country - moving out of the city to avoid those taxes has been a trend for years."

The Committee has concluded there is no room for additional taxes from the citizens of Winnipeg and that current tax levels must be reduced. Inevitably, this requires significant

measures to be undertaken regarding expenditures.

Real

City of Winnipeg Committee on Tax Reform, "Rethinking Taxation: Making

Winnipeg Competitive", June 1998

\* The City's debt consumes about 20% of its revenues, compared to an average of 11% in most other Canadian cities.

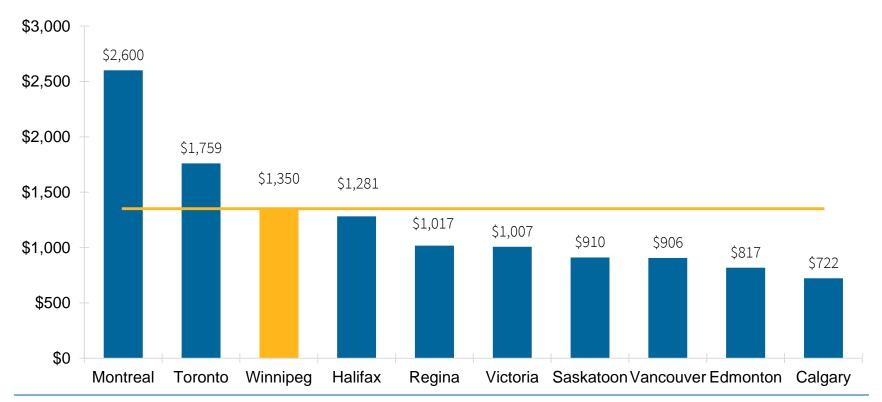
City of Winnipeg 1999 Budget, Appendix 10



the objective of providing taxpayers with the biggest bang for their buck. (City of Winnipeg photo.)

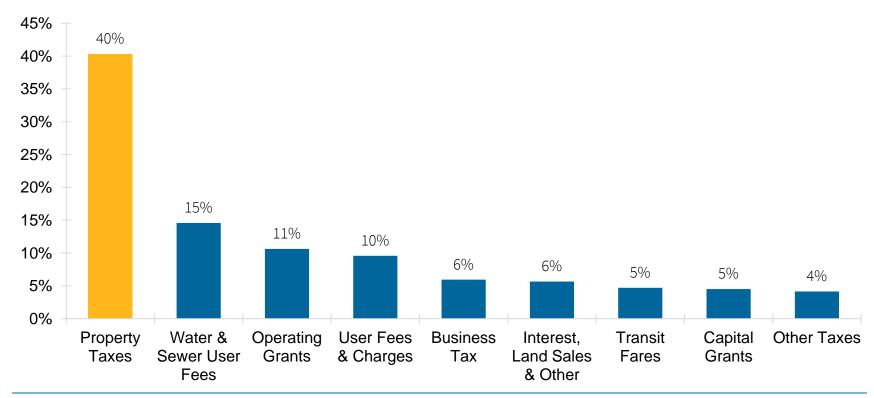


# Third highest average municipal property tax in 1998



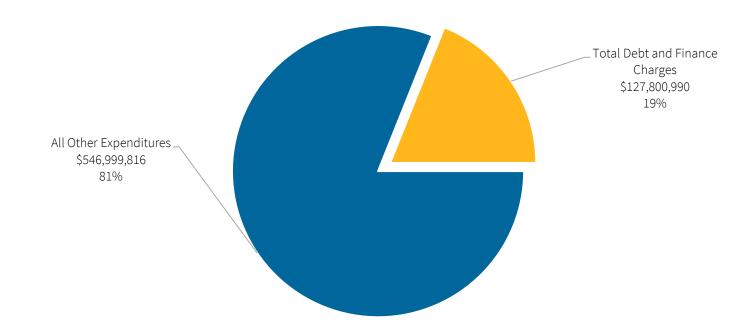


### Sources of Revenue - Dependence on Property Tax - 1998





### Proportion of Budget toward Debt and Finance - 1998

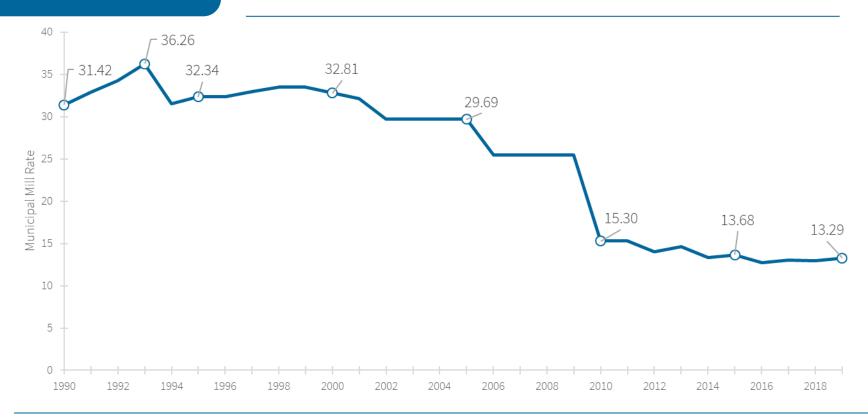




How did the City respond?



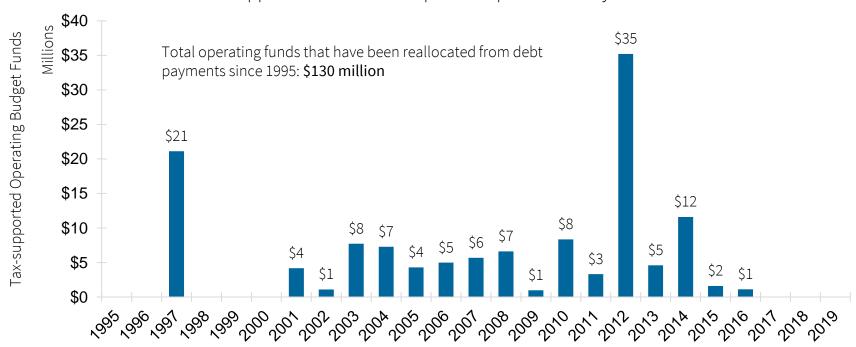
#### Reduced mill rates





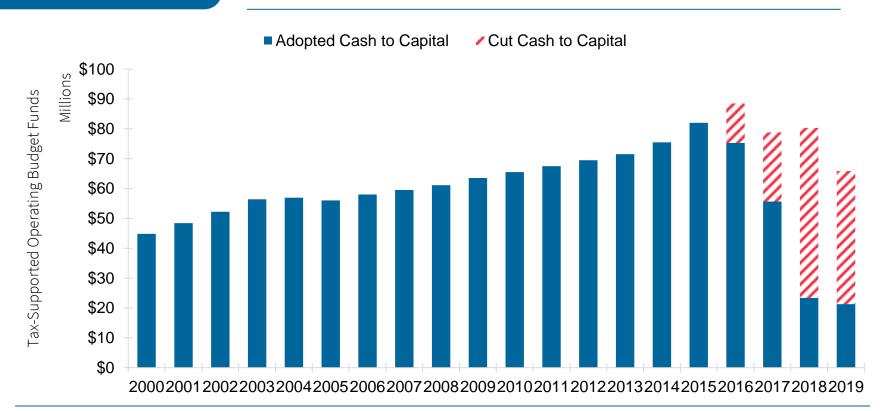
### Stopped taking on debt, reduced debt payments

Tax-Supported Funds Freed up from Expired Debt Payments





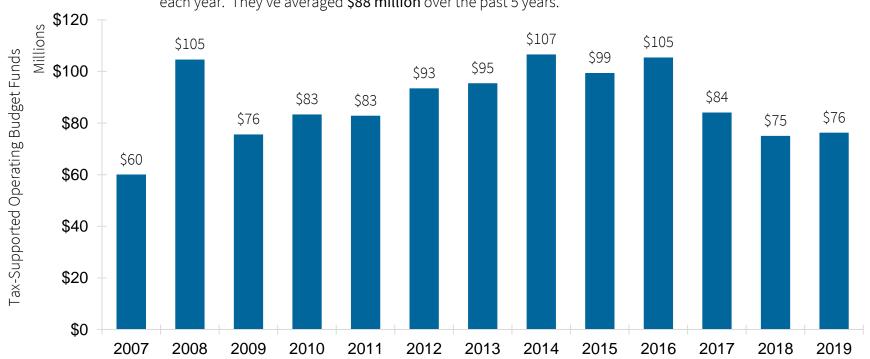
### Reduced Cash to Capital





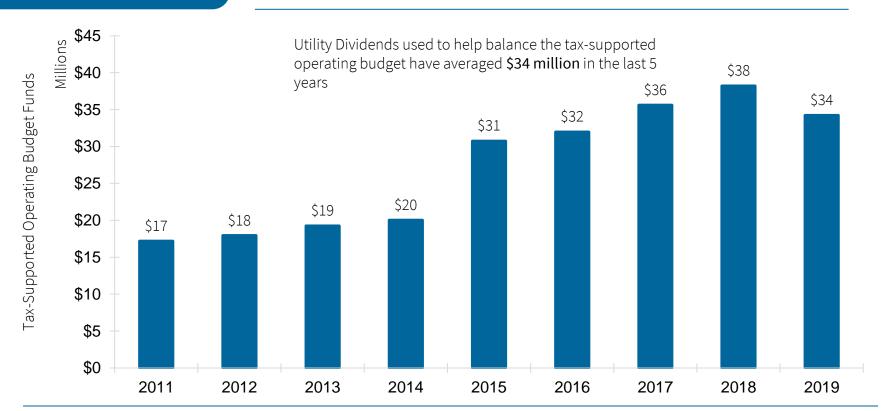
### Reduced expenditures and reserve withdrawals

Expenditure reductions and transfers from other funds and reserves vary in size and availability each year. They've averaged \$88 million over the past 5 years.



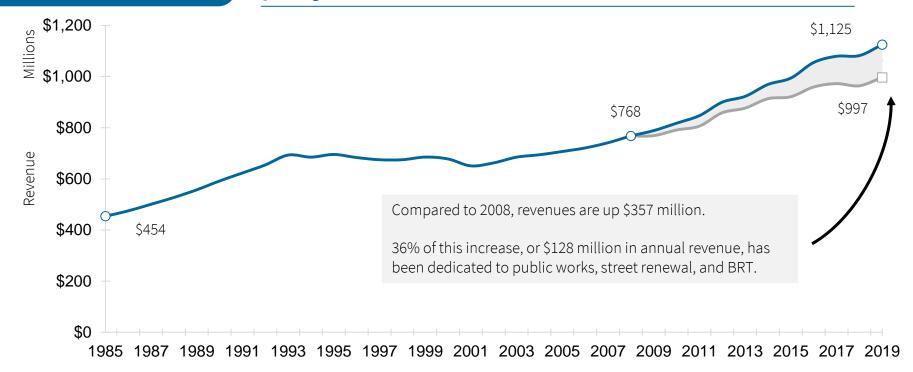


### Started a Utility Dividend in 2011



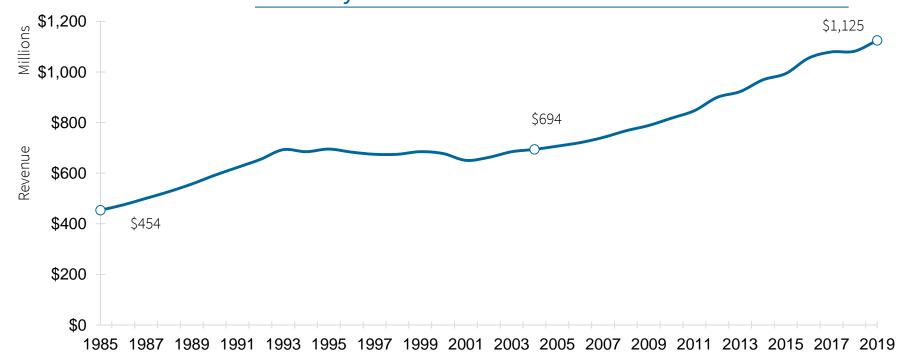


## Used additional revenue for capital projects



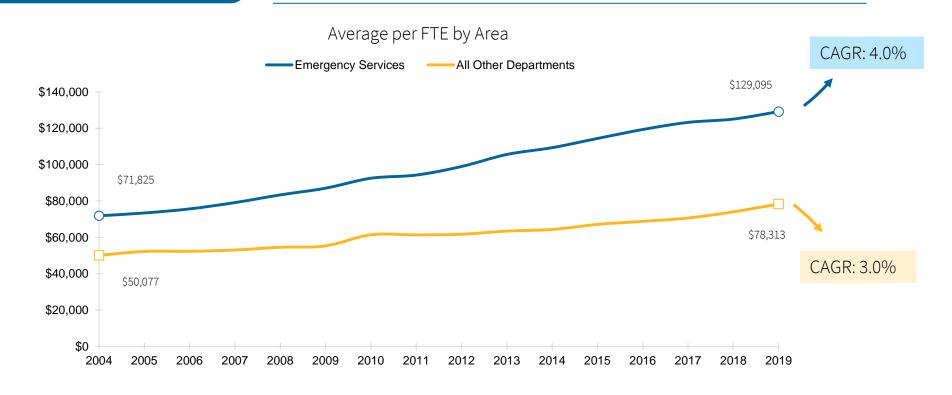


Of the \$431 million increase in the tax supported operating budget since 2004, \$300 million, or 70% is due to Salary and Benefits.



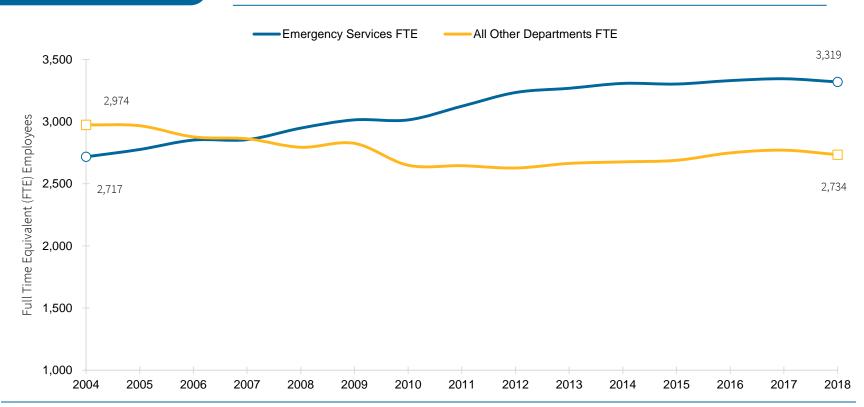


### This is due, in part, to an increase in average salary and benefit expenditure per FTE by area





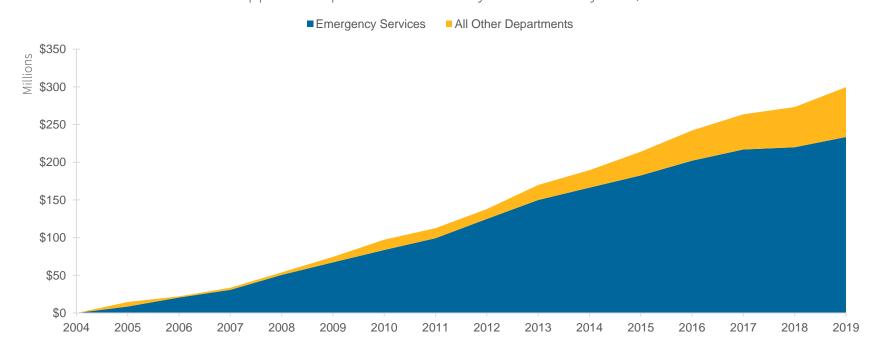
#### and also a shift in the quantity of FTEs by area.





### Finally, of the \$300 million increase in salary and benefits expenditure, \$233 million (78%) was allocated to Emergency Services

Increase in Tax Supported Expenditures on Salary and Benefit by Area, Relative to 2004

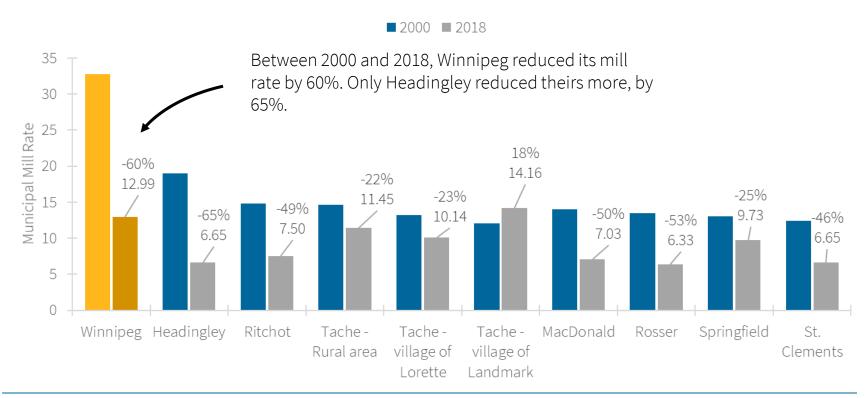




What was the result of these changes and how do we compare to other cities?



### Second largest mill rate reduction locally



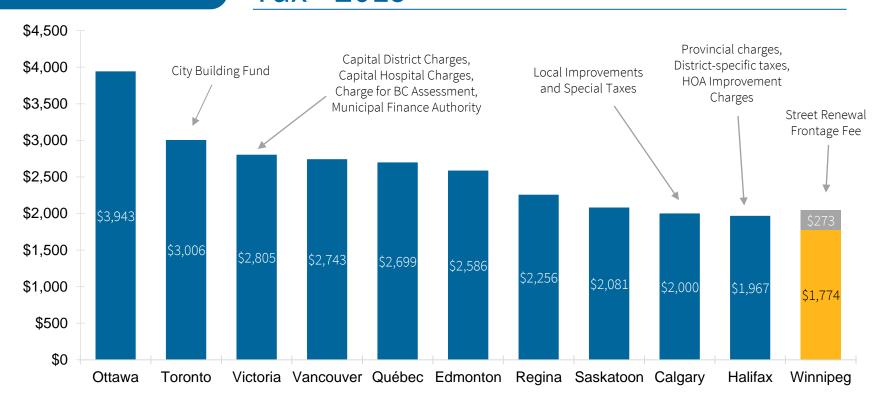


### Lowest Average Municipal Property Tax - 2019



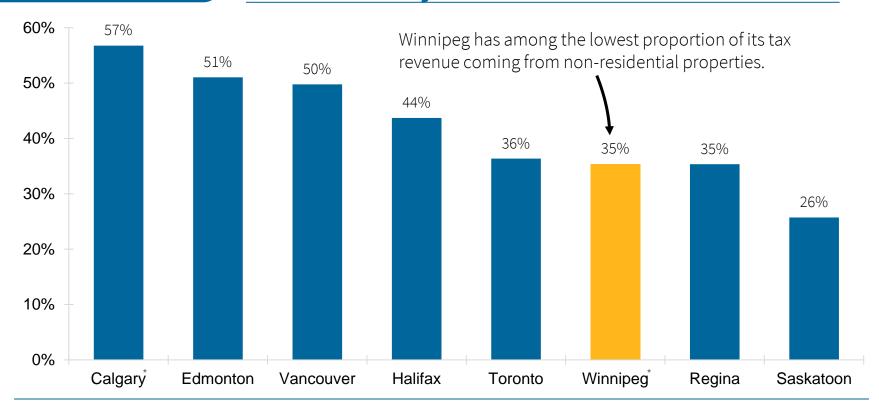


### Lowest Average Municipal Property Tax - 2019





### Low proportion of property tax non-residentially

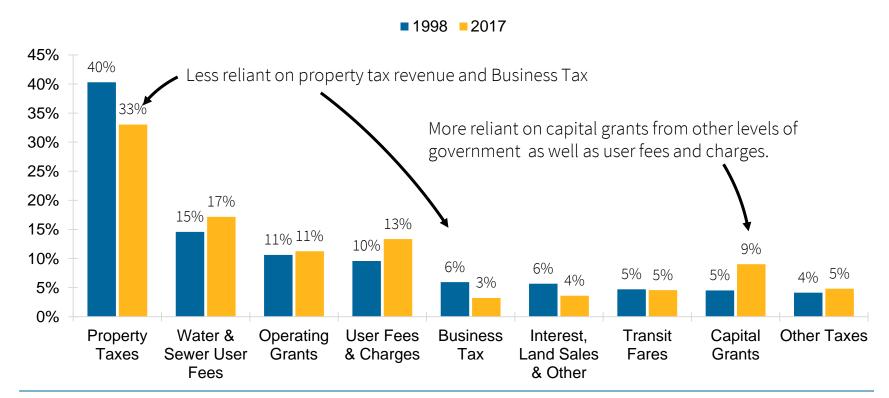


Source: City of Calgary Property Tax Survey, 2017

<sup>35</sup> 

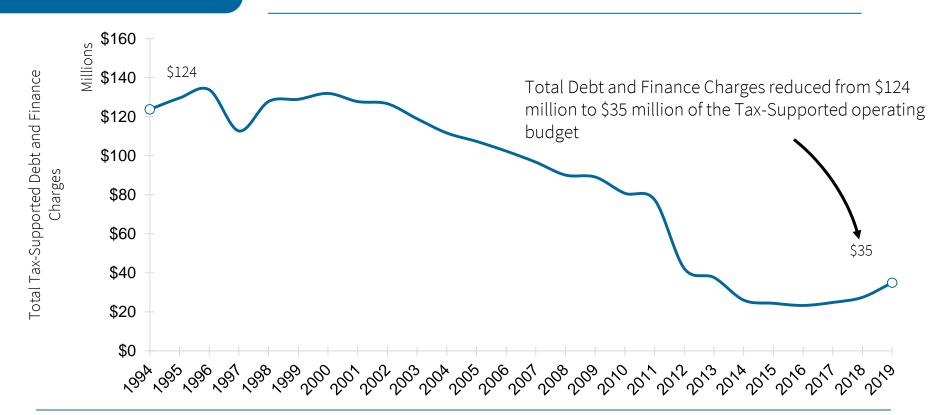


### Less reliant on tax, more reliant on transfers



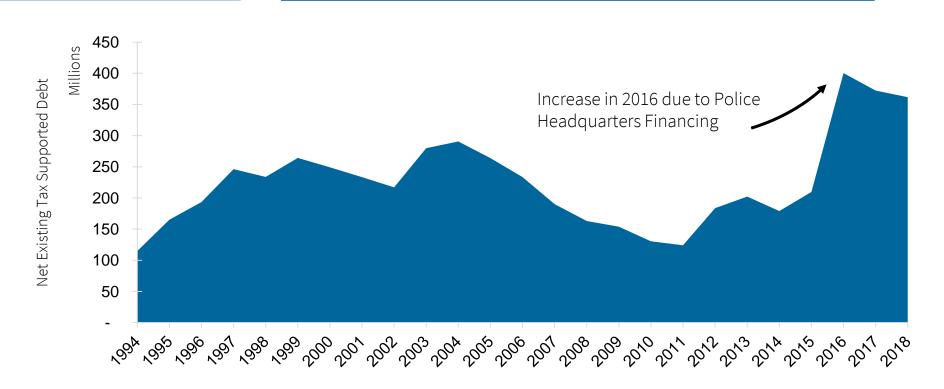


## Lowered debt and finance charges



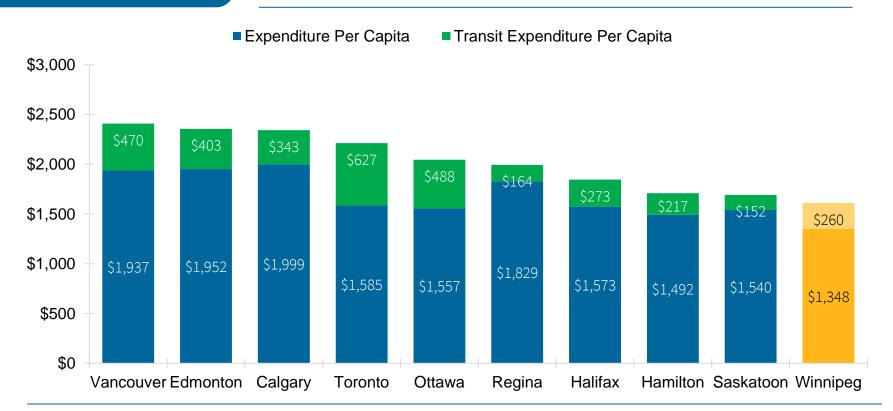


## Net Tax Supported Debt is Increasing



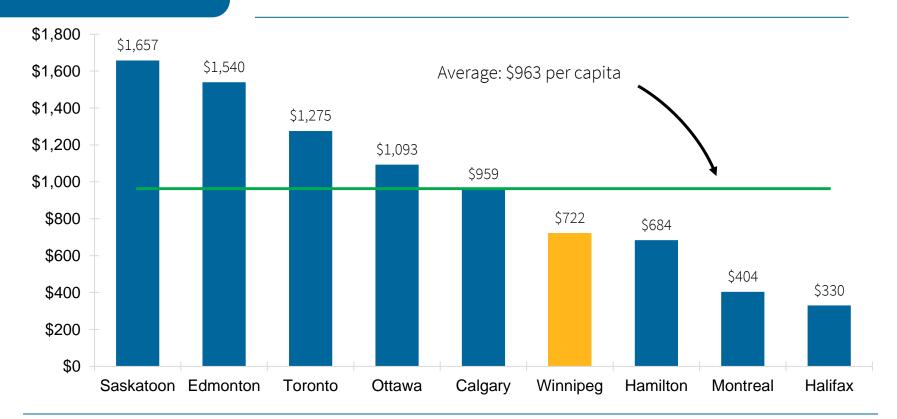


## Lowest expenditures per capita



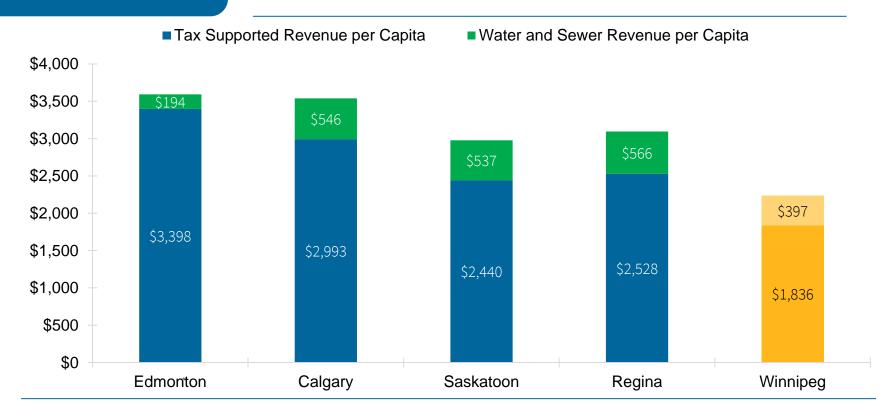


## Low capital investment per capita





## Low revenue per capita



Source: Cities' 2017 Tax-Supported Operating Budgets, Utility Budgets, and Annual Reports

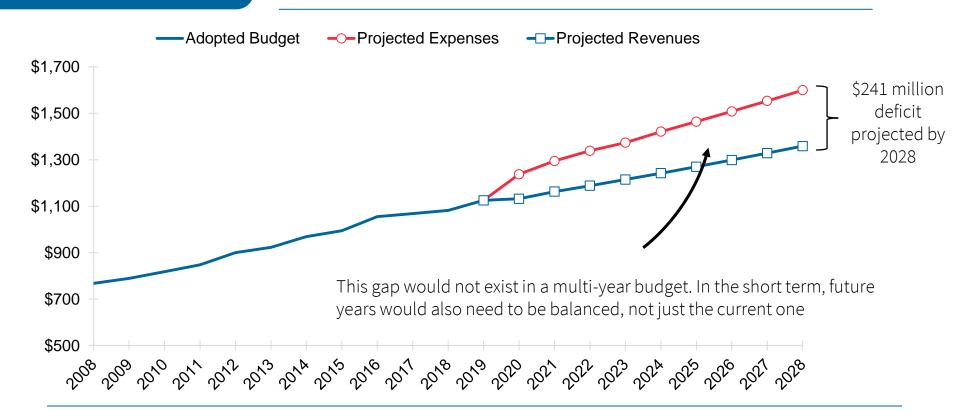
<sup>\*</sup> Note: The City of Edmonton figures for water and sewer includes land drainage only. This does not include water and sewer revenue collected by the EPCOR utility.



Past approaches are no longer sustainable to meet the needs of a growing City.



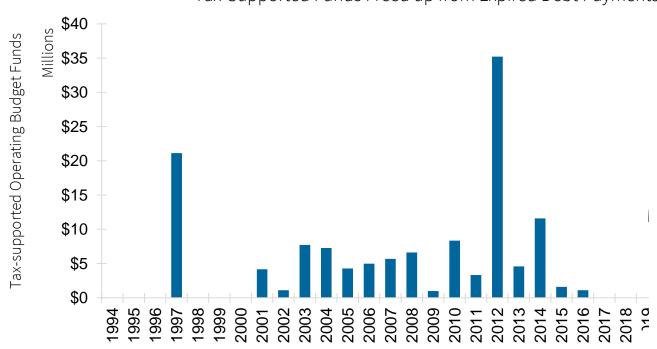
### The structural fiscal deficit: 2008-2028





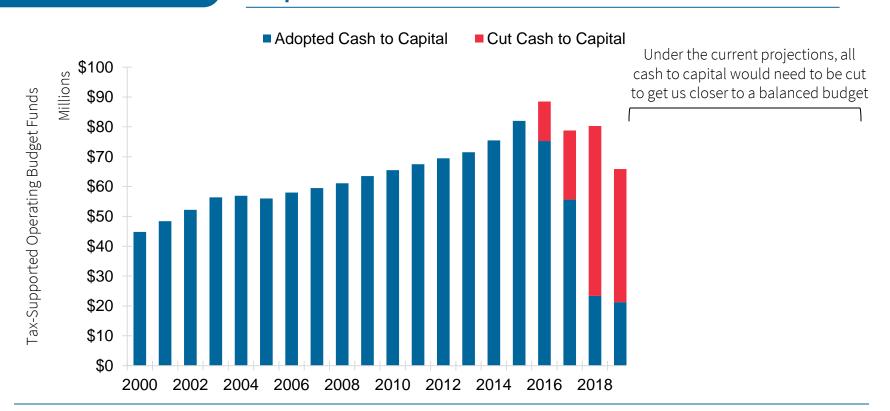
## We can no longer rely on reduced debt





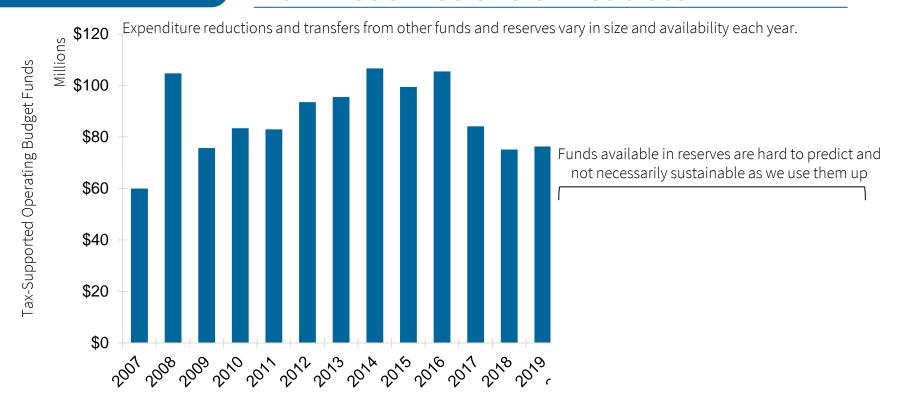


# We can no longer rely on cutting cash to capital



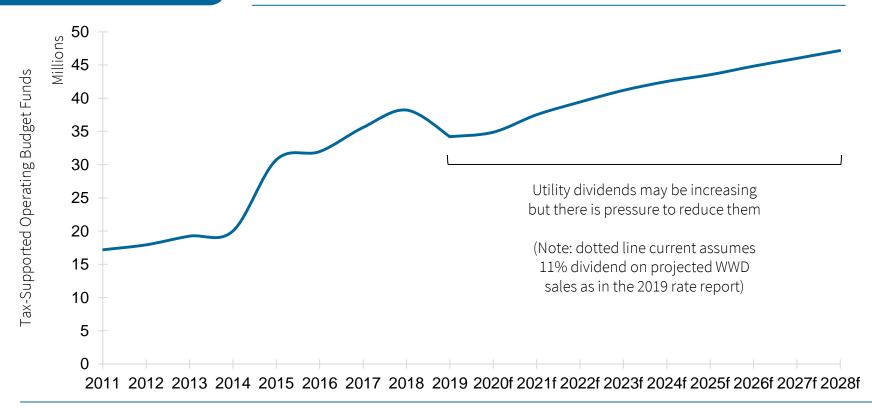


# Expenditure reductions and transfers from reserves are unreliable



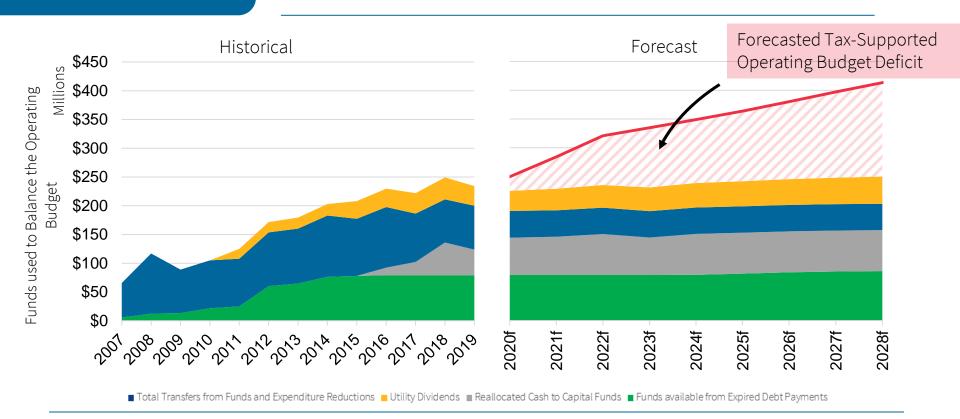


## Utility dividends face growth pressure





But even with these measures, we still have a gap – and this does not include unfunded capital. The challenge is structural.





### The Structural Deficit

**Structural Deficit:** A permanent deficit that results from an underlying imbalance in government revenues and expenditures.

#### City 2020 Budgeted Deficit Submissions:

- 2020: \$89.6 million
- 2021: \$119.9 million
- 2022: \$158.6 million
- 2023: \$174.9 million



#### Conclusion:

- The 1990's were a challenging decade: Low population growth, negative shocks, high property tax and debt;
- The City hoped to stop the decline with tax and operating/capital expenditure deferrals and reductions;
- Currently, we are facing an inverse situation: exceptional population growth and the lowest property tax and spending per capita;
- The context has changed; the solutions used in the past are no longer reliable



## Multi-year Budget (2020 to 2023)

Multi-year Budget Process



Introducing a four year balanced budget process will help the City with long-term, sustainable planning. This multi-year balanced budget aims to:

- control expenses,
- invest in priority services,
- drive efficiencies, and
- achieve sustainability and greater certainty for taxpayers,
  stakeholders, and the Federal and Provincial governments.

Citizen needs and expectations are evolving. This multi-year balanced budget process provides an opportunity to develop a transformative budget that creates a sustainable financial plan to meet the dynamic needs of a growing city.



## Multi-year Budget Process

- October 18 EPC setting of multi- year budget parameters including expenditure targets.
- November 12 to December 9 SPCs, EPC, Police Board meetings
  - November 12 to November 20 Multi-year Budget presentations
  - November 22 to November 27 Multi-year Budget delegations
  - November 28 to December 9 Multi-year Budget recommendations
- January 2020 BWG / EPC deliberate on budget recommendations from SPCs
- February 2020
  - EPC tables preliminary multi- year budget
  - SPC and Board preliminary budget review meetings
- March 2020 Council approval of multi-year budget
- Annual review of future budgets



## Multi-year Budget (2020 to 2023)

EPC Recommended Operating and Capital Targets to Balance



## **Key Assumptions**

These proposed recommended targets present a balanced tax-supported operating budget from 2020 to 2023

- 1. Property Tax Increases: 2.33% annually (road renewal and BRT)
- 2. Fees and Charges: Inflationary increases annually
- 3. Natural Assessment Base Growth: 1.2% annually
- 4. Efficiencies/Vacancy Management: \$17 Million annually
- 5. Additional Transfers/Savings: **\$32.5 million in 2020 growing to \$40 million by 2023**
- 6. Provincial Operating Grants: Flat at \$149.7 million annually (2016 level)
- 7. Utility dividend rate: 11% of Water and Sewer Sales
- 8. Remaining Tax Supported Debt Room: \$150 million in total



## EPC Recommended Target To 4-Year Balance

#### **Department Operating Budget Growth Rates**

Services	Annual Budget Growth Rate
Police, Fire, Transit, Water & Waste	2.0%
Public Works	1.5%
Community Services	0.5%
Property, Planning, and Development, SOAs, and Internal Services (Corporate, Audit, Innovation, Assessment & Taxation)	0.0%

#### Capital Financing: reduced to \$20 million annually

Capital Financing Source	Annual Amount
Cash to Capital	\$20M
Debt Financing (incremental to capital budget forecast)	\$0



#### Information Provided to Councillors to assist with budget process:

- OurWinnipeg
- Community Trends Report (2016 2020)
- Adopted Capital Budgets (2016-2019)
- Adopted Operating Budgets (2016-2019)
- Annual Reports (2016-2018)
- Detailed Financial Statements (2016-2018)
- State of the Infrastructure Report
- City Asset Management Plan
- Open Budget (Open Capital Projects)
- Unfunded Capital Projects
- Legislated & Non-Legislated Services List
- PeopleSoft General Ledger Balances (training to be provided)



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