



# 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



Autumn in Old Market Square on King Street

# 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

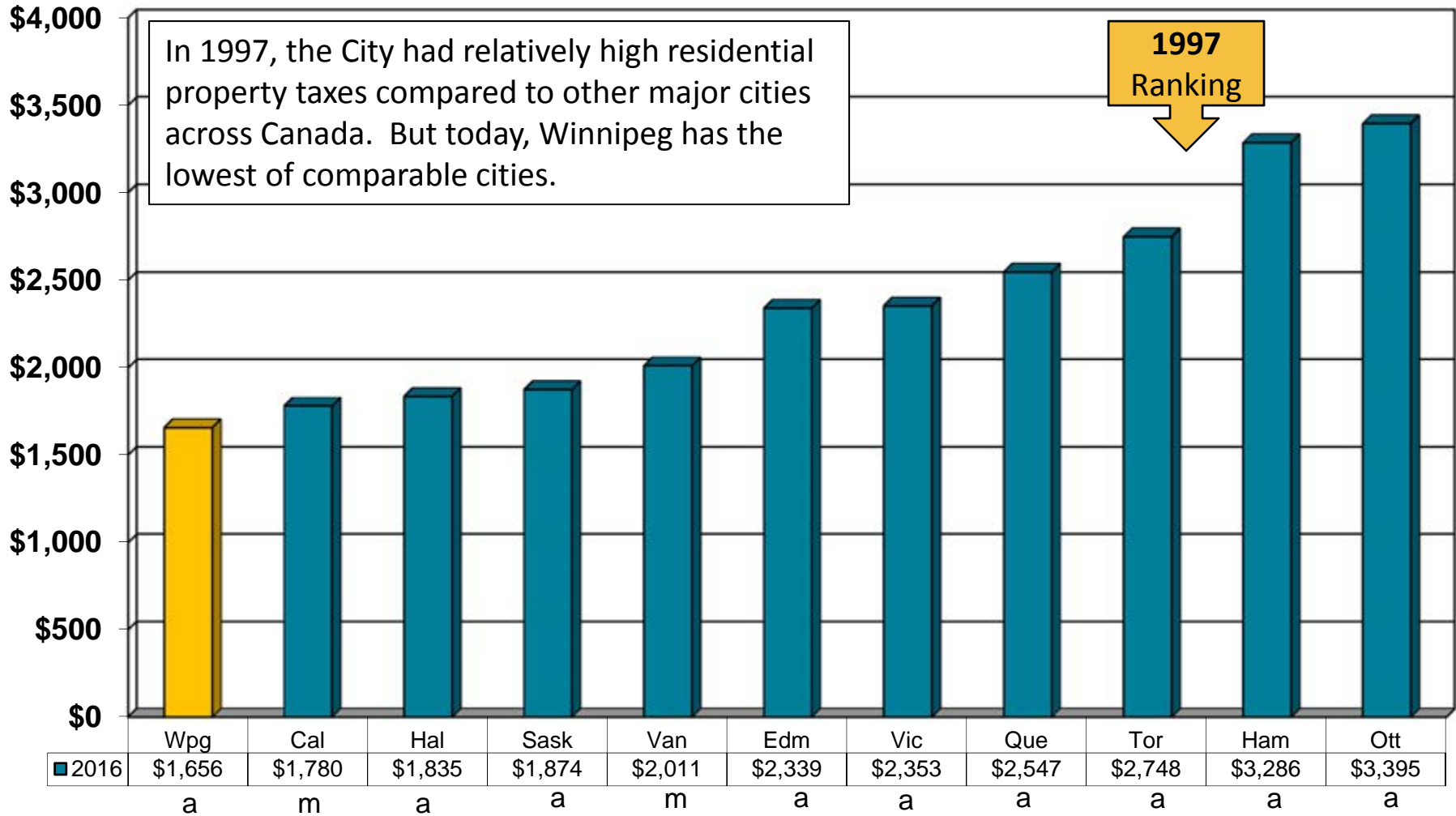


- Annual 2% property tax increase dedicated to capital (1% to each of Regional and Local Street Renewal Programs)
- .33% property tax increase dedicated for future payments for the Southwest Rapid Transitway (Stage 2)
- Combined 2.33% property tax increase

# 2016 Municipal Property Tax Comparison



Based on either average or median house values



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



	<u>Cumulative 1999 to 2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Cumulative 1999 to 2016</u>	<u>2017</u>
Vancouver	36.7%	1.2%	5.8%	2.0%	2.0%	2.8%	2.0%	1.9%	2.4%	2.3%	59.1%	2.0%P
Edmonton	35.3%	7.5%	7.3%	5.0%	3.9%	5.4%	3.3%	4.9%	5.7%	3.4%	81.7%	3.4% P
Calgary	32.6%	4.5%	5.3%	4.8%	5.0%	6.0%	5.5%	5.0%	4.5%	3.5%	76.7%	0.0%
Saskatoon	28.8%	5.4%	2.9%	3.9%	4.0%	4.0%	5.0%	7.43%	5.34%	3.96%	70.7%	4.2%P
Regina	20.8%	2.8%	0.0%	4.0%	4.0%	3.9%	4.5%	5.9%	3.9%	3.3%	53.1%	n/a
Winnipeg	-6.0%	0.0%	0.0%	0.0%	0.0%	3.5%	3.9%	2.95%	2.3%	2.33%	9.0%	2.33P

- 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



	2016	2017	Change	
Municipal property taxes (excludes school taxes)	\$1,656	\$ 1,694	\$ 38.51	2.33%



# 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

Cumulative Savings / Efficiencies	
2015	\$ 6.5 million
2016	11.0 million
2017	11.0 million
2018	11.5 million
<b>Total</b>	<b>\$40.0 million</b>

# 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



Plessis Underpass

# 2017 HIGHLIGHTS



## 6-Year Street Renewal Program (\$685.2 million)

2017	\$ 105.2 million
2018	106.3 million
2019	107.4 million
2020	108.4 million
2021	127.6 million
2022	130.3 million
<b>Total</b>	<b>\$ 685.2 million</b>



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)



Play structure at Magnus Eliason Recreation Centre

# 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)
- 3<sup>rd</sup> 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)

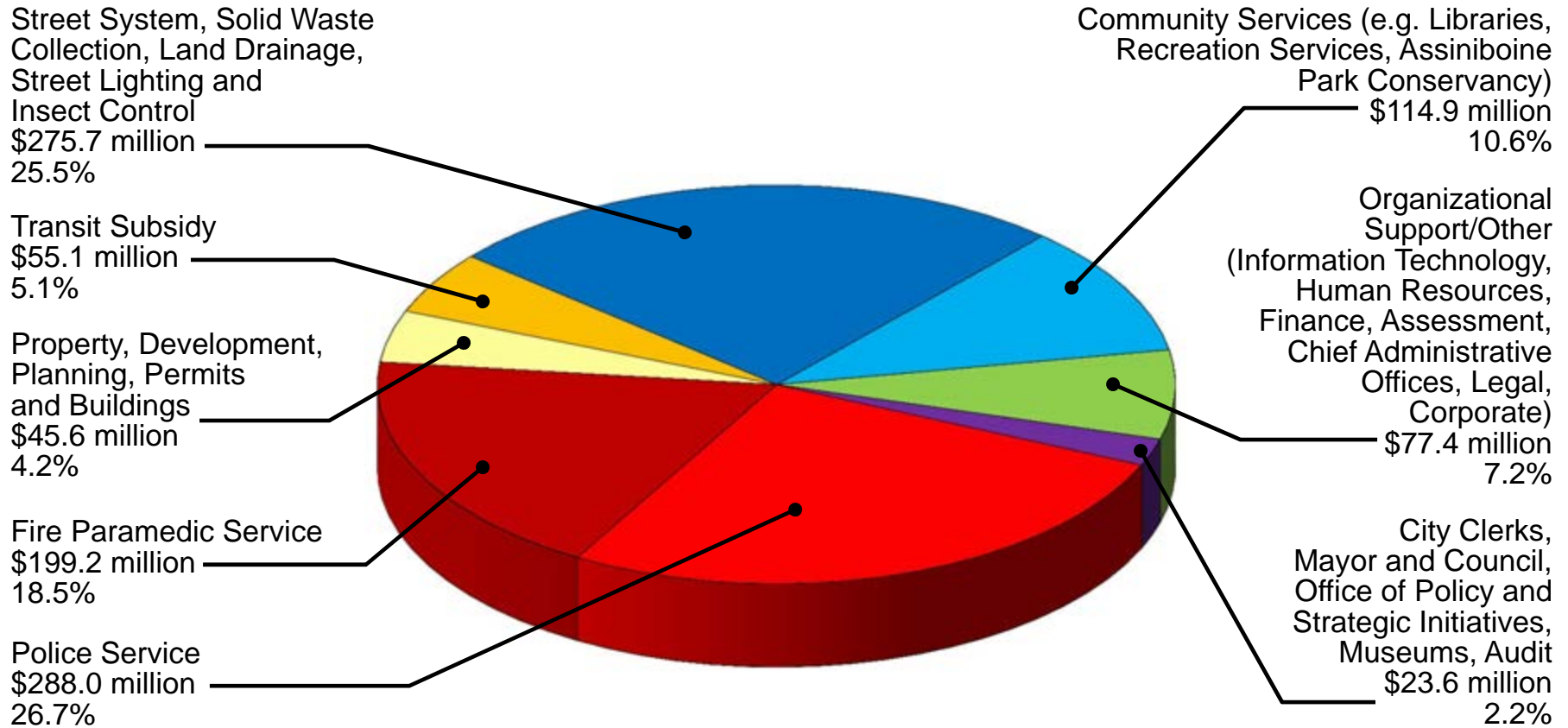
# Tax Supported Operating Budget



In Millions of \$	2016 Adopted Budget	2017 Preliminary Budget
<b>REVENUE</b>		
Property Taxes	\$ 549.3	\$ 569.3
Business Taxes	57.3	57.5
Other	448.5	452.7
<b>TOTAL REVENUE</b>	<b>\$ 1,055.1</b>	<b>\$ 1,079.5</b>
<b>EXPENDITURES</b>		
Departmental	\$ 982.8	\$ 1,020.3
Corporate	72.3	59.2
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,055.1</b>	<b>\$ 1,079.5</b>
SURPLUS / (DEFICIT)	\$ -	\$ -

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?

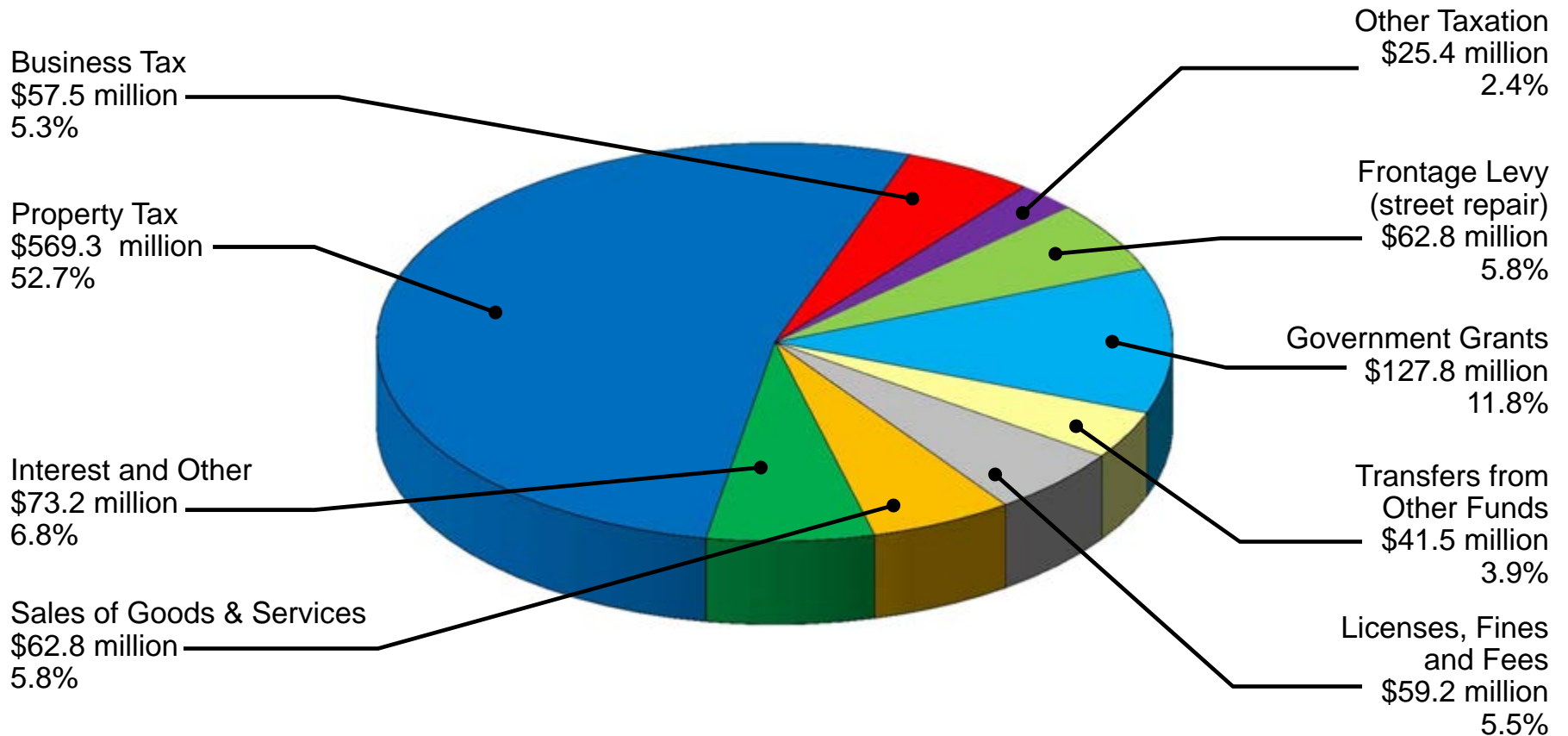


**2017 Preliminary Operating Budget - \$1,079.5 million**

*Tax Supported*



# Where Does the Money Come From in the Operating Budget?



**2017 Preliminary Operating Budget - \$1,079.5 million**

*Tax Supported*

# Utility Operations



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

- 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

# 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



New Bicycle Corridor on Sherbrook at Sargent



## 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



As At

Debt Metrics	Maximum	December 31, 2015
<b>Debt as a % of revenue</b>		
City	90.0%	56.7%
Tax-supported and other funds	80.0%	54.8%
Utilities and Other	220.0%	41.9%
<b>Debt-servicing as a % of revenue</b>		
City	11.0%	5.3%
Tax-supported and other funds	10.0%	5.4%
Utilities and Other	20.0%	4.0%
<b>Debt per capita</b>		
City	\$2,800	\$1,384
Tax-supported and other funds	\$1,500	\$928
Utilities and Other	\$1,500	\$343

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

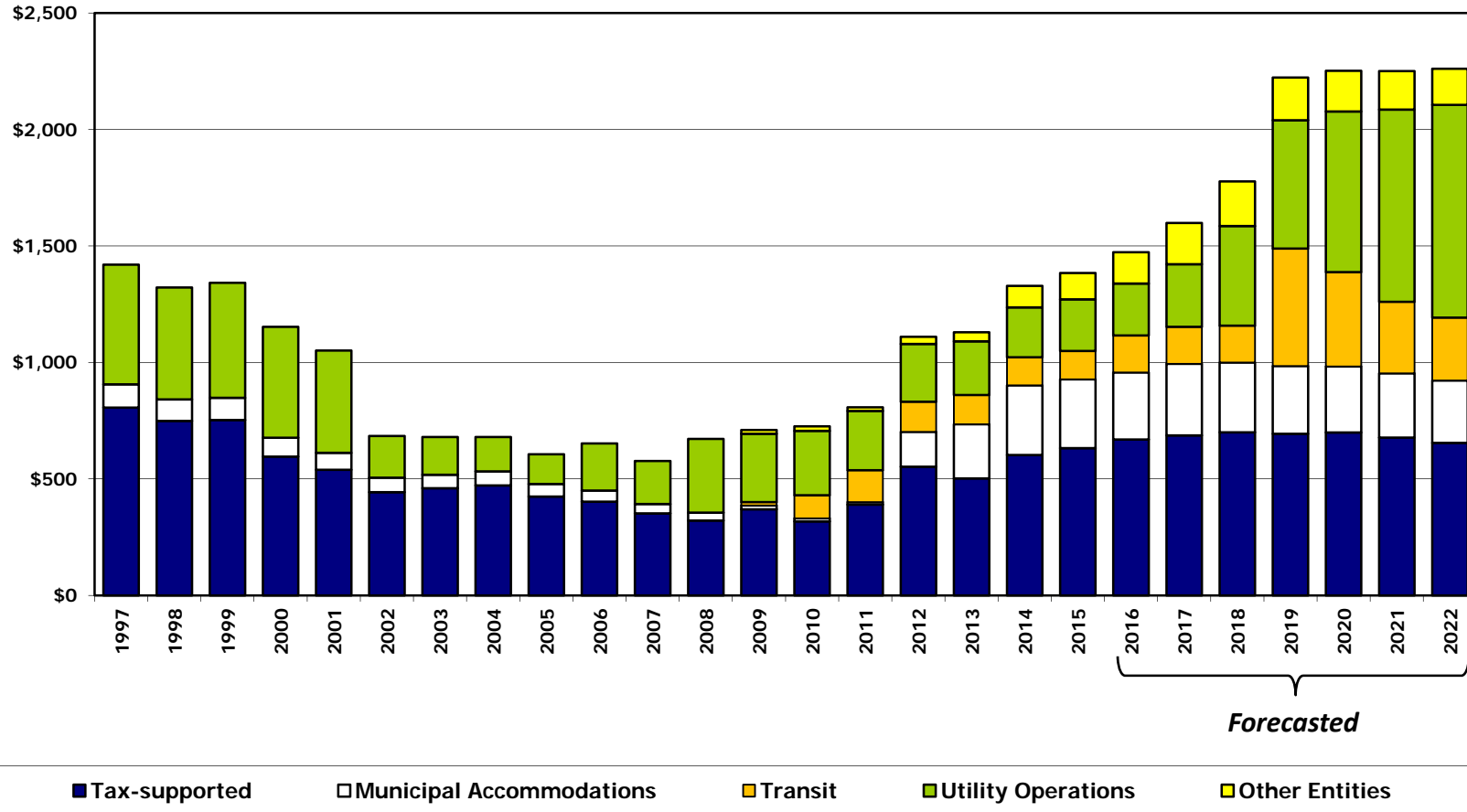


## Standard and Poor's – AA/Stable/since January 2003

(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

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

# Future Budget Challenges

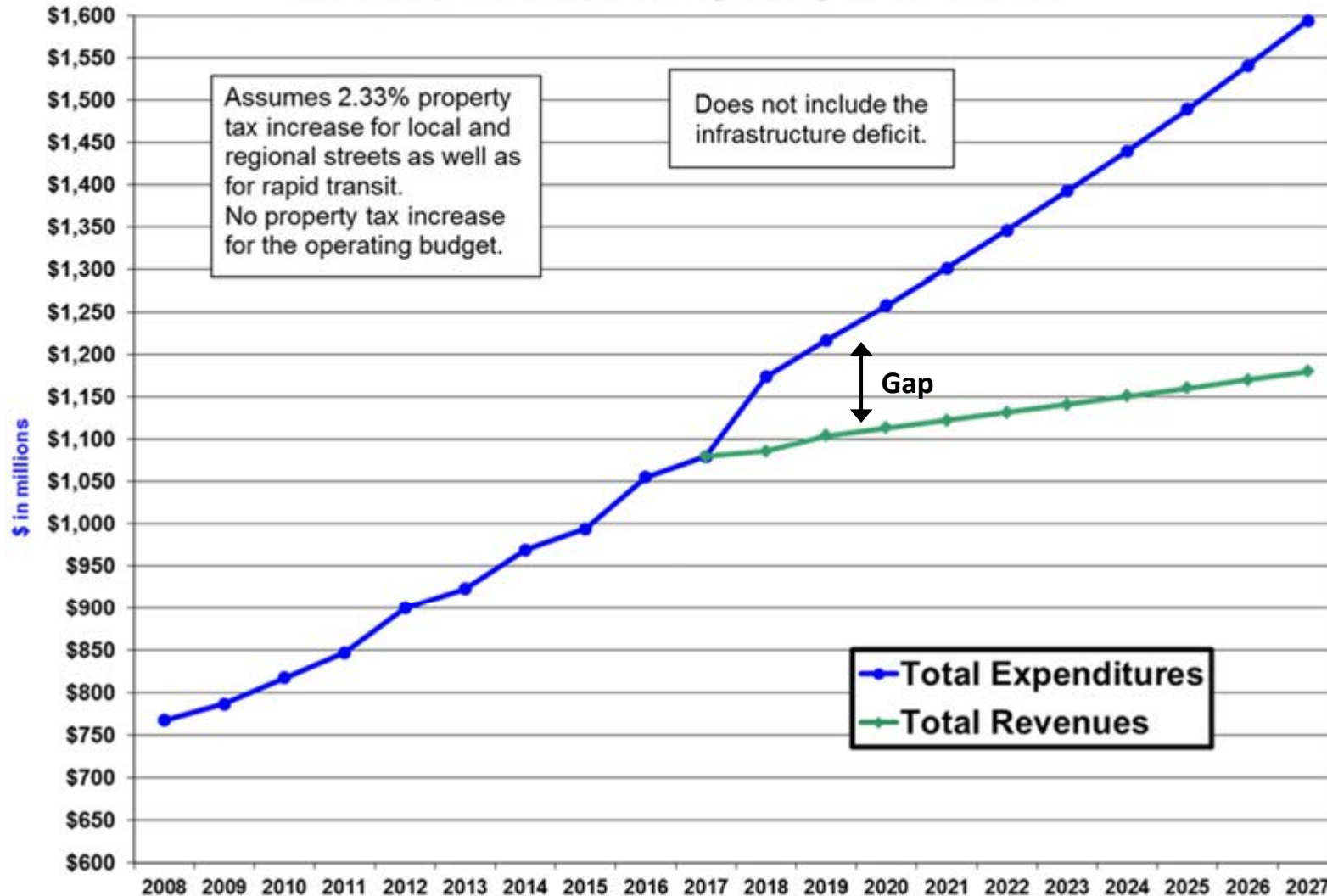


- Reliance on non-recurring one-time revenues and deferral of spending and maintenance costs is non-sustainable
- The City's tax supported budget has a structural deficit: sustainable revenue streams do not cover required expenditures
- Operating and Capital Budgets
  - New long-term growth revenue sources 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**





# Schedule of Meetings



## Preliminary 2017 Operating and Capital Budgets

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