2017 Preliminary Operating and Capital Budgets

November 22, 2016
Overview

• Budget Consultation – Public Engagement
• Multi-Year Budget View
• Budget Priorities
• Preliminary Operating and Capital Budgets
• Future Budget Challenges
2017 Budget Priorities

• Maintain Record Street Renewal Investment
• Public Transportation
• Investing in Safe and Secure Communities and Community Amenities
• Efficiencies and Innovation
Budget Context

• Tax-supported operating budget shortfall for 2017 from 2016 process was $51.7 million
• Our city is growing
• Structural deficit in operating budget
• Aging infrastructure and infrastructure deficit
• Need to strike a balance between fiscal challenges and investment in services and infrastructure
2017 Highlights

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

• .33% property tax increase dedicated for future payments for the Southwest Rapid Transitway (Stage 2)

• Combined 2.33% property tax increase
2016 Municipal Property Tax Comparison

Based on either average or median house values

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.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wpg</td>
<td>$1,656</td>
</tr>
<tr>
<td>Cal</td>
<td>$1,780</td>
</tr>
<tr>
<td>Hal</td>
<td>$1,835</td>
</tr>
<tr>
<td>Sask</td>
<td>$1,874</td>
</tr>
<tr>
<td>Van</td>
<td>$2,011</td>
</tr>
<tr>
<td>Edm</td>
<td>$2,339</td>
</tr>
<tr>
<td>Vic</td>
<td>$2,353</td>
</tr>
<tr>
<td>Que</td>
<td>$2,547</td>
</tr>
<tr>
<td>Tor</td>
<td>$2,748</td>
</tr>
<tr>
<td>Ham</td>
<td>$3,286</td>
</tr>
<tr>
<td>Ott</td>
<td>$3,395</td>
</tr>
</tbody>
</table>

Note: ‘a’ represents the average house; ‘m’ represents the median house
Source: Completed by City of Winnipeg derived from various sources.
Property Tax Changes in Cities

<table>
<thead>
<tr>
<th></th>
<th>Cumulative 1999 to 2007</th>
<th>Cumulative 1999 to 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>36.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Edmonton</td>
<td>35.3%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Calgary</td>
<td>32.6%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Saskatoon</td>
<td>28.8%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Regina</td>
<td>20.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>-6.0%</td>
<td>0.0%</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 9.0%.

Source: Cities’ websites “P” denotes proposed amount
Average Home Assessed at $288,190 in 2017

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal property taxes (excludes school taxes)</td>
<td>$1,656</td>
<td>$1,694</td>
<td>$38.51</td>
<td>2.33%</td>
</tr>
</tbody>
</table>
2017 HIGHLIGHTS

Powering the Economy and Reducing the Burden on Small Business

• Business Tax rate reduced from 5.30% to 5.25%
• Rebate of municipal business taxes for businesses that have a rental value of $32,220 or less in 2017 (consistent with 2016)
  – Impacts 48% of all businesses
  – Approximately 5,900 businesses will benefit
2017 HIGHLIGHTS

Continued Dedicated Funding Plan for Street Renewal

• 2% of property tax increase funds reserves dedicated to the renewal of regional and local streets, back lanes and sidewalks in the capital program

• $11 million in departmental savings/efficiencies have been reinvested in regional street renewal through incremental cash to capital

<table>
<thead>
<tr>
<th>Cumulative Savings / Efficiencies</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 6.5 million</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>11.0 million</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>11.0 million</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>11.5 million</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$40.0 million</td>
<td></td>
</tr>
</tbody>
</table>
2017 HIGHLIGHTS

2017 Street Renewal Capital Program – $105.2 million

• Regional Streets
  – Enhanced Program - $18.9 million
  – Regular Program - $25.9 million

• Local Streets
  – Enhanced Program - $23.3 million
  – Regular Program - $37.1 million

• 2012 Total Program $30.9 million
2017 HIGHLIGHTS

6-Year Street Renewal Program ($685.2 million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$105.2 million</td>
</tr>
<tr>
<td>2018</td>
<td>106.3 million</td>
</tr>
<tr>
<td>2019</td>
<td>107.4 million</td>
</tr>
<tr>
<td>2020</td>
<td>108.4 million</td>
</tr>
<tr>
<td>2021</td>
<td>127.6 million</td>
</tr>
<tr>
<td>2022</td>
<td>130.3 million</td>
</tr>
<tr>
<td>Total</td>
<td>$685.2 million</td>
</tr>
</tbody>
</table>

Logan Avenue Reconstruction
HIGHLIGHTS

Transit Capital Investment

• Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Project
  – The P3’s financial close for this project has identified savings and efficiencies to reduce overall cost from $587.3 million to $467.3 million
  – Multi-year funding plan, including a tax increase of .33% for ten years beginning in 2016

Construction of Southwest Rapid Transitway at Investors Group Field / University of Manitoba
HIGHLIGHTS

Transit Capital Investment (continued)

• 2017 Capital Program $81.5 million including Federal and Provincial support:
  – $38.5 million from Public Transportation Infrastructure Fund
  – $15.7 million reallocated Manitoba Winnipeg Infrastructure Agreement (MWIA)

• 2017 Capital Program includes the following major projects:
  – Expansion of Transit Vehicle Overhaul and Maintenance Facilities - $53.2 million
  – New Transit Buses - $22.4 million

Bicycle racks on the front of a rapid transit bus.
HIGHLIGHTS

Transit Operating Investment

• Operating expenditure of $191.3 million in 2017
• City of Winnipeg Transit subsidy of $55.1 million in 2017
• Bus routes effective September 2017
  – Amber Trails - Extension of Route 33 - Maples to provide 7 days a week, all day service
  – Bridgwater Lakes and Bridgwater Centre - Extensions to Routes 84/86 to provide 7 days a week, all day service
  – South Pointe - Modifications to Route 72 to provide daytime service connecting South Pointe to the University of Manitoba

Transit bus advertising new ‘peggo’ smart cards
2017 HIGHLIGHTS

Investing in Safe and Secure Communities

• Winnipeg Police Service - $288.0 million
  – includes pension contribution rate increase from 15.63% to 17.94%
  – Compared to pension rate adjusted 2016 budget of $284.4 million, increase is $3.6 million or 1.3%
  – Includes cash to capital of $3.1 million
• Fire Paramedic Service - $199.2 million ($190.3 million in 2016)
  – an increase of $8.9 million or 4.70%
  – Includes annualization of the expansion of community paramedicine program from 2016, subject to WRHA funding approval
  – Includes cash to capital of $5.2 million
• Investment in public safety comprises 45.1% of the total tax supported budget
2017 HIGHLIGHTS

Investing in Safe and Secure Communities

• Public Works - $230 million ($215.5 million in 2016) includes the flow-through of the 2% property tax increase for regional and local street renewal
• Community Services - $114.9 million ($111.4 million in 2016)
2017 HIGHLIGHTS

Investing in Safe and Secure Communities

• Aboriginal Youth Strategy funding at $1.75 million
• Operating and capital support to Assiniboine Park Conservancy
  – $10.840 million operating grant
  – $5.123 million for ongoing infrastructure renewal
2017 HIGHLIGHTS

Investing in Communities

• $150,000 for the Community Homeless Assistance Team (CHAT program)
• 3rd year of 5 year annual grant of $150,000 to the United Way’s Plan to End Homelessness
• Winnipeg Arts Council Funding held at $7 per capita
• Further $1 million toward $5 million commitment to support the Winnipeg Art Gallery - Inuit Art Centre (2016 - $1 million)
• $3.5 million for the operation of the Transportation Management Centre (TMC)
• $250,000 in each of 2017 and 2018 to review and update Plan Winnipeg
• $600,000 grant to CentreVenture
HIGHLIGHTS

2017 Canada Summer Games

• The City has approved a contribution of up to $694,500 for value-in-kind City services for the 2017 Canada Summer Games

• A $600,000 contribution funded through the Special Event Tourism Fund has also been approved

• Capital funding of $750,000, for a total $3 million capital commitment is also included in this budget
HIGHLIGHTS

Efficiencies and Innovation

• $1 million Innovation Capital Fund annually to facilitate investment in new and innovative ideas for immediate and future savings

• Past Innovation Capital Fund projects include:
  – Creation of a Capital Financial Reporting System (CFRS) Dashboard ($350,000)
  – Photographic technology to identify and reduce illegal dumping activities ($54,000)
  – Software to provide online access and long-term preservation of digital records with archival value ($100,000)
2017 HIGHLIGHTS

Efficiencies and Innovation

• Ongoing departmental review and analysis
  – Efficiency target of $7.7 million held corporately
  – City-wide vacancy management (staff turnover) of $18.5 million (2016 - $20.9 million)
    • Tax-supported - $12.3 million (2016 - $13.8 million)
    • Utilities - $6.2 million (2016 - $7.1 million)
### Tax Supported Operating Budget

<table>
<thead>
<tr>
<th></th>
<th>2016 Adopted Budget</th>
<th>2017 Preliminary Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$549.3</td>
<td>$569.3</td>
</tr>
<tr>
<td>Business Taxes</td>
<td>57.3</td>
<td>57.5</td>
</tr>
<tr>
<td>Other</td>
<td>448.5</td>
<td>452.7</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$1,055.1</td>
<td>$1,079.5</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td>$982.8</td>
<td>$1,020.3</td>
</tr>
<tr>
<td>Corporate</td>
<td>72.3</td>
<td>59.2</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$1,055.1</td>
<td>$1,079.5</td>
</tr>
<tr>
<td><strong>SURPLUS / (DEFICIT)</strong></td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

Total tax-supported budget of $1.079 billion compared to $1.055 billion in 2016, reflects an increase of 2.3%.
How is the Money Spent in the Operating Budget?

Street System, Solid Waste Collection, Land Drainage, Street Lighting and Insect Control
$275.7 million
25.5%

Transit Subsidy
$55.1 million
5.1%

Property, Development, Planning, Permits and Buildings
$45.6 million
4.2%

Fire Paramedic Service
$199.2 million
18.5%

Police Service
$288.0 million
26.7%

Community Services (e.g. Libraries, Recreation Services, Assiniboine Park Conservancy)
$114.9 million
10.6%

Organizational Support/Other (Information Technology, Human Resources, Finance, Assessment, Chief Administrative Offices, Legal, Corporate)
$77.4 million
7.2%

City Clerks, Mayor and Council, Office of Policy and Strategic Initiatives, Museums, Audit
$23.6 million
2.2%

2017 Preliminary Operating Budget - $1,079.5 million

Tax Supported
Where Does the Money Come From in the Operating Budget?

2017 Preliminary Operating Budget - $1,079.5 million

Tax Supported
## Utility Operations

<table>
<thead>
<tr>
<th>In Millions of $</th>
<th>2016 Adopted Budget</th>
<th>2017 Preliminary Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL REVENUE</td>
<td>$ 598.7</td>
<td>$ 620.7</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewage Disposal</td>
<td>$ 145.9</td>
<td>$ 157.0</td>
</tr>
<tr>
<td>Solid Waste Disposal</td>
<td>40.1</td>
<td>44.7</td>
</tr>
<tr>
<td>Waterworks</td>
<td>111.0</td>
<td>113.3</td>
</tr>
<tr>
<td>Transit</td>
<td>200.4</td>
<td>191.3</td>
</tr>
<tr>
<td>Municipal Accommodations</td>
<td>75.1</td>
<td>75.2</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$ 572.5</td>
<td>$ 581.5</td>
</tr>
<tr>
<td>SURPLUS*</td>
<td>$ 26.2</td>
<td>$ 39.2</td>
</tr>
</tbody>
</table>

- Some utilities maintain a retained earnings/working capital balance
Capital Budget Overview

The City is challenged by aging infrastructure and the infrastructure deficit

The capital budget includes the following measures to address the infrastructure deficit:

• Strategic use of debt for inter-generational capital projects

• One-time financing sources:
  – Partnerships with other levels of government to fund priority projects
  – Prior years’ tax-supported capital surplus identified in prior years’ capital closing review ($8.6 million)
  – Surplus transfer from the Land Operating Reserve ($3.24 million in 2017)
HIGHLIGHTS

Strategic 2017 Tax-Supported Capital Investments

- **Active Transportation** - $5.7 million, an increase of $1.6 million compared to 2016 - includes $2.8 million for bicycle corridors, and $1 million for the Transcona Trail Walkway
  - Total Active Transportation 2017 investment of $13.5 million when the Active Transportation component of other capital projects is included ($8.6 million in 2016)
- **Parks Master Plan** – $300,000
- **Seven Oaks Indoor Pool** - $2.4 million (for a project total of almost $8 million)
- **Transcona Library** - $2.5 million (for a project total of $7.9 million)
- **Police North District Station** - $20 million

Concept Drawing of the New Transcona Library
HIGHLIGHTS

Strategic Tax-Supported Capital Investments

- **New Recreation Facility in South Winnipeg** - $4.1 million in 2017
- **New Spray Pads** - $1 million each for Freighthouse Recreation Centre and Old Ex/North Centennial Recreation & Leisure Facility in 2017
- **Tache Promenade** - $5.2 million

![Splash Pad at the St. Vital Outdoor Pool](image)
HIGHLIGHTS

Total Capital Budget

• 2017 Capital program - $432.9 million, an increase of $73.8 million compared to the capital forecast for 2017 of $359.1 million

• 2017 cash to capital $55.6 million compared to 2017 forecast of $78.8 million.

Overhead view of Southwest Rapid Transitway construction linking to Investors Group Field / University of Manitoba
HIGHLIGHTS

6-year Capital Investment Plan of $2.2 billion including:

• Regional and Local Street Renewal - $685.2 million

• Bridges and grade separations - $85.6 million

Replacement of Ness Bridge over Sturgeon Creek
HIGHLIGHTS

6-year Capital Investment Plan of $2.2 billion including:

- $100.9 million for public safety (police and fire paramedic services)
- $120.5 million for community services including libraries and recreation facilities
- $287.9 million for the transit system
- $192.2 million for the water system
- $399.2 million for the sewage disposal system
- $23.2 million for the solid waste disposal system
HIGHLIGHTS

6-year Capital Investment Plan of $2.2 billion including:

• $32.7 million for active transportation facilities (not including active transportation amounts in separate capital programs)
• $47.0 million for Parks and Open Spaces
• $36.1 million for land drainage and flood control
• $92.4 million for maintenance of community and municipal facilities including pools and arenas
Debt Strategy - Purpose

• To proactively set debt limits
• To establish a prudent level of debt to support the City’s capital infrastructure program
• To maintain an appropriate credit rating
• Continued long-term financial flexibility and sustainability
## Debt Strategy - Best Practices

<table>
<thead>
<tr>
<th>Debt Metrics</th>
<th>Maximum</th>
<th>As At</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2015</td>
<td></td>
</tr>
<tr>
<td>Debt as a % of revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City</td>
<td>90.0%</td>
<td>56.7%</td>
</tr>
<tr>
<td>Tax-supported and other funds</td>
<td>80.0%</td>
<td>54.8%</td>
</tr>
<tr>
<td>Utilities and Other</td>
<td>220.0%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Debt-serving as a % of revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City</td>
<td>11.0%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Tax-supported and other funds</td>
<td>10.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Utilities and Other</td>
<td>20.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Debt per capita</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City</td>
<td>$2,800</td>
<td>$1,384</td>
</tr>
<tr>
<td>Tax-supported and other funds</td>
<td>$1,500</td>
<td>$928</td>
</tr>
<tr>
<td>Utilities and Other</td>
<td>$1,500</td>
<td>$343</td>
</tr>
</tbody>
</table>

Note: "City" includes "Tax-supported and other funds", "Utilities and Other" and consolidated entities. "Tax-supported and other funds" includes Municipal Accommodations and Fleet Management. "Utilities and Other" includes Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal.
Debt Strategy - Credit Rating

Standard and Poor’s – AA/Stable/since January 2003
(Reaffirmed November 2016)
• Standard and Poor’s recently affirmed Winnipeg’s AA (Stable) credit rating based on:
  – A very strong economy
  – Strong financial management
  – Management team that is experienced and qualified to effectively enact fiscal policies, as well as effectively respond to external risks
  – Generally broad consensus to implement structural reforms

• Moody’s – Aa2 - stable

• The City’s credit rating has benefited from:
  – Disciplined financial planning and a proven track record of operating surpluses
  – A stable and diverse economy
  – Stable and predictable revenue sources (property taxes and user fees)
Net Debt per Capita Increasing to Address Infrastructure Needs

- Debenture debt and P3 obligations included
- Other Entities included in 2009 and subsequent years
- As at December 31st
## Future Budget Challenges

### Tax Supported Operating Budget

<table>
<thead>
<tr>
<th>In Millions of $</th>
<th>2017 Preliminary Budget</th>
<th>2018 Projection</th>
<th>2019 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$ 569.3</td>
<td>$ 586.2</td>
<td>$ 600.7</td>
</tr>
<tr>
<td>Business Taxes</td>
<td>57.5</td>
<td>57.5</td>
<td>57.5</td>
</tr>
<tr>
<td>Other</td>
<td>452.7</td>
<td>441.1</td>
<td>444.7</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$ 1,079.5</td>
<td>$ 1,084.8</td>
<td>$ 1,102.9</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td>$ 1,020.3</td>
<td>$ 1,077.2</td>
<td>$ 1,097.7</td>
</tr>
<tr>
<td>Corporate</td>
<td>59.2</td>
<td>96.4</td>
<td>119.1</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$ 1,079.5</td>
<td>$ 1,173.6</td>
<td>$ 1,216.8</td>
</tr>
<tr>
<td><strong>SURPLUS / (DEFICIT)</strong></td>
<td>$ -</td>
<td>$ (88.8)</td>
<td>$ (113.9)</td>
</tr>
</tbody>
</table>
Future Budget Challenges

- Reliance on non-recurring one-time revenues and deferral of spending and maintenance costs is non-sustainable
- The City’s tax supported budget has 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 was estimated at $3.5 billion in 2009, and is expected to increase to over $7 billion by 2018
- Monitoring Liquidity
Future Budget Challenges

Tax Supported Operating Budget - Forecast

Assumes 2.33% property tax increase for local and regional streets as well as for rapid transit.
No property tax increase for the operating budget.

Does not include the infrastructure deficit.

Gap

Total Expenditures
Total Revenues

$ in millions
$600 $700 $800 $900 $1,000 $1,100 $1,200 $1,300 $1,400 $1,500 $1,600
## Schedule of Meetings

### Preliminary 2017 Operating and Capital Budgets

<table>
<thead>
<tr>
<th>Date</th>
<th>Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday, November 28, 2016 9:30 am</td>
<td>Standing Policy Committee on Water and Waste, Riverbank Management and the Environment</td>
</tr>
<tr>
<td>Tuesday, November 29, 2016 9:00 am</td>
<td>Standing Policy Committee on Infrastructure Renewal and Public Works</td>
</tr>
<tr>
<td>Friday, December 2, 2016 9:30 am</td>
<td>Standing Policy Committee on Protection, Community Services and Parks</td>
</tr>
<tr>
<td>Monday, December 5, 2016 9:00 am</td>
<td>Standing Policy Committee on Property and Development, Heritage and Downtown Development</td>
</tr>
<tr>
<td>Tuesday, December 6, 2016 9:30 am</td>
<td>Winnipeg Police Board</td>
</tr>
<tr>
<td>Thursday, December 8, 2016 9:00 am</td>
<td>Special Executive Policy Committee to hear delegations on Budgets</td>
</tr>
<tr>
<td>Friday, December 9, 2016 9:00 am</td>
<td>Special Executive Policy Committee to consider Standing Policy Committee recommendations and table final recommendations</td>
</tr>
<tr>
<td>Tuesday, December 13, 2016 9:30 am</td>
<td>Special Meeting of Council to pass Budgets</td>
</tr>
</tbody>
</table>