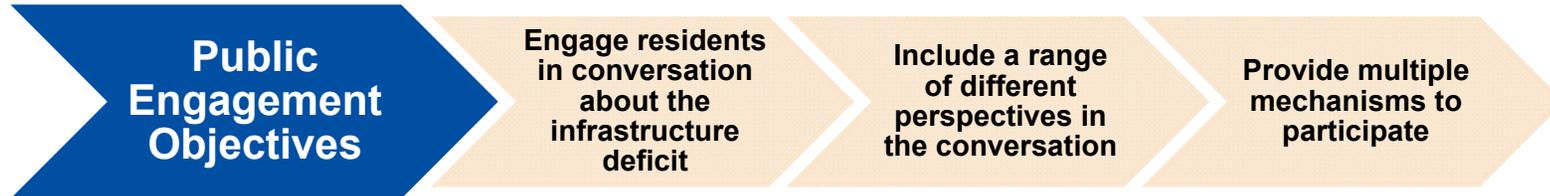




2019 PRELIMINARY OPERATING AND CAPITAL BUDGETS

- Budget Consultation – Public Engagement
- Budget Context and Highlights
 - Context
 - Preliminary Operating and Capital Budgets
 - Highlights
 - Revenue
 - Expenditure
 - Capital
 - Departmental
- Debt Strategy and Net Debt per Capita
- Future Budget Challenges
- Schedule of Budget Review Meetings

Budget Consultation - Public Engagement



- ‘Public transit’ was identified as the highest priority service area followed by ‘Street maintenance’

	2018 Budget Engagement	2019 Budget Engagement
Highest priority services	<ol style="list-style-type: none">1. Street maintenance2. Publictransit3. City planning	<ol style="list-style-type: none">1. Publictransit2. Street maintenance3. City planning

- Visit the webpage for full details and results:

winnipeg.ca/engagebudget2019

Budget 2019 Engagement

Winnipeg: What are your budget 2019 priorities?

- Complete the online tool and survey
- Visit a pop-up event
- Take part in the public workshop

- Projected Tax Supported Operating Budget shortfall for 2019 from 2018 process was \$85.9 million
- Addressing shortfalls in provincial funding
- Maintaining fiscal discipline in delivering services
- Developing a plan for financial sustainability
 - To address
 - Structural deficit in operating budget
 - Aging infrastructure and infrastructure deficit
 - Multi-year balanced budget

Tax Supported Operating Budget



In Millions of \$	2018 Adopted Budget	2019 Preliminary Budget
REVENUE		
Property Taxes	\$ 585.6	\$ 607.7
Business Taxes	56.9	56.9
Other	439.6	460.2
TOTAL REVENUE	\$ 1,082.1	\$ 1,124.8
EXPENDITURES		
Departmental	\$ 1,008.3	\$ 1,044.8
Corporate	73.8	80.0
TOTAL EXPENDITURES	\$ 1,082.1	\$ 1,124.8
SURPLUS / (DEFICIT)	\$ -	\$ -

Total Tax Supported Budget reflects an increase of 3.9%

Utilities Operating Budget



In Millions of \$	2018 Adopted Budget	2019 Preliminary Budget
TOTAL REVENUE	\$ 649.2	\$ 652.6
EXPENDITURES		
Sewage Disposal *	\$ 155.8	\$ 233.6
Solid Waste Disposal	50.1	52.3
Waterworks	115.5	116.9
Land Drainage	6.0	5.7
Transit	193.7	204.2
Municipal Accommodations	72.1	72.4
TOTAL EXPENDITURES	\$ 593.2	\$ 685.2
SURPLUS / (DEFICIT)	\$ 56.0	\$ (32.5)

* Sewage Disposal includes \$70 million one-time transfer to the Environmental Projects Reserve

Some utilities maintain a retained earnings / working capital balance

2019 Preliminary Capital Budget and Five Year Forecast



In Millions of \$	2019 Preliminary Budget	2020 to 2024 Forecast	6-year Total
Tax Supported	\$ 186.1	\$ 1,078.7	\$ 1,264.8
Utilities	158.0	774.1	932.1
Special Operating Agencies	23.4	85.5	108.9
TOTAL	\$ 367.5	\$ 1,938.3	\$ 2,305.8

Cash to capital contributed in 2019 totaled \$21 million which is less than amounts projected

Property and Business Taxes

- Combined 2.33% property tax increase
 - 2% property tax increase dedicated to capital (1% to each of Regional and Local Street Renewal Programs)
 - 0.33% property tax increase dedicated for future payments for the Southwest Rapid Transitway (Stage 2)
- Business Tax rate reduced from 5.14% to 4.97%
 - Full rebate of municipal business taxes for businesses that have a rental value of \$33,900 or less in 2019 (\$33,300 in 2018)
 - Impacts 48% of all businesses
 - Approximately 5,842 businesses will benefit

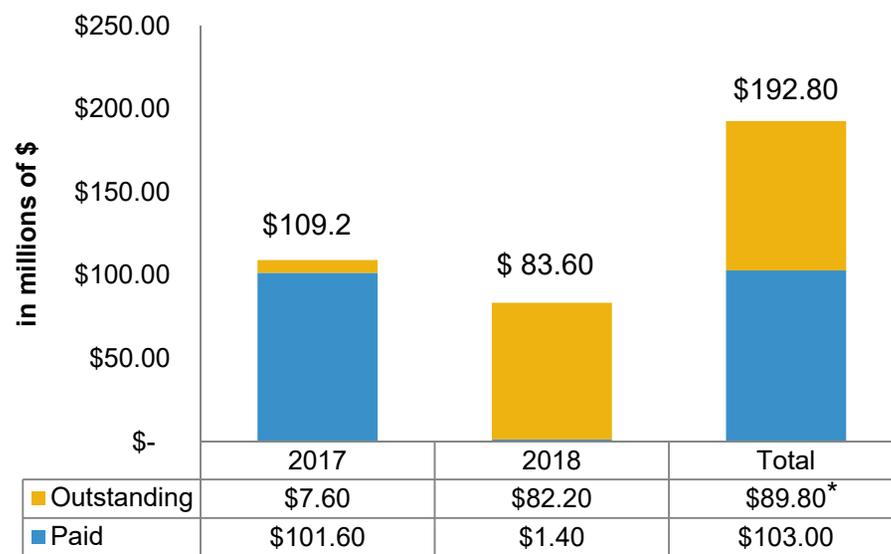
Fees

- Waste diversion fee to increase from \$57.50 to \$63.00 per property
- No impact fee as a funding source, increased by construction inflation (3.5%)
- Remaining fees and charges to increase by inflation (1.6%)
- No increase in water and sewer rates in 2019
- No frontage levy rate increases
- No new fees

Other Revenue

- Reduced water and sewer dividend from 12% to 11%. Reduced revenue of \$4.0 million due to dividend rate and water and sewer sales volume changes (2019 - \$34.2 million; 2018 - \$38.2 million). Savings to fund water and sewer projects
- Provincial operating and public safety grants from levels set in 2017 at \$139 million
- Provincial capital funding
 - 2019/2020 - \$84.7 million (\$83.6 million in 2018/2019)
 - 2020/2021 - \$40.2 million
 - Amounts to be confirmed from the Province's annual budget
- One time transfers from reserves and other sources \$28.9 million
 - Including transfer from Financial stabilization reserve \$10.3 million

Implications of 2018 Provincial Capital Funding



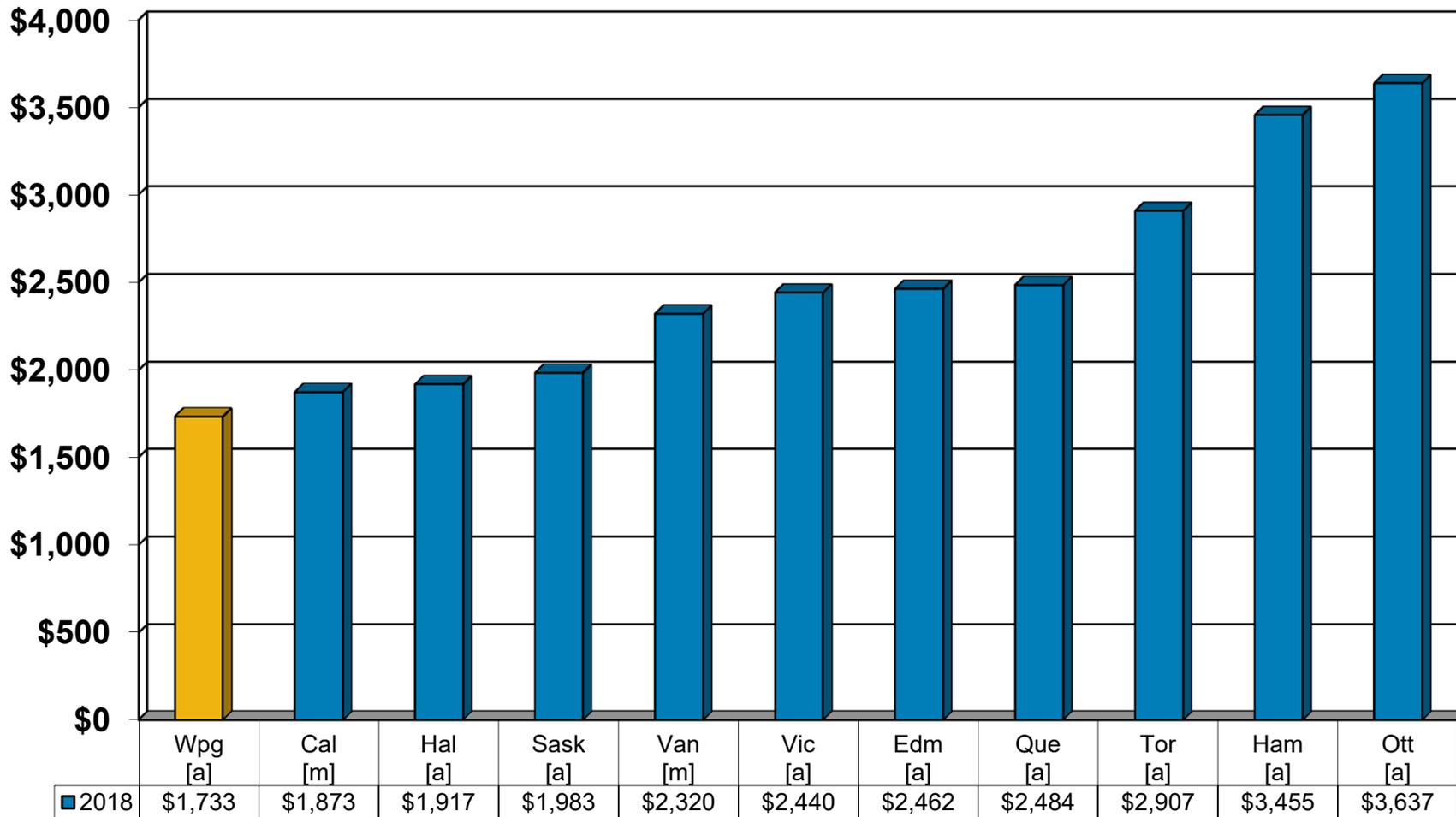
- Other funding implications of the recent proposal
 - Province’s current allocation proposal only commits \$10 million to roads and streets, leaving **\$40 million** of road projects unfunded
 - If a transfer from Water & Waste is required there would be a further shortfall of **\$34.4 million** in the Utility
 - Resulting in a total funding shortfall of **\$74.4 million**

* As of February 1, 2019 the amount due to the City for Provincial grants was \$89.8 million. Subsequently, payments of \$16.2 million were received, leaving a balance of \$73.6 million

2018 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.

Residential Property Tax Changes in Cities Including Compounded Impact of Increases Since 1998



Western Cities

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	Compounded Increase Since 1998
Vancouver	1.9%	2.4%	2.3%	3.9%	4.24%	4.5%	102%
Edmonton	4.9%	5.7%	3.4%	2.9%	3.2%	2.6%	142%
Calgary	5.0%	4.5%	3.5%	0.0%	3.8%	3.45%	127%
Saskatoon	7.43%	5.34%	3.96%	2.55%	3.79%	4.4%	122%
Regina	5.9%	3.9%	3.3%	6.49%	4.34%	4.33%	95%
Winnipeg	2.95%	2.3%	2.33%	2.33%	2.33%	2.33%P	17%

“P” denotes preliminary

Source: Cities’ websites and news outlets

Average Home Assessed at \$296,560 in 2019



	2018	2019	Change	
Municipal property taxes (excludes school taxes)	\$1,733	\$ 1,774	\$ 40.38	2.33%

2019 Expenditure Highlights



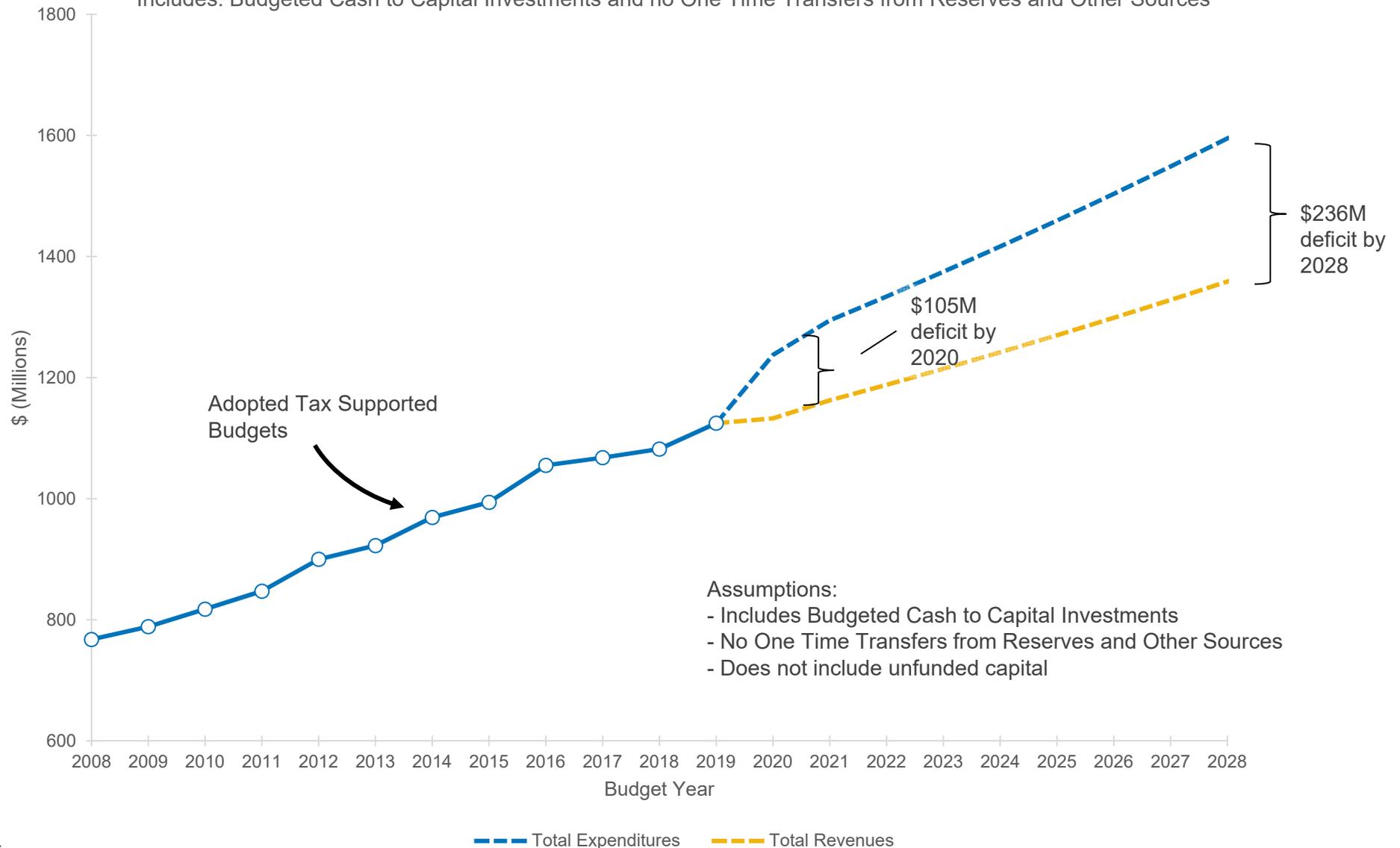
- Increase from 1.3% to 3.9% primarily because of collective agreement obligations. Salaries and benefits comprise 57% of tax-supported budgets
- Increased efficiency savings from \$4.7 million to \$11.6 million
 - Risk of not achieving this
 - If this occurred, Financial Stabilization Reserve would be accessed
- Vacancy management maintained at \$18.4 million but expenditure management assigned to tax-supported departments totals \$1.6 million

Tax Supported Budget



Graph 1: Tax Supported Operating Budget - 10 Year Projection

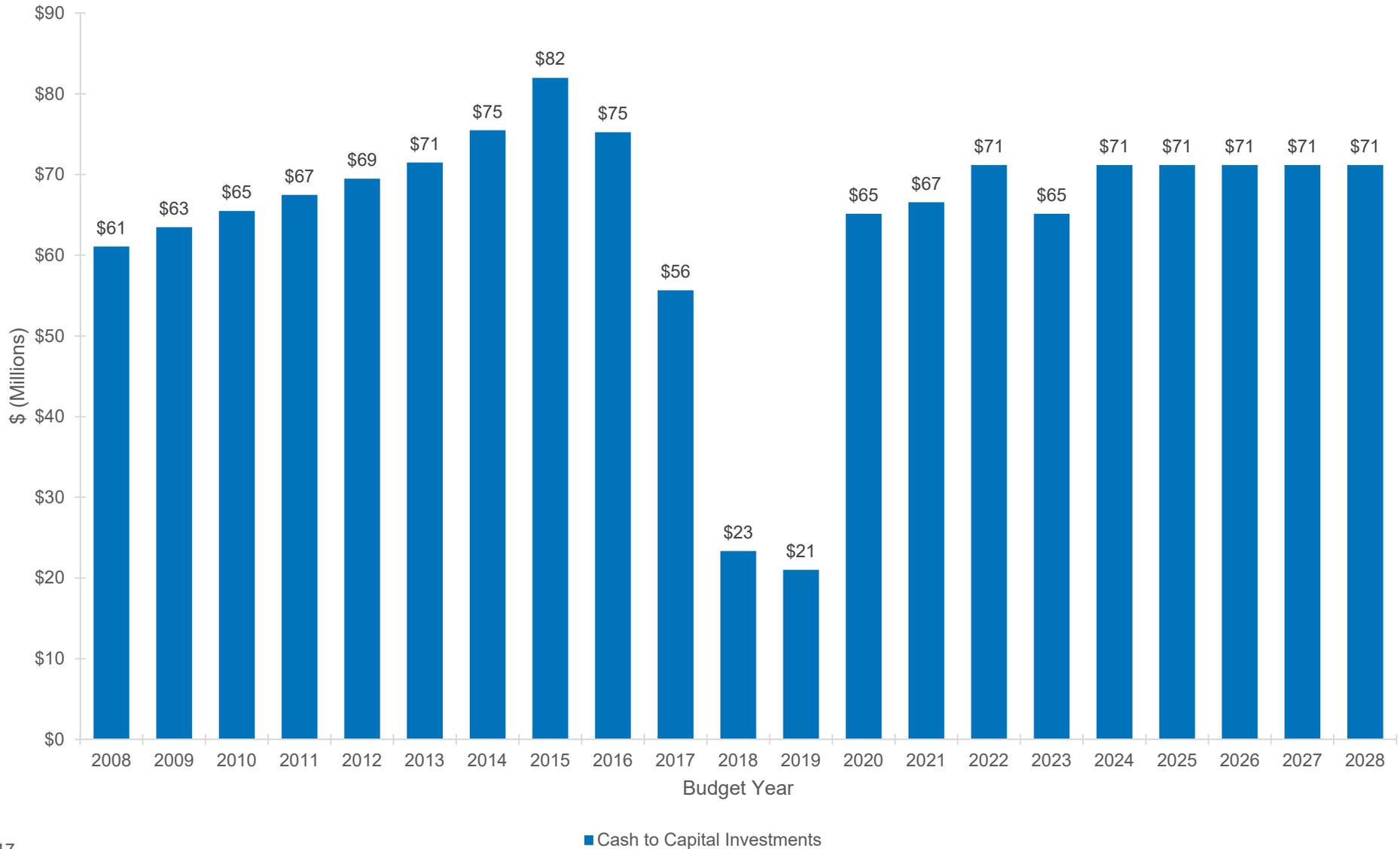
Includes: Budgeted Cash to Capital Investments and no One Time Transfers from Reserves and Other Sources



Tax Supported Budget



Graph 2: Budgeted Cash to Capital Investment - 10 Year Projection



2019 Capital Budget Highlights



- The City is challenged by aging infrastructure and the infrastructure deficit
- Provincial capital funding for 2019 and beyond has not been confirmed
- Structural deficit in the operating budget
- The capital budget therefore includes the following measures:
 - Total external debt financing is \$38.2 million in 2019 (\$48.2 million in 2018)
 - The City will use internal financing of \$34.9 million (\$22.1 million in 2018) from its cash balances to invest in certain capital assets. Internal financing will be repaid through future operating budgets
 - Fleet debt borrowing is \$22.3 million, combination of external and internal sources (\$21.2 million in 2018)
 - Partnerships with other levels of government to fund priority projects (Public Transit Infrastructure Fund (PTIF), New Building Canada Fund program)
 - Reduced cash to capital in 2019 to \$21.0 million (\$23.3 million in 2018) in maintaining services in the operating budget

Continued Dedicated Funding Plan for Street Renewal

- 2% property tax increase funds reserves dedicated to the renewal of regional and local streets, back lanes and sidewalks in the capital program
- Tri-level government funding for regional roads
 - Enhance driver and pedestrian safety
 - Improve transportation routes for businesses
 - Total 5-year program from 2019 to 2023 - \$318.5 million
 - Additional \$100 million Federal funding from New Building Canada Fund
 - Provincial funding \$100 million
 - City share \$118.5 million

2019 Street Renewal Capital Program – \$86.4 million

- Total forecast as approved by Council on September 20, 2018
\$128.4 million

Comparison of 2019 Preliminary and 2019 Forecast	
Decrease due to loss of Provincial funding for 2019 regional (\$8 million) and local (\$20 million) streets	(\$28.0) million
Decrease due to loss of Provincial funding for 2018 local streets	(\$20.0) million
City funding - Prior Year Surplus	6.0 million
Total Decrease	(42.0) million

- A decrease of \$29.6 million in comparison to 2018 capital program (\$116.0 million)

6-Year Street Renewal Program

6 – Year Program	
2019	86.4 Million
2020	111.6 Million
2021	154.1 Million
2022	164.5 Million
2023	147.3 Million
2024	137.9 Million
Total	\$ 801.8 Million

- 2018 to 2023 program - \$811.0 million
- 2019 to 2024 program as per Council report September 20, 2018 - \$976.2 million
- Both bullets above include 6-year Provincial funding \$245 million
- Current 6-year Provincial funding level - \$100 million

Transit Investments

- A freeze on transit fares at 2018 levels
- Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Project – Ongoing
 - Continued multi-year funding plan, including a tax increase of 0.33% for ten years beginning in 2016
- Federal / City partnership for Transit Infrastructure - \$2.5 million / \$2.8 million
- Transit Buses - \$22.2 million, 34 buses
- Transit operating expenditures of \$204.2 million (\$193.7 million in 2018)
- Tax Supported transit subsidy \$70.6 million (\$66.4 million in 2018)

Transit Investments

- Continued implementation of safety enhancements
 - Bus operator compartment safety shields - \$3.1 million
 - Bus communication modernization - \$1.1 million
 - Radio replacement - \$1 million
 - Protective vests \$65,000 and safety study \$100,000
 - Study to move closer to bus fleet electrification
 - Initial investment for heated bus shelters
 - Low income bus pass effective April 2020
 - Phased-in approach *
 - 30% discount on full fare adult monthly pass in 2020
 - 40% in 2021
 - 50% in 2022
- * Pending approval of the required resources as part of either a subsequent report or the 2020 budget process



Safe and Secure Communities – Public Safety



Winnipeg Police Service

- Operating expenditures \$301.4 million
 - Increase 3.4%
- 6-year capital program \$25.5 million



Winnipeg Fire Paramedic Service

- Operating expenditures \$201.5 million
 - Increase 4.2%
- Includes full cost recovery of ambulance services
- 6-year capital program \$47.5 million

Public Safety comprises 45% of total tax supported operating budget

Safe and Secure Communities



Public Works

- Operating expenditures \$244.7 million
 - Includes winter maintenance for active transportation network
- 6-year capital program \$990.2 million



Libraries

Community Services

- Operating expenditures \$113.8 million
- 6-year capital program \$112.8 million
 - Increase of 50% in 2019 budget over 2018



City Planning & Design

Planning, Property and Development

- Operating expenditures \$43.9 million
- 6-year capital program \$65.8 million

Environmental Investments in Water and Waste

- Meeting regulatory compliance requirements and protecting public health and safety
- Maintaining infrastructure to ensure ongoing, reliable and sustainable customer levels of service
 - 6-year program for Water Main Renewals \$113.0 million and Sewer Renewals \$117.0 million
 - 6-year capital budget for Water and Waste - \$648.2 million
- Combined Sewer Overflow and Basement Flooding Strategy
 - 2015 – 2018 budgets \$78.1 million
 - 2019 budget and 2020 to 2022 forecasts total \$116.9 million
 - Cumulative 4-year increase of 50%
- Utility Dividend
 - Waterworks - \$13.9 million (\$15.5 million in 2018)
 - Sewage Disposal - \$20.3 million (\$22.7 million in 2018)

Innovation, Transformation and Technology

- Technology investments the city relies upon must be maintained:
 - Radio communication for non-public safety staff
 - Microsoft Office product mandatory upgrades
 - Replacement of technology that is outdated and no longer reliable
- Innovation opportunities must be pursued across all service areas. Some initiatives to achieve improved service are:
 - Expanded use of Transportation Management Centre (TMC) to maximize value of road renewal investments, and leverage its communication network to introduce other sensors and monitoring opportunities (e.g. water level sensors, train movements, snow covering sensors)
 - Streamlining of business processes, targeting under-performing services to improve resident impact (e.g. PEGGO, permit process, inspections)
 - Implementing Smart Cities approaches with enhanced data sharing across services and with citizens
 - Undertaking innovation pilots to validate high value opportunities quickly and with low risk (e.g. automated customer agents, increased citizen access to city information)

Innovation, Transformation and Technology

- \$9.4 million in Core Information Technology capital projects to maintain existing information technology and deliver high value enhancements
 - Core investments – city wide licensing, unreliable equipment replacement, minimize service downtime
 - Security – improvement to extensive deferred data and system security investments
 - PeopleSoft Enhancements – required for mandatory updates to city wide Human Resources and Finance systems
 - Enterprise Content Management – investments to business processes supporting the Decision Making Information System, and to drive efficiency and enhanced service delivery across the City
- \$1.0 million Innovation capital project in 2019 to establish innovation capability and execute highest value innovation opportunities
 - Building upon the Innovation Strategy Program initiated in 2018
- \$1.0 million Smart Cities capital funding to improve the City through innovation, data and connected technology

Strategic Investments

- Community Centre Renovation Grant program increasing from \$965,000 to \$2.0 million annually for five years (2019 to 2023)
- Active Transportation (AT) Facilities - \$3.0 million
 - AT budget in other projects \$6.7 million
- Bill and Helen Norrie Library - \$3.6 million in 2019, total project \$9.3 million
- GoLibrary automated kiosk system in the Old Kildonan community - \$242,000
- St. James Civic Centre – Facility Expansion and Renewal
 - Facility renewal - \$9.7 million
 - Facility expansion - budgeted \$7.8 million (City and Provincial share \$3.9 million each)
 - Estimated cost for expansion of \$14.0 million subject to Federal government and other funding
- Computer Aided Dispatch for fire and emergency services - \$11.2 million subject to confirmation of Provincial funding

Strategic Investments

- New Recreation Facility – South Winnipeg - \$1.75 million, 6-year total \$11.8 million
- Public Safety Building and Civic Centre Parkade - \$10.5 million
- Fleet Asset Acquisitions - \$22.3 million (\$21.2 million in 2018)
- Indigenous Youth Strategy funding at \$1.25 million, consistent with City share in 2017 and 2018
- Operating and capital support to Assiniboine Park Conservancy
 - \$11.1 million operating grant
 - \$4.7 million in 2019 to provide funding for Canada's Diversity Gardens and Phase 2 of the Kids Discovery Zone
 - Completes the City's commitment of \$50.0 million for capital development improvements at Assiniboine Park
 - \$5.1 million for ongoing infrastructure renewal

Investing in Communities

- \$150,000 for the Community Homeless Assistance Team (CHAT program)
- Last year of 5-year annual grant of \$150,000 to the End Homelessness Winnipeg
- Winnipeg Arts Council operating funding of \$4,645,319 plus museum grant administration of \$266,000
- Further \$1 million toward \$5 million commitment to support the Winnipeg Art Gallery - Inuit Art Centre (4th year)

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

Best Practices

Debt Metrics	Maximum	As At December 31, 2018	Forecasted Peak
Debt as a % of revenue			
City	90.0%	56.6%	78.5%
Tax-supported and other funds	80.0%	55.5%	65.6%
Utilities and other	220.0%	41.5%	155.7%
Debt-servicing as a % of revenue			
City	11.0%	5.1%	8.7%
Tax-supported and other funds	10.0%	5.3%	5.3%
Utilities and other	20.0%	3.7%	16.2%
Debt per capita			
City	\$2,800	\$1,391	\$2,310
Tax-supported and other funds	\$1,500	\$903	\$1,110
Utilities and other	\$1,500	\$376	\$1,366
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. "Forecasted Peak" does not account for the implications of consolidated accounting entries.			

Standard and Poor's – AA/Stable/since January 2003 (Reaffirmed November 2018)

- Standard and Poor's affirmed Winnipeg's AA (Stable) credit rating based on:
 - A strong and stable economy
 - Strong financial management
 - Management team that is experienced and qualified to effectively enact fiscal policies, as well as effectively respond to external risks
 - Management's debt and liquidity management policies are prudent
 - City management especially proactively in developing capital asset tools and metrics

S&P noted in the report "In our opinion, significant infrastructure renewal requirements constrain the city's budgetary flexibility. Winnipeg faces an infrastructure deficit of about C\$7 billion in the next 10 years, mainly related to aging roads, transit, facilities, buildings, and parks. We believe that Winnipeg's high capital needs as well as operating requirements including provincially mandated level of services and multi-year labor contracts limit the city's ability to adjust operating expenditures meaningfully in the near term, similar to other Canadian municipalities."

Moody – Aa2 Stable

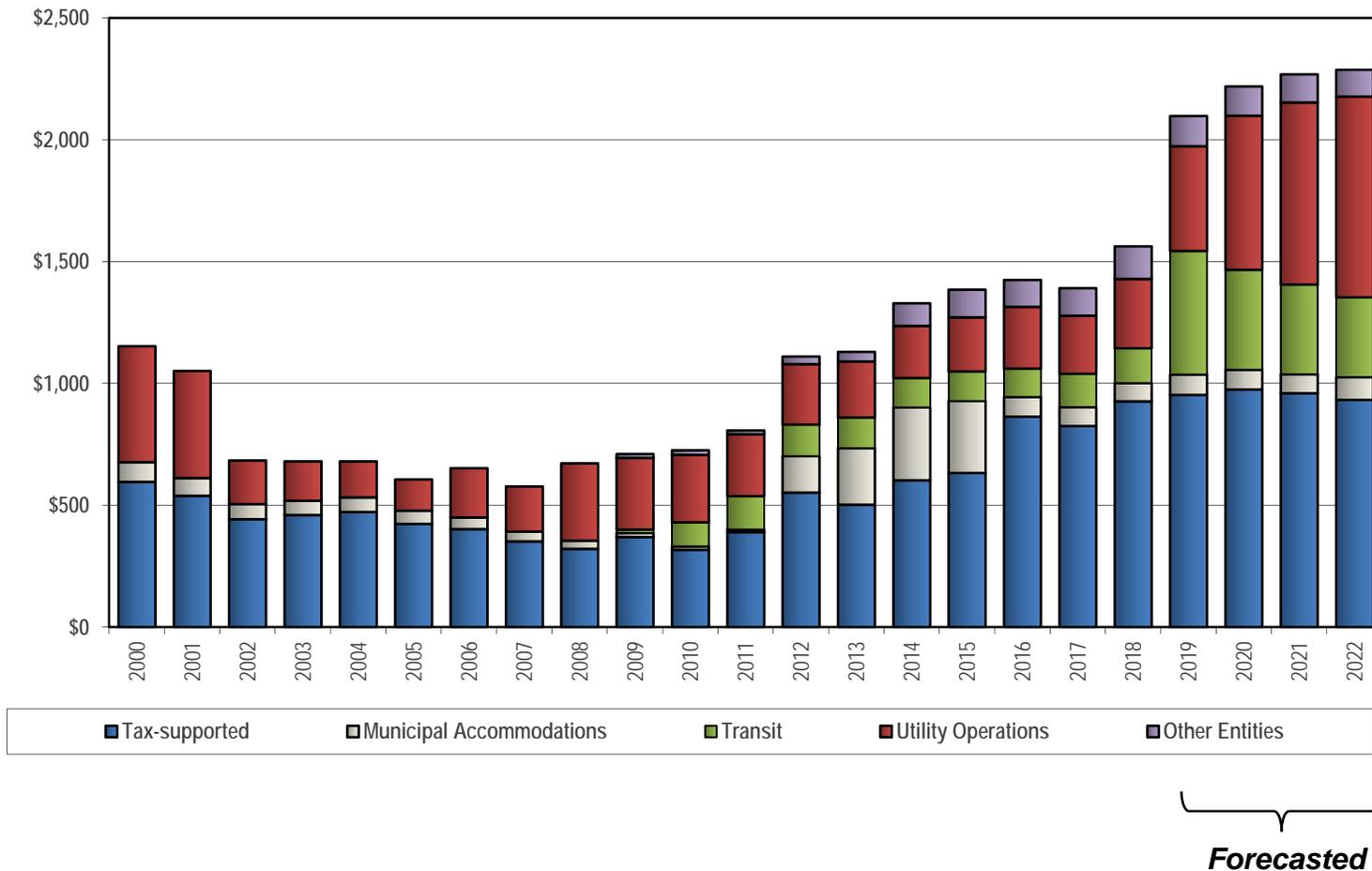
- In July 2018, Moody's affirmed the City of Winnipeg credit rating at Aa2-stable

Moody's noted in the report "The credit profile is constrained by Winnipeg's debt burden, which we expect to peak at around 90-95% of operating revenue over the next 2-3 years as the city continues to invest in significant capital projects and infrastructure. Despite the forecasted higher debt levels, we expect that the city will maintain strong debt affordability."

The City's credit rating has benefited from:

- Disciplined fiscal planning and track record of operating surpluses, despite recent funding pressures
- Economic diversity providing buffer against volatility in economic cycles
- Strong governance and management structure and mature institutional framework

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

Tax Supported Operating Budget

In Millions of \$	2019 Preliminary Budget	2020 Projection	2021 Projection
REVENUE			
Property Taxes	\$ 607.7	\$ 633.0	\$ 656.0
Business Taxes	56.9	56.9	57.9
Other	460.2	442.8	448.8
TOTAL REVENUE	\$ 1,124.8	1,132.1	1,162.6
EXPENDITURES			
Departmental	1,044.8	1,118.7	1,152.3
Corporate	80.0	118.8	142.2
TOTAL EXPENDITURES	1,124.8	1,237.5	1,294.5
SURPLUS / (DEFICIT)	\$ -	(105.4)	(131.9)

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
 - Based on the 2018 State of the Infrastructure Report, Winnipeg's infrastructure deficit over 10 years was estimated at \$6.9 billion
- Monitoring Liquidity
 - Actively monitored and projected to maintain financial sustainability and the City's credit rating



* The deficit is based on Capital investment needs spanning a 10-year period from 2018 to 2027.

Financial Sustainability

Over the past several years, the City has prepared Volume 1 – “Community Trends and Performance Report”. Included in Appendix 1 of the report is a Financial Trends section setting out details concerning the City’s structural deficit which has been described as financially unsustainable. The City has been contributing cash from its operating budget to the capital budget for many years which at times has averaged over \$60 million. This cash has been used to pay for capital projects which otherwise would require debt financing or further support from federal and provincial partners. However the City reduced its contribution to the capital budget by \$23.2 million (\$78.8 million to \$55.6 million) commencing in 2017, \$57 million (\$80.3 million to \$23.3 million) in 2018 and \$44.9 million (\$65.9 million to \$21.0 million) in 2019. In 2020 onwards cash to capital planned contributions remain at values over \$60 million even though the City’s contribution levels have fallen to \$21 million. In turn Volume 2 Appendix 1 reflects higher value cash to capital contributions leading to growing structural deficits of \$105.4 million in 2020 and \$131.9 million in 2021. If the City is unable to contribute cash to capital in excess of \$60 million in 2020 onwards, it will need to consider increased debt to maintain the capital program at its planned levels included in this budget book, significantly reduce the capital program, reduce expenses or increase revenues.

On June 21, 2018, Council approved a report directing the Public Service to initiate a process to implement a multi-year budget approach effective for the 2020 budget year, with a particular focus on addressing the structural deficit in tax-supported City operations. Significant financial decisions will need to be considered to balance future operating budgets with a view to maintaining levels of service both in tax-supported operations and capital.

Multi-year Budget

- 4-year balanced operating budget (2020 to 2023) and 6-year capital program
- Next steps:
 - Review of core services
 - Corporate business and strategic plan
 - Evaluation framework for grants (cash and in-kind)
 - Review of fees and charges based on best practices
 - Prioritization list for unfunded major capital projects
 - Growth oriented revenue source

Preliminary 2019 Operating and Capital Budgets

Date	Committee
Friday, March 1, 2019	Special Executive Policy Committee Meeting to Table Budget
Thursday, March 7, 2019	Standing Policy Committee on Infrastructure Renewal and Public Works (Special Meeting)
Thursday, March 7, 2019	Standing Policy Committee on Water and Waste, Riverbank Management and the Environment (Regular Meeting)
Friday, March 8, 2019	Winnipeg Police Board (Regular Meeting)
Friday, March 8, 2019	Standing Policy Committee on Protection, Community Services and Parks (Special Meeting)
Monday, March 11, 2019	Standing Policy Committee on Innovation (Regular Meeting)
Monday, March 11, 2019	Standing Policy Committee on Property and Development, Heritage and Downtown Development (Special Meeting)
Wednesday, March 13, 2019	Executive Policy Committee to hear delegations on Budgets (Special Meeting)
Tuesday, March 19, 2019	Executive Policy Committee to consider Standing Policy Committee recommendations and table final recommendations (Special Meeting)
Wednesday, March 20, 2019	Special Meeting of Council to consider Budgets