2015 Preliminary Operating and Capital Budgets

March 3, 2015
2015 Budget Process

• Multi-year view
• Standing Policy Committee Review
• Council debate and adoption
Overview

• Budget Process Priorities
• Operating Budget
• Capital Budget
• Future Budget Challenges
2015 Budget Process Priorities

- Investing in City Streets
- Rapid Transit Construction and Funding Plan
- Innovation, Savings, and New Initiatives
- Investing in the Community
2015 – 2017
Preliminary Operating Budget
2015 Highlights

Investing in City Streets

• Annual 2% property tax increase dedicated to capital (1% to each of Regional and Local Street Renewal Programs)

• .3% general property tax increase for operating service costs

• Combined 2.3% property tax increase
2014 Municipal Property Tax Comparison Average House

In 1997, the City had relatively high residential property taxes compared to other major cities across Canada. But today, Winnipeg has the lowest of comparable cities.

For the year 2014, Municipal portion only

Source: Prepared by City of Winnipeg using derived information
## Property Tax Changes in Cities

<table>
<thead>
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<tbody>
<tr>
<td>Vancouver</td>
<td>28.7%</td>
<td>8.0%</td>
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<td>5.8%</td>
<td>2.0%</td>
<td>2.0%</td>
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<tr>
<td>Saskatoon</td>
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<td>5.0%</td>
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<td>4.5%</td>
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<td>45.9%</td>
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<tr>
<td>Winnipeg</td>
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<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
<td>3.9%</td>
<td>2.95%</td>
<td>4.4%</td>
<td>2.3%P*</td>
</tr>
</tbody>
</table>

* Over the last 15 years, other cities have continued to approve annual property tax increases for use for both their operating budgets and their capital / infrastructure budgets.

* Cumulatively these amount to significant increases relative to Winnipeg’s 4.4%.

* Proposed

Source: Cities' websites
Average Home Assessed at $262,780 in 2015

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Municipal property taxes</td>
<td>$1,581</td>
<td>$ 1,618</td>
<td>$ 37</td>
</tr>
</tbody>
</table>
(exccludes school taxes)        |      |      |        |

This increase represents 10¢ a day on the average home.
2015 HIGHLIGHTS

Dedicated Funding Plan for Regional and Local Street Renewal

- 2% property tax increase solely dedicated to the renewal of regional and local streets, back lanes and sidewalks in the capital program
- Additional $9.8 million in new revenue generated each year and transferred to the capital reserves
- Debt financing of $20.2 million in 2015 for regional and local street renewal
- $6.5 million in departmental savings/efficiencies have been reinvested in regional streets through incremental cash to capital
HIGHLIGHTS

2015 Street Renewal Program

- Regional Streets
  - Enhanced program - $18.5 million
  - Regular program - $16.4 million
  - Incremental Cash to Capital - $6.5 million

- Local Streets
  - Enhanced program - $18.7 million
  - Regular program - $43.2 million

- Total Regional and Local Street Renewal Program - $103.3 million
  - $84.2 million in 2014
  - Increase of $19.1 million or 22.7%

- 2012 Total Program $30.9 million
  - 2015 program is more than triple
HIGHLIGHTS

6-Year Street Renewal Program (2015 – 2020)

- Regional Streets - $283.9 million
- Local Streets - $356.2 million
- Total Regional and Local Street Renewal Program - $640.1 million
  - $455.8 million in 2014 process
  - Increase of $184.3 million or 40.4%
  - $237.9 million in 2012 process
  - Increase of $402.2 million or 169%
HIGHLIGHTS

Transportation Management Centre (TMC)

• Using technology to enhance the traffic system and improve the flow of vehicles, people and goods
  • Real time monitoring and problem resolution
  • Synchronize traffic signals
  • Primary source of traffic information
  • Social media, smartphones and traveler information boards
• Planned to be operational by the end of 2016
• Investment of $3 million in capital over 2015-2016
• Annualized operating funding of approximately $3.5 million once fully implemented
HIGHLIGHTS

Rapid Transit - Southwest Transitway/Pembina Underpass

• Two components – construction of Southwest Transitway (Stage 2) and widening of Pembina Highway through the Pembina Underpass at Jubilee
• 2020 – the first annual P3 payment will be required and is budgeted in the capital forecast
  • City share $19.75 million
  • Province share $2.3 million
• PPP Canada announced its funding contribution of $137.3 million on February 9, 2015
• Provincial capital funding of $225 million confirmed on November 19, 2013
Rapid Transit – Construction and Funding Plan

• Combination funding plan
  • P3 annual service/financing payment commencing in 2020
  • Proposed annual .33% property tax increase beginning in 2016 for 10 years
  • Proposed one-time 5-cent fare increase in 2016 (over and above regular fare increase)
• Balanced approach
HIGHLIGHTS

Rapid Transit – New Payment Reserve Recommendation

• That a new Southwest Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve will be established;

• That the Director of Transit will be the Fund Manager;

• That the purpose of the reserve be to set aside funding for the P3 annual service/financing payment commencing in 2020 for the capital project;

• That the funding source from the City will be a combination of dedicated property tax revenue transferred from the General Revenue Fund and a one-time fare increase in 2016 and an annual grant from the Province starting in 2020; and

• That a 2/3 vote of Council is required in order for the use of funds to be other than those stipulated.
HIGHLIGHTS

Innovation

• Establish a new $1 million Innovation Capital Fund in 2015 to facilitate investment in new and innovative ideas
  • To fund the best ideas for improved efficiency, service delivery, accountability and responsiveness in City operations
2015 HIGHLIGHTS

Fueling the Economy

• Business Tax rate reduced from 5.7% to 5.6%
• Continuation of the Small Business Tax Credit program
• Rebate of municipal business taxes for businesses that have a rental value of $30,000 or less in 2015 ($23,880 in 2014)
  • Impacts 48.6% of all businesses (41% in 2014)
  • 6,025 businesses benefit (5,147 in 2014)
2015 HIGHLIGHTS

Investing in the Community

• Annual grant (for 5 years) of $150,000 to the United Way’s Plan to End Homelessness

• Increase in Winnipeg Arts Council Funding over 2 years to $7 per capita

• Reinstatement of civic museums funding in 2015

• Funding for a downtown dog park
2015 HIGHLIGHTS

Investing in the Community

• Aboriginal Youth Strategy funding at $1.75 million

• 100% biological mosquito larviciding program

• Operating and capital support to Assiniboine Park Conservancy
  • $11.376 million operating grant
  • $10.823 million in capital grants
2015 HIGHLIGHTS

Investing in the Community - Public Safety

• Winnipeg Police Service - $264.0 million an increase of $4.9 million

• Fire Paramedic Service - $178.3 million an increase of $10.5 million

• Investment in public safety comprises 44.5% of the total tax supported budget
2015 HIGHLIGHTS

Funding Streets Maintenance in the Operating Budget

• Street Renewal Frontage Levy
  • Last increase 2011
  • Construction inflation
  • Increase to $4.35 per frontage foot from $3.75
  • $6.7 million additional revenue in 2015 for total investment of $49.1 million

• All revenue will be dedicated to upgrading, repair, replacement and maintenance of streets and sidewalks in the operating budget

• Annual impact on a 50-foot lot is $30
2015 HIGHLIGHTS

• Asset Management – Project Management
  • Continue to implement best practices relating to asset management and capital project management including the addition of permanent staff and the implementation of departmental Project Management Offices
  • Incorporates recommendations from several Audit reports
  • Important given the growth of City’s capital investment plan
  • City Council recently adopted an Asset Management Policy
  • The Public Service has also issued a new Project Management Manual and will be following with a new Asset Management Administrative Standard
2015 HIGHLIGHTS

• Review of City’s Utility Dividend Policy required with each term of Council
  • Sewer and water utility dividend to the City proposed to increase from 8% to 12% of budgeted gross sales $30.7 million in 2015 ($20 million in 2014)
  • Within transfer payment range of other western Canadian cities

• Financial Stabilization Reserve
  • Transfer of $4.2 million surplus in 2015 (at 8%)
  • Proposal to reduce target from 8% to 6% of tax supported expenditures (transfer of $5 million in 2015)
  • Within reserve range of other western Canadian cities
2015 HIGHLIGHTS

Innovation Efficiencies and Cost Savings

• Ongoing departmental review and analysis
• Innovation savings of $2.18 million and expenditure management of $.5 million included as a corporate target
• City-wide vacancy management savings target of $17.7 million ($14.3 million in 2014)
• Service realignments
# Tax Supported Operating Budget

<table>
<thead>
<tr>
<th></th>
<th>2014 Adopted Budget</th>
<th>2015 Preliminary Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$ 510.6</td>
<td>$ 529.2</td>
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<tr>
<td>Business Taxes</td>
<td>59.7</td>
<td>58.4</td>
</tr>
<tr>
<td>Other</td>
<td>398.9</td>
<td>406.5</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$ 969.2</td>
<td>$ 994.1</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
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<td></td>
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<tr>
<td>Departmental</td>
<td>$ 908.9</td>
<td>$ 946.9</td>
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<td>Corporate</td>
<td>60.3</td>
<td>47.2</td>
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<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$ 969.2</td>
<td>$ 994.1</td>
</tr>
<tr>
<td><strong>SURPLUS / (DEFICIT)</strong></td>
<td>$ -</td>
<td>$ -</td>
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</table>
How is the Money Spent in the Operating Budget?

2015 Preliminary Operating Budget - $994.1 million

- Street System, Solid Waste Collection, Land Drainage, Street Lighting and Insect Control: $247.7 million (24.9%)
- Transit Subsidy: $47.3 million (4.8%)
- Property, Development, Planning, Permits and Buildings: $48.5 million (4.9%)
- Police and Fire Paramedic Services: $442.3 million (44.5%)
- Community Services (e.g. Libraries, Recreation Services, Assiniboine Park Conservancy): $118.5 million (11.9%)
- Organizational Support/Other (Information Technology, Human Resources, Finance, Assessment, CAO’s Office, Legal, Corporate): $68.6 million (6.9%)
- City Clerks, City Council, Mayor’s Office, Office of Policy and Strategic Initiatives, Museums, Audit: $21.2 million (2.1%)
Where does the Money Come From in the Operating Budget?

- Business Tax: $58.4 million (5.9%)
- Property Tax: $529.2 million (53.2%)
- Other Taxation: $24.3 million (2.5%)
- Frontage Levy (street repair): $49.1 million (4.9%)
- Government Grants: $118.3 million (11.9%)
- Transfers from Other Funds: $45.8 million (4.6%)
- Licenses, Fines and Fees: $45.3 million (4.6%)
- Interest and Other: $64.7 million (6.5%)
- Sales of Goods & Services: $59.0 million (5.9%)

2015 Preliminary Operating Budget - $994.1 million
# Utility Operations

<table>
<thead>
<tr>
<th></th>
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<td><strong>TOTAL REVENUE</strong></td>
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<td><strong>EXPENDITURES</strong></td>
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<tr>
<td>Sewage Disposal</td>
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<td>Transit</td>
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<td>Municipal Accommodations</td>
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<td>85.7</td>
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<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$ 510.7</td>
<td>$ 533.9</td>
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<tr>
<td><strong>SURPLUS</strong>*</td>
<td>$ 39.7</td>
<td>$ 34.2</td>
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* Some utilities maintain a retained earnings/working capital balance.
2015 Preliminary Capital Budget
And 2016 to 2020 Five Year Capital Forecast
HIGHLIGHTS

6-year Capital Investment Plan of $2.9 billion

• Increase of $207.5 million or 7.7% from last year’s plan
  • $1.2 billion for sewage disposal projects
  • $816.7 million for roads and bridges
  • $203.6 million for the water system
  • $197.7 million for the transit system
  • $110.2 million for public safety infrastructure
HIGHLIGHTS

6-year Capital Investment Plan of $2.9 billion (continued)

• $96.8 million for community and municipal facilities including pools, arenas and recreation amenities
• $95.2 million for community services including libraries
• $32.2 million for land drainage and flood control
• $27.9 million for active transportation facilities
• $26.6 million for the solid waste disposal system

Sherbrook - parking-protected bike lane
Charleswood Library
HIGHLIGHTS

Cash to Capital Plan

• Increasing cash to capital annually to a planned $95.5 million in 2020
HIGHLIGHTS
2015 - 2020 Capital Plan

Waterworks System - $203.6 million

• Represents an increase of $31.8 million or 18.5% compared to 2014

• Including $110.5 million for watermain renewals
HIGHLIGHTS
2015 – 2020 Capital Plan

Sewage Disposal System - $1.2 billion

- Clean Environment Commission
- Biosolids - Alternative Disposal Delivery and Management System and Nutrient Removal/Upgrade and expansion projects ($839.0 million)
- Negotiations will be needed with the other levels of government to successfully complete the work to be undertaken

Solid Waste Disposal System - $26.6 million

- 4R Winnipeg Depots (Community Resource Recovery Centres) - $6.0 million
CAPITAL PROJECTS
2015 – 2020 Authorizations

Excludes P3 payments
NET DEBT PER CAPITA INCREASING TO ADDRESS INFRASTRUCTURE NEEDS

- Tax-supported includes Municipal Accommodations
- Debenture debt and P3 obligations included
- Other Entities included in 2009 and subsequent years
- As at December 31st
CREDIT RATING

Source Moody's Investors Service
# Future Budget Challenges

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<tr>
<th>In Millions of $</th>
<th>2015 Preliminary Budget</th>
<th>2016 Projection</th>
<th>2017 Projection</th>
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<tr>
<td><strong>REVENUE</strong></td>
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<td>Other</td>
<td>406.5</td>
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<td><strong>TOTAL REVENUE</strong></td>
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<td>$ 992.9</td>
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<td><strong>EXPENDITURES</strong></td>
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<td>Departmental</td>
<td>$ 946.9</td>
<td>$ 982.9</td>
<td>$ 1,019.4</td>
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<tr>
<td>Corporate</td>
<td>47.2</td>
<td>73.9</td>
<td>88.7</td>
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<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$ 994.1</td>
<td>$ 1,056.8</td>
<td>$ 1,108.1</td>
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<td><strong>SURPLUS / (DEFICIT)</strong></td>
<td>$ -</td>
<td>$ (73.4)</td>
<td>$ (115.2)</td>
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</table>
Future Budget Challenges

- Our past reliance on non-recurring one-time revenues and deferral of spending and maintenance costs is non-sustainable.
- Overall, this has resulted in the City’s tax supported budget having a structural deficit: sustainable revenue streams do not cover required expenditures.

Operating and Capital Budgets

- New long-term growth revenue sources will be required in the future to address the growing structural deficit.
- Winnipeg’s infrastructure deficit is estimated at $7 billion.
Future Budget Challenges

Assumes 2% property tax increase for local and regional streets. No property tax increase for the operating budget.

Does not include the Infrastructure Deficit.

Gap

Tax Supported Operating Budget - Forecast

- Total Expenditures
- Total Revenues