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

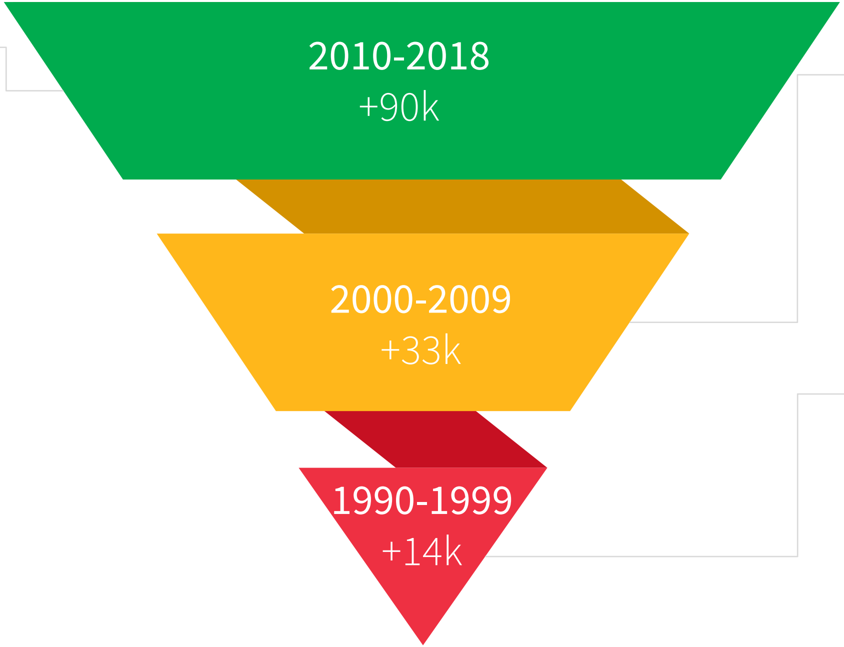
The City has **hard** fiscal choices to make.

- 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

Over the past 9 years, Winnipeg has grown by over **90,000** people, or roughly **27** people per day.

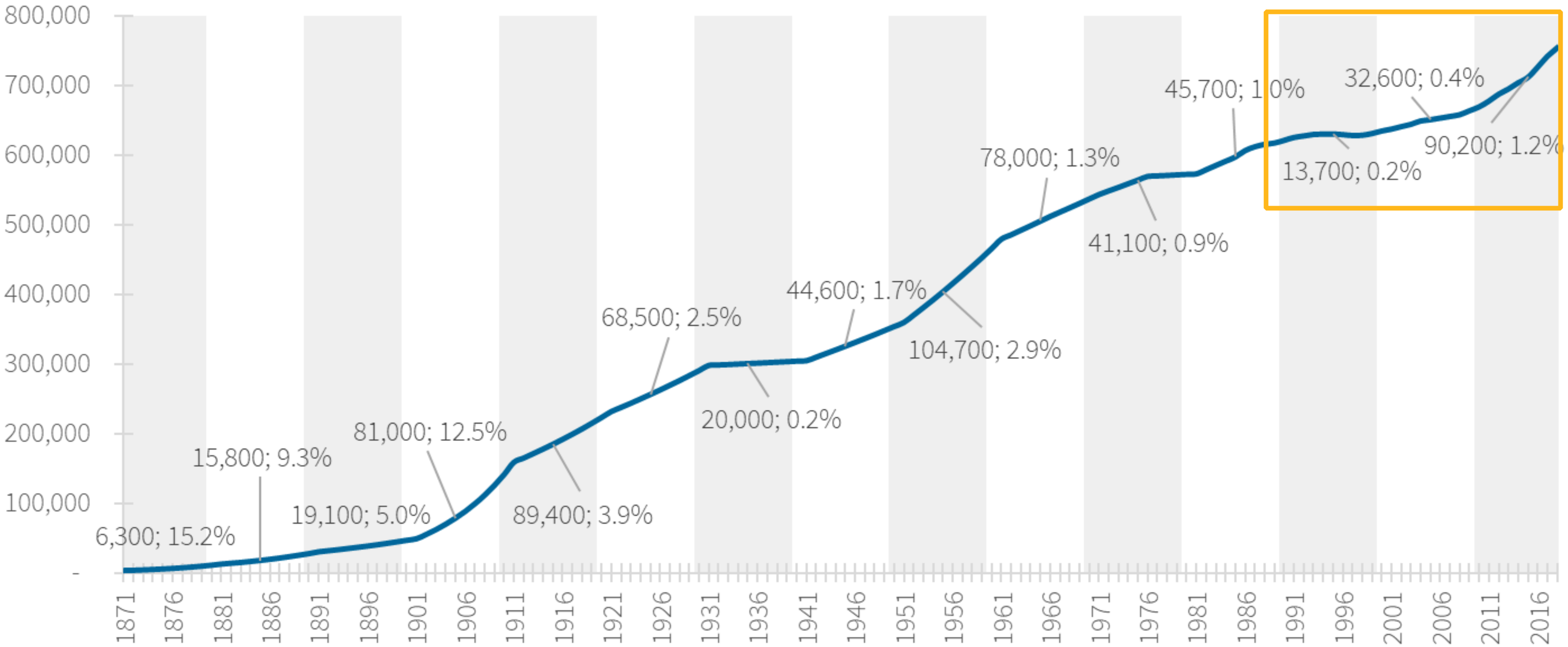
2000's

In the 2000's, Winnipeg grew by **33,000** people, equivalent to **9** people per day

1990's

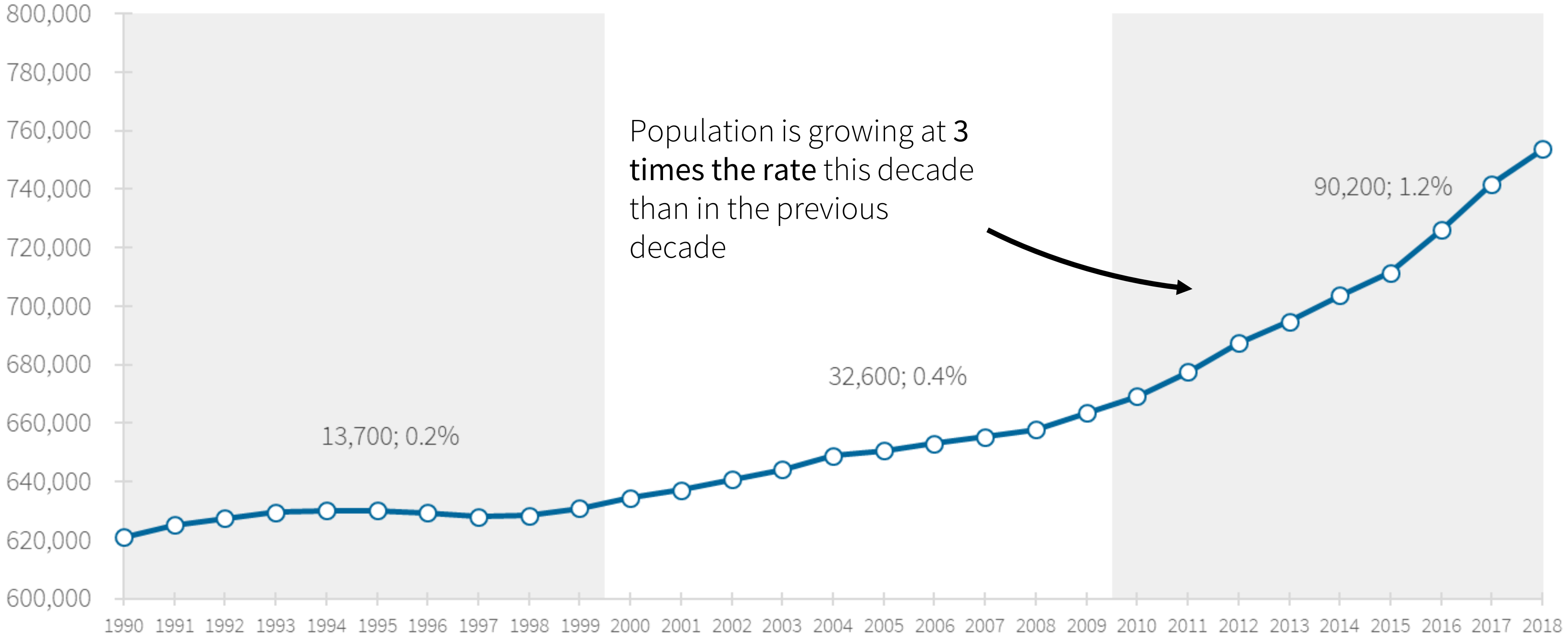
In the 1990's, Winnipeg grew by **14,000** people, equivalent to **4** people per day

City of Winnipeg's Population: 1871 to 2018



Source: Statistics Canada, Conference Board of Canada, Manitoba Bureau of Statistics.
Please note that prior to 1986, population values outside of census years are linearly interpolated and census undercount values are assumed to be 1.5% of the census population.

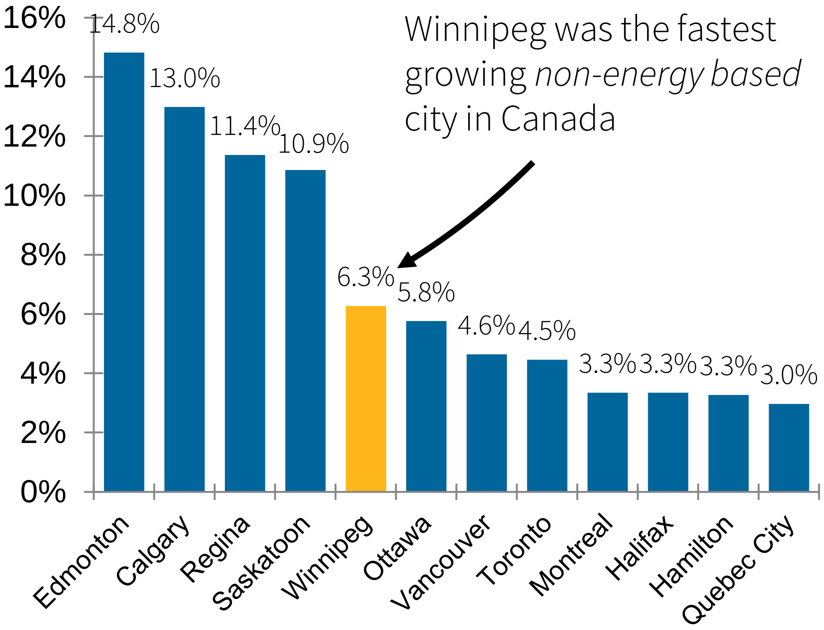
City of Winnipeg's Population: 1980 to 2018



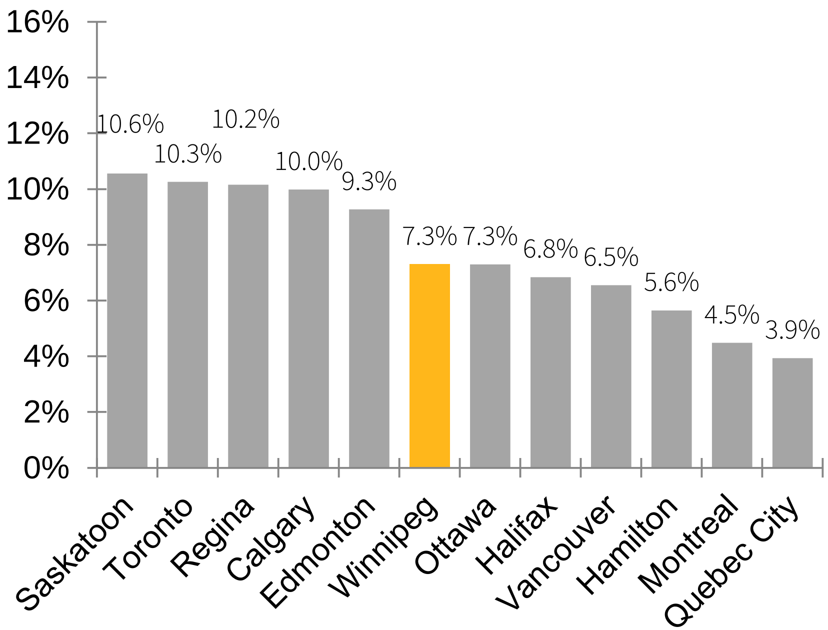
Source: Statistics Canada, Conference Board of Canada, Manitoba Bureau of Statistics.
Please note that prior to 1986, population values outside of census years are linearly interpolated and census undercount values are assumed to be 1.5% of the census population.

Population Growth Across Canada

Total Population Growth
2011 to 2016 (CY)



Total Population Growth Projections
2018 to 2023 (CMA)



Source: Statistics Canada, 2011 Census and 2016 Census, Conference Board of Canada Spring 2019 Metropolitan Outlook

Winnipeg

What was our financial situation like in the 1990s?

Financial History – The 1990's

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

1.
2. ...es
3.

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

ilies pay 5.5
come in civi

Real

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.

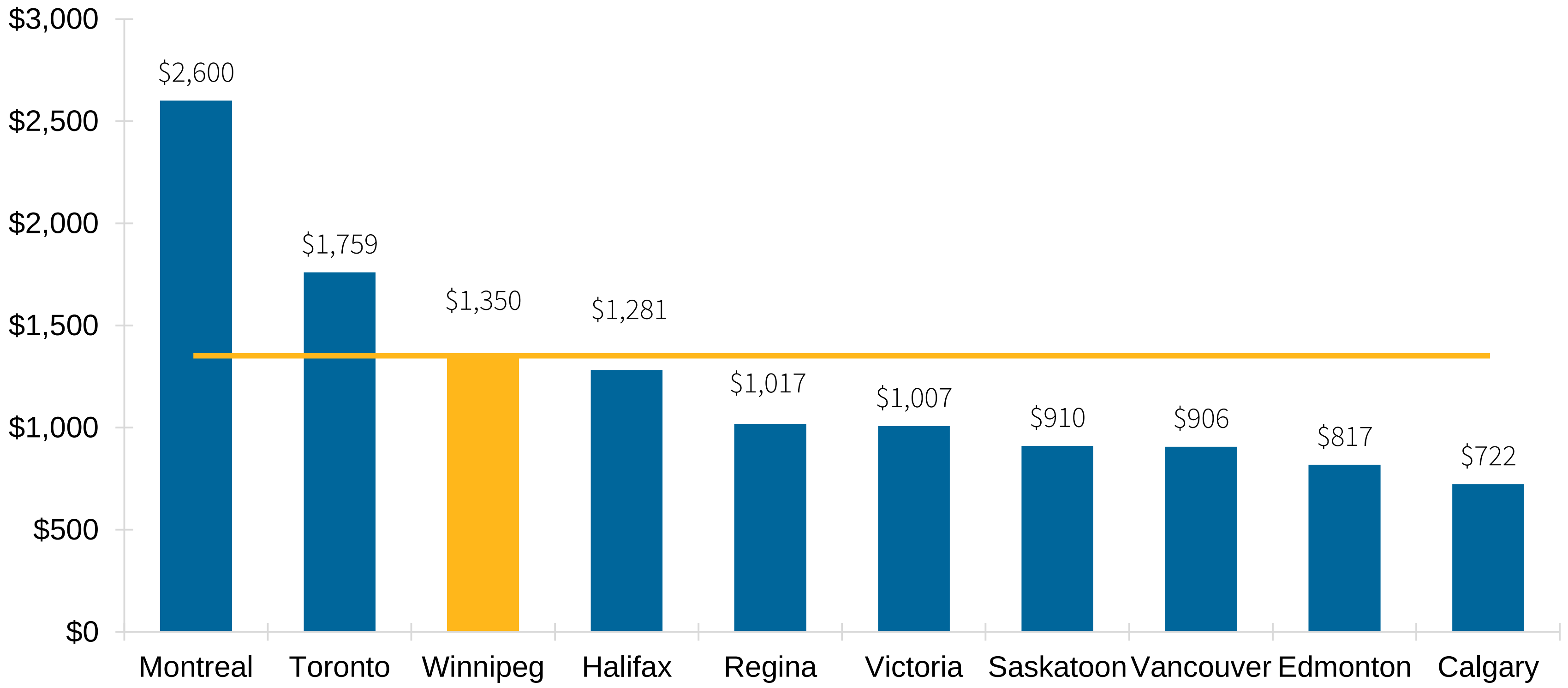
City of Winnipeg Committee on Tax Reform, "Rethinking Taxation: Making Winnipeg Competitive", June 1998

...city services should be examined with the objective of providing taxpayers with the biggest bang for their buck. (City of Winnipeg photo.)

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

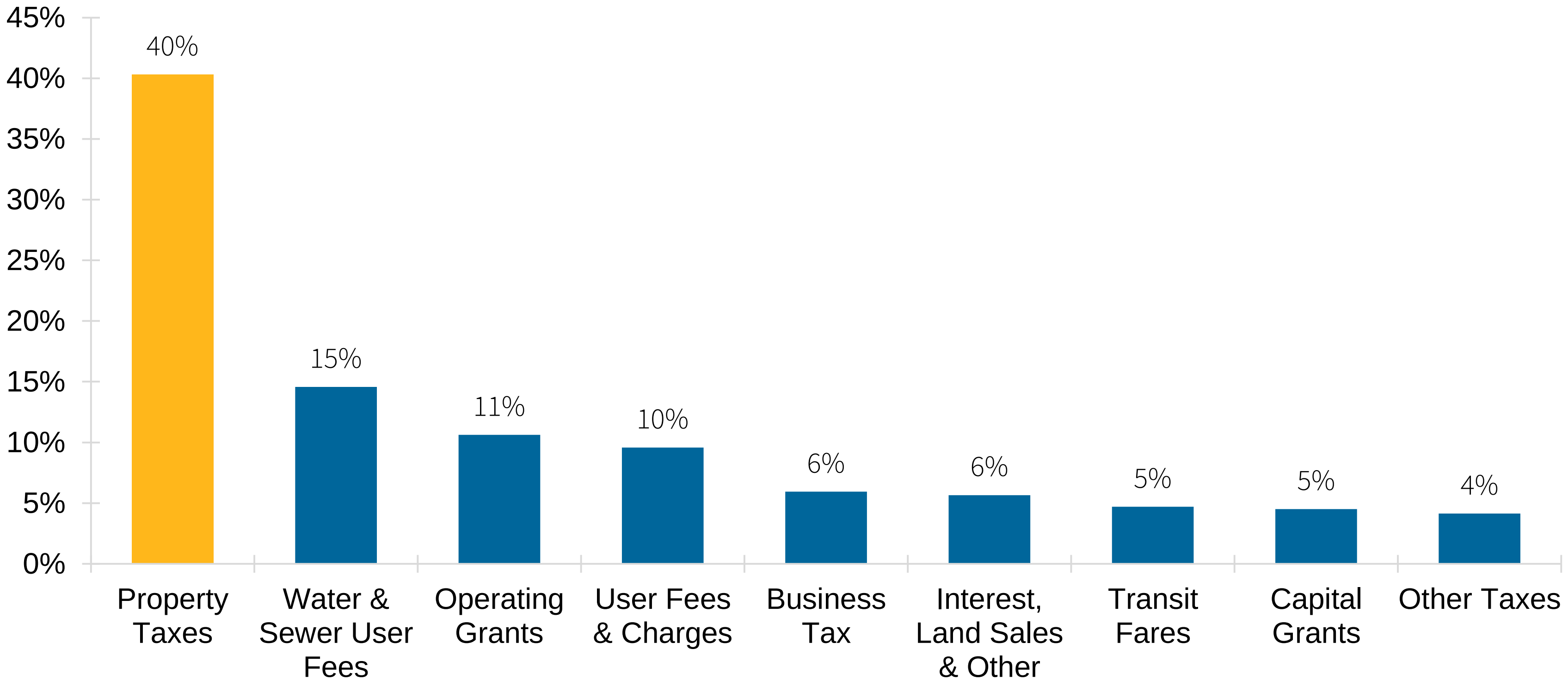
City of Winnipeg 1999 Budget, Appendix 10

Third highest average municipal property tax in 1998



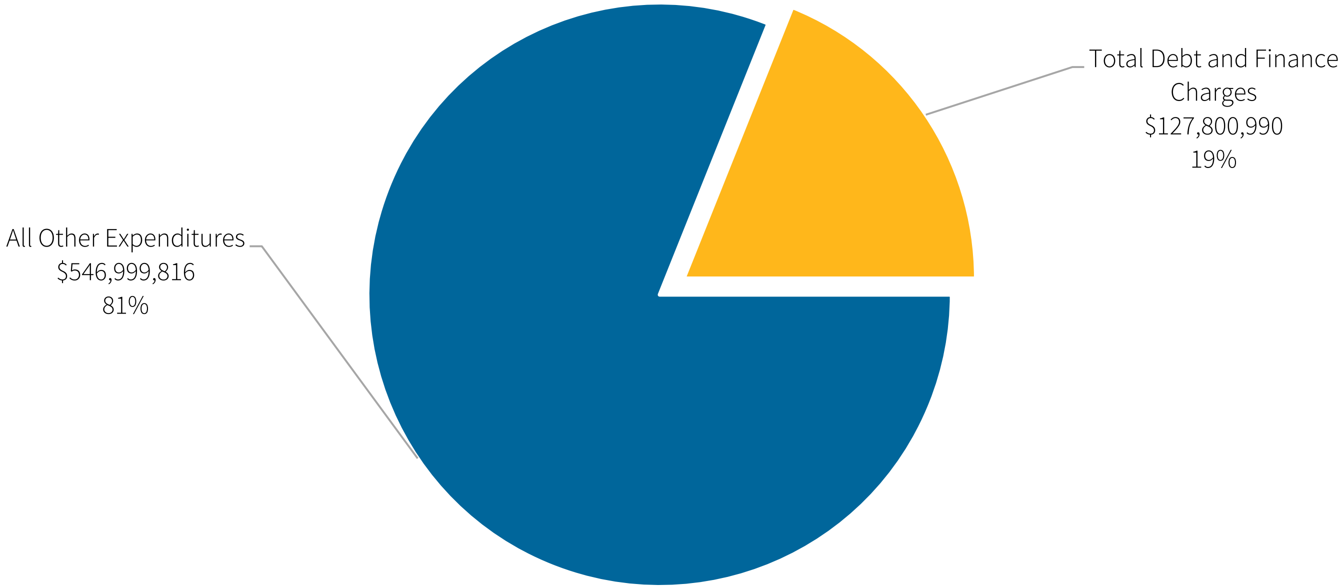
Source: City of Edmonton Property Tax Survey Data, 1985 to 2000

Sources of Revenue - Dependence on Property Tax - 1998



Source: City of Winnipeg Annual Financial 1998 Report

Proportion of Budget toward Debt and Finance - 1998

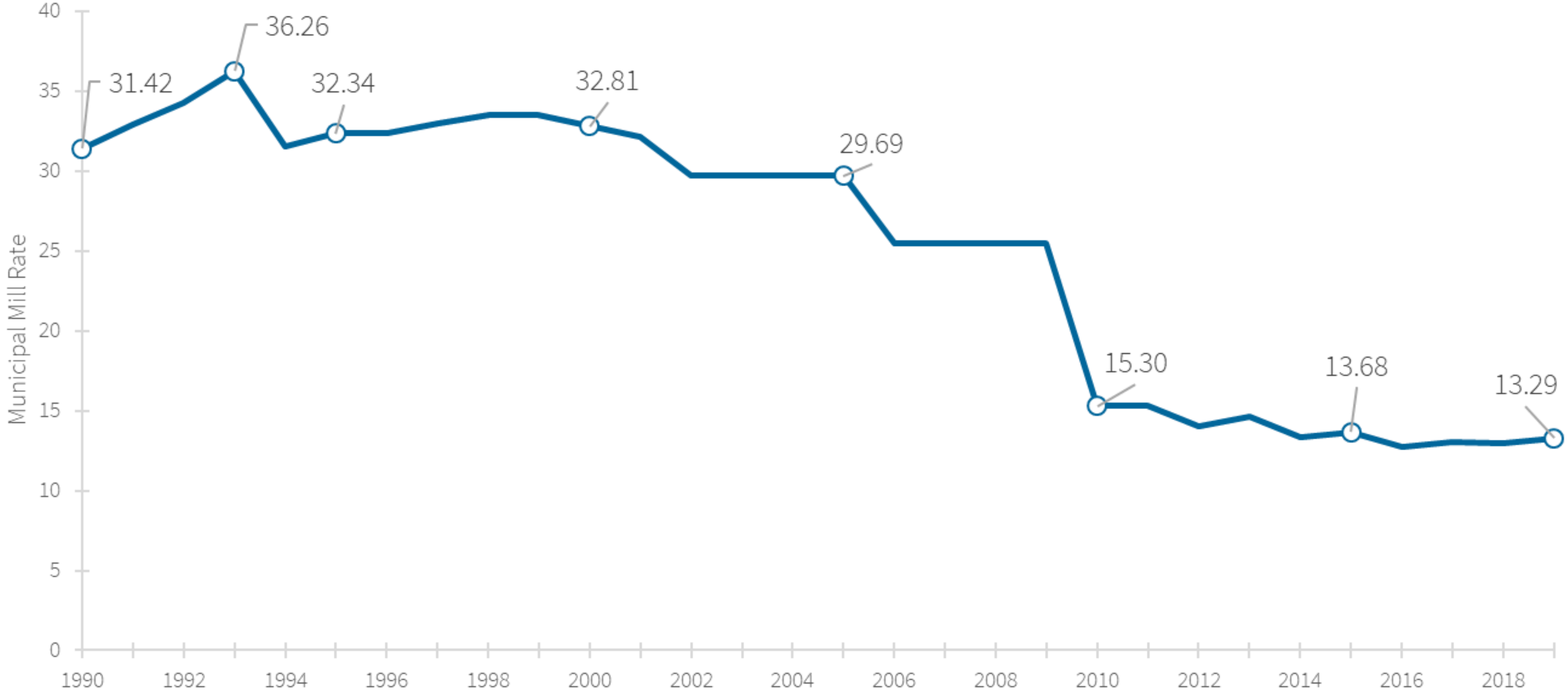


Source: City of Winnipeg 1998 Tax-supported Operating Budget

Winnipeg

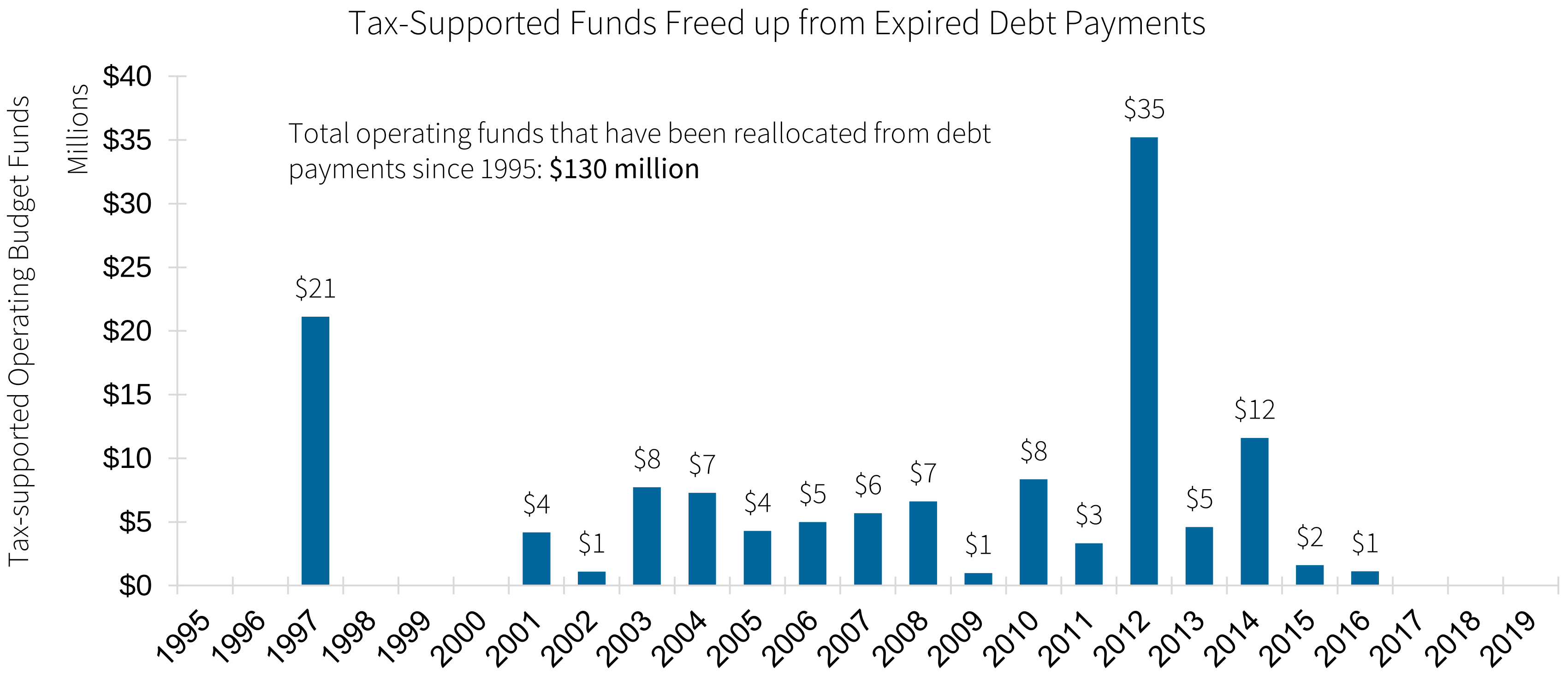
How did the City respond?

Reduced mill rates



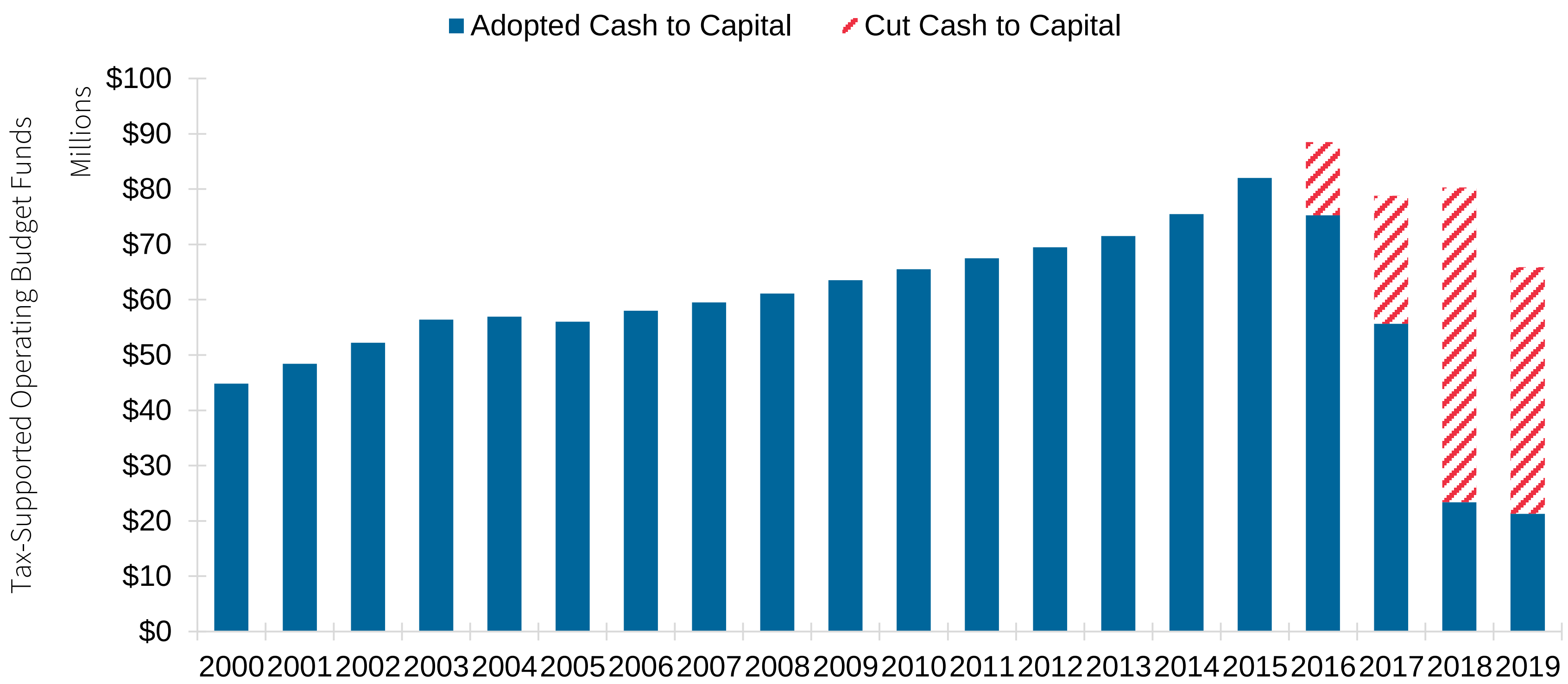
Source: City of Winnipeg Assessment and Taxation Department

Stopped taking on debt, reduced debt payments



Source: City of Winnipeg Department of Corporate Finance

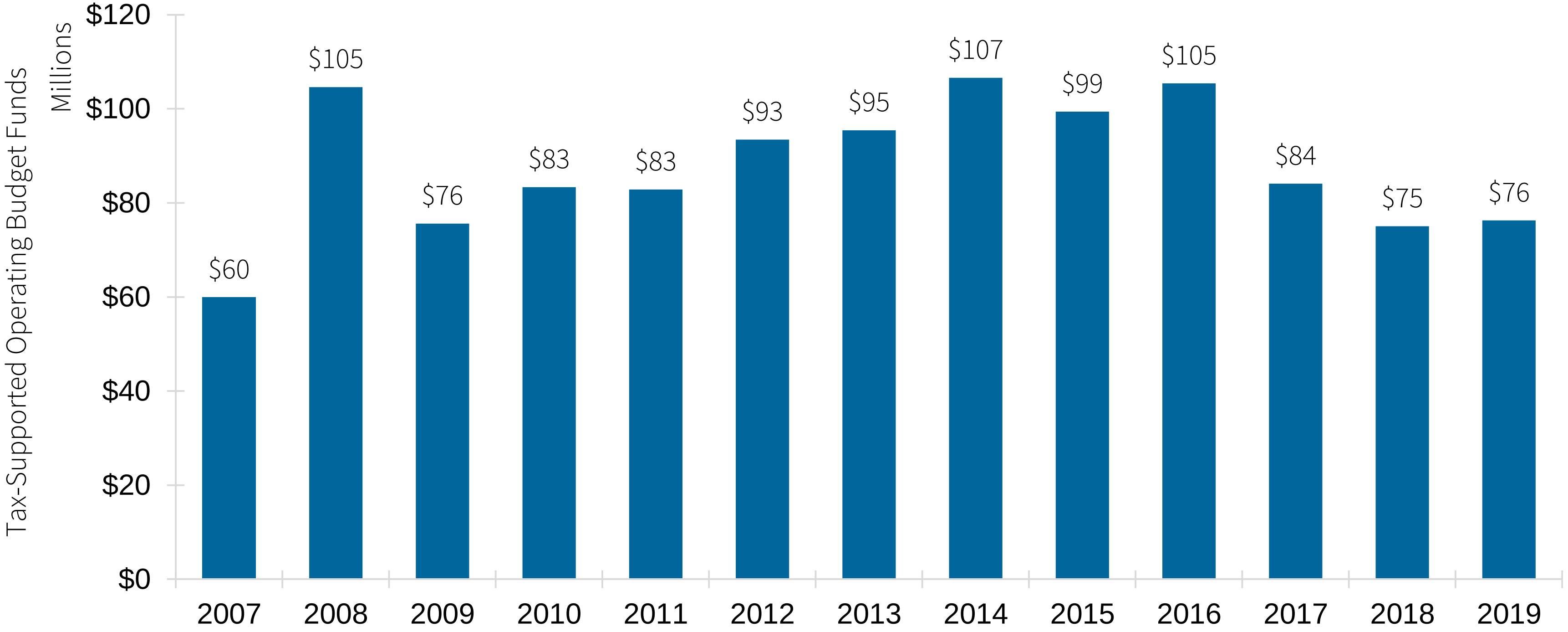
Reduced Cash to Capital



Source: City of Winnipeg Department of Corporate Finance

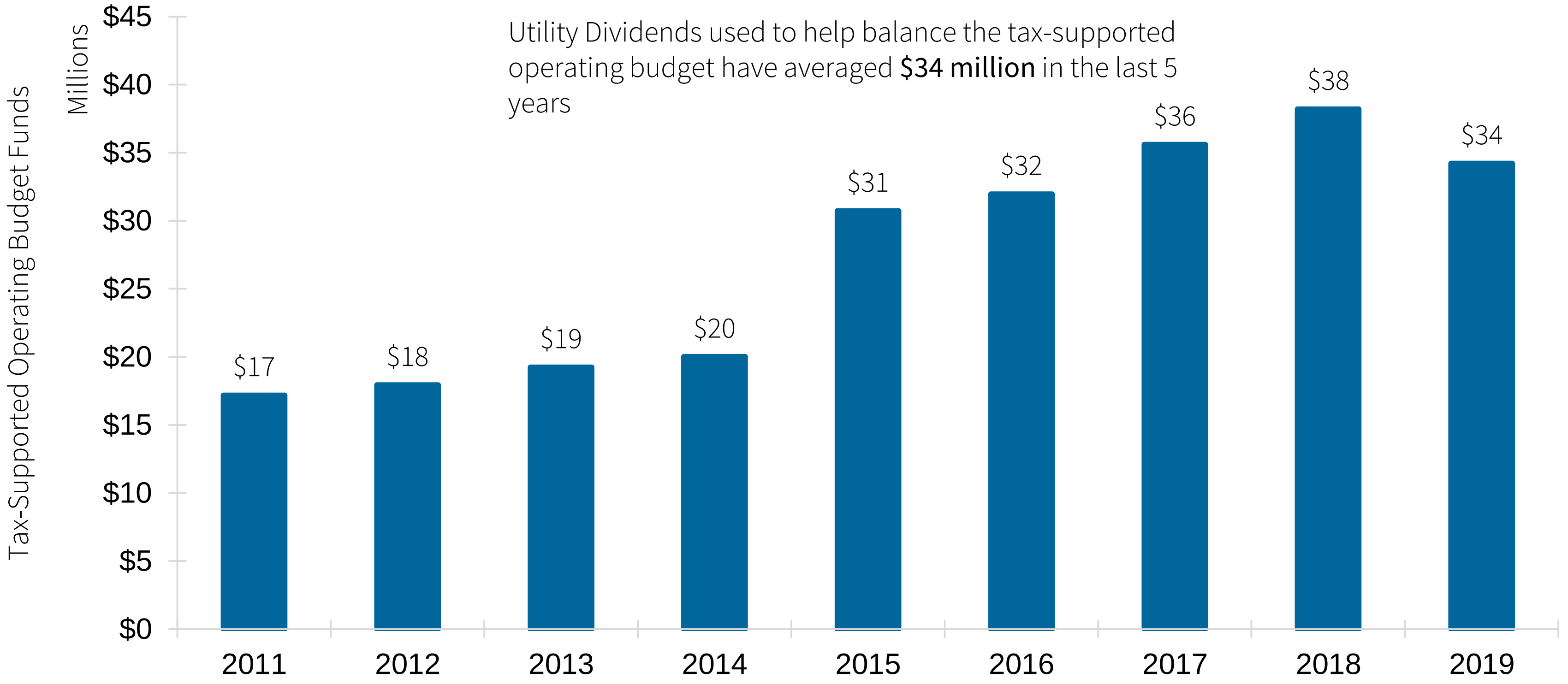
Reduced expenditures and reserve withdrawals

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.



Source: City of Winnipeg Department of Corporate Finance

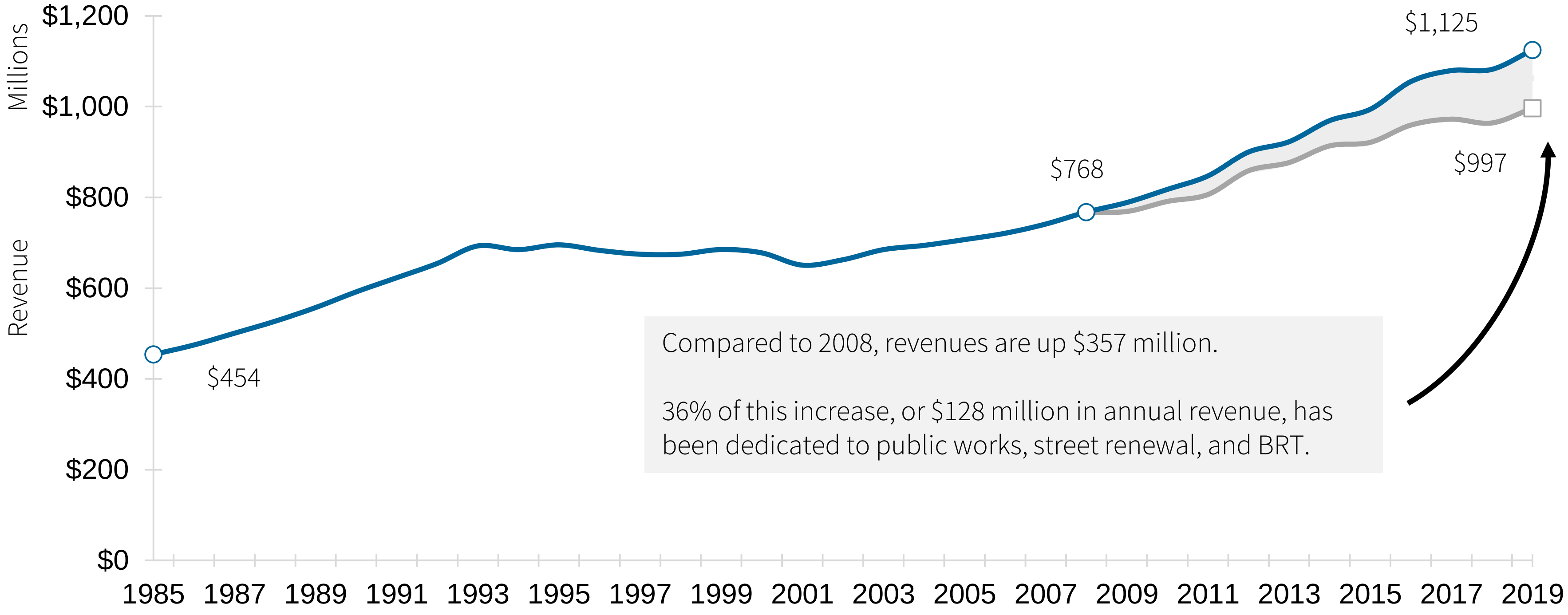
Started a Utility Dividend in 2011



Source: City of Winnipeg Department of Corporate Finance

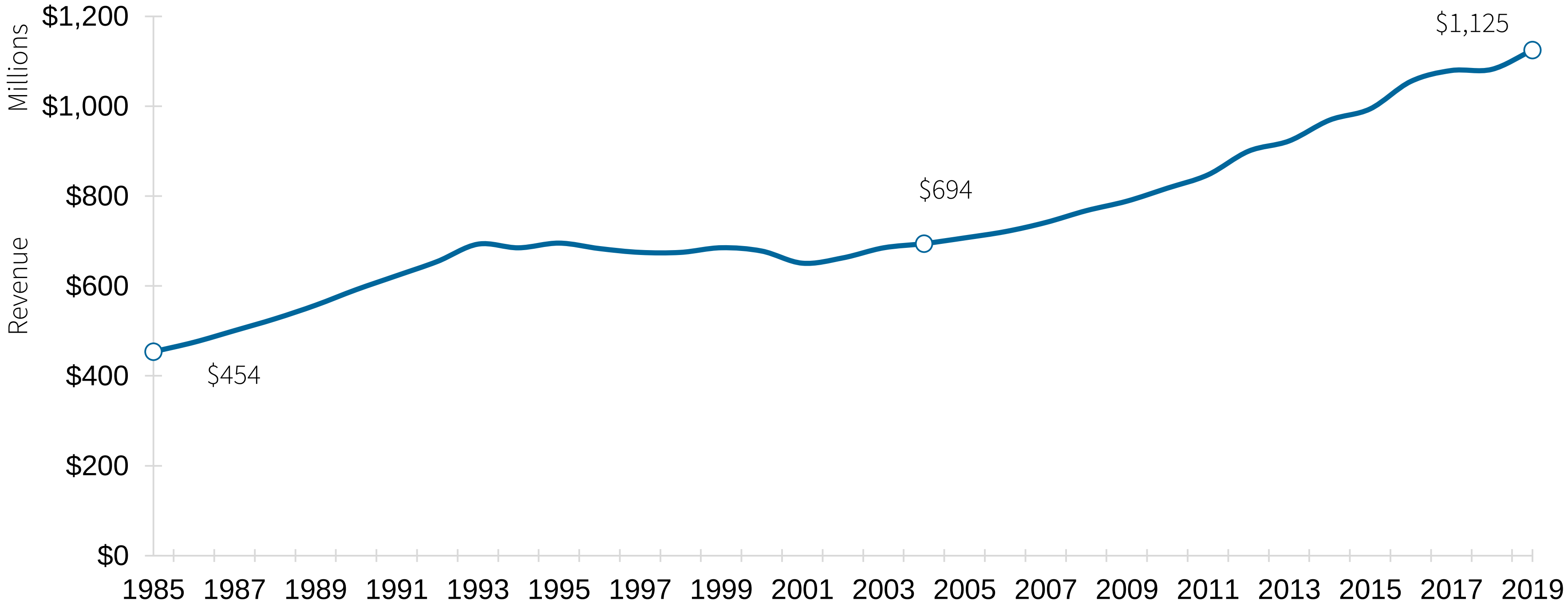
Winnipeg

Used additional revenue for capital projects



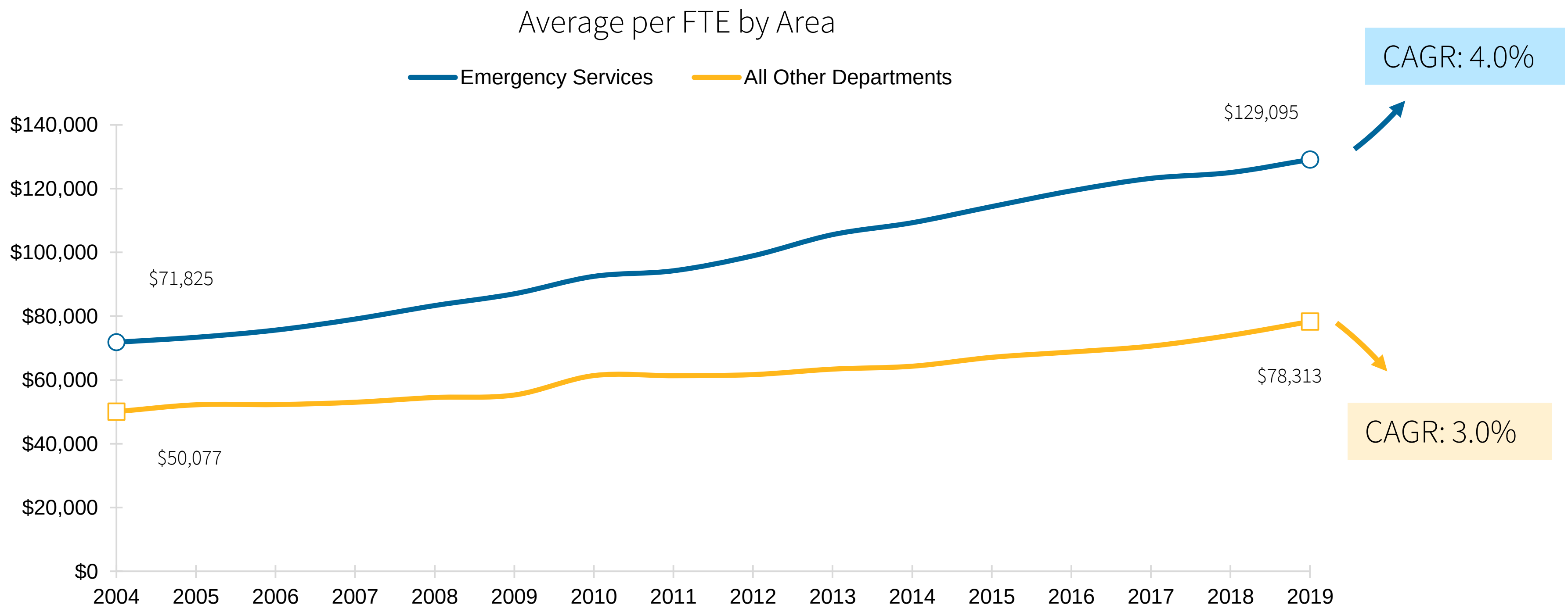
Source: City of Winnipeg Adopted Tax-Supported Operating Budget Documents, 1985 to 2018

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



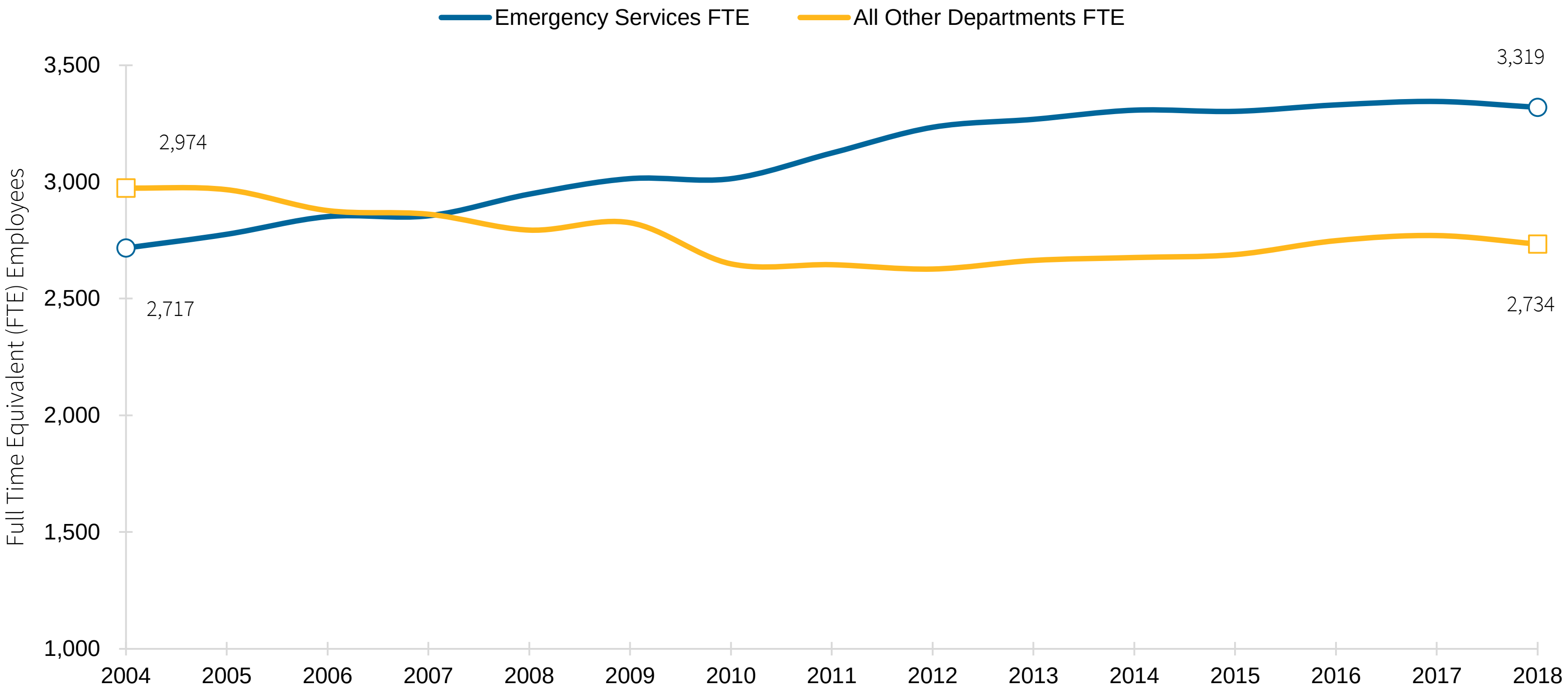
Source: City of Winnipeg Adopted Tax-Supported Operating Budget Documents, 1985 to 2019

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



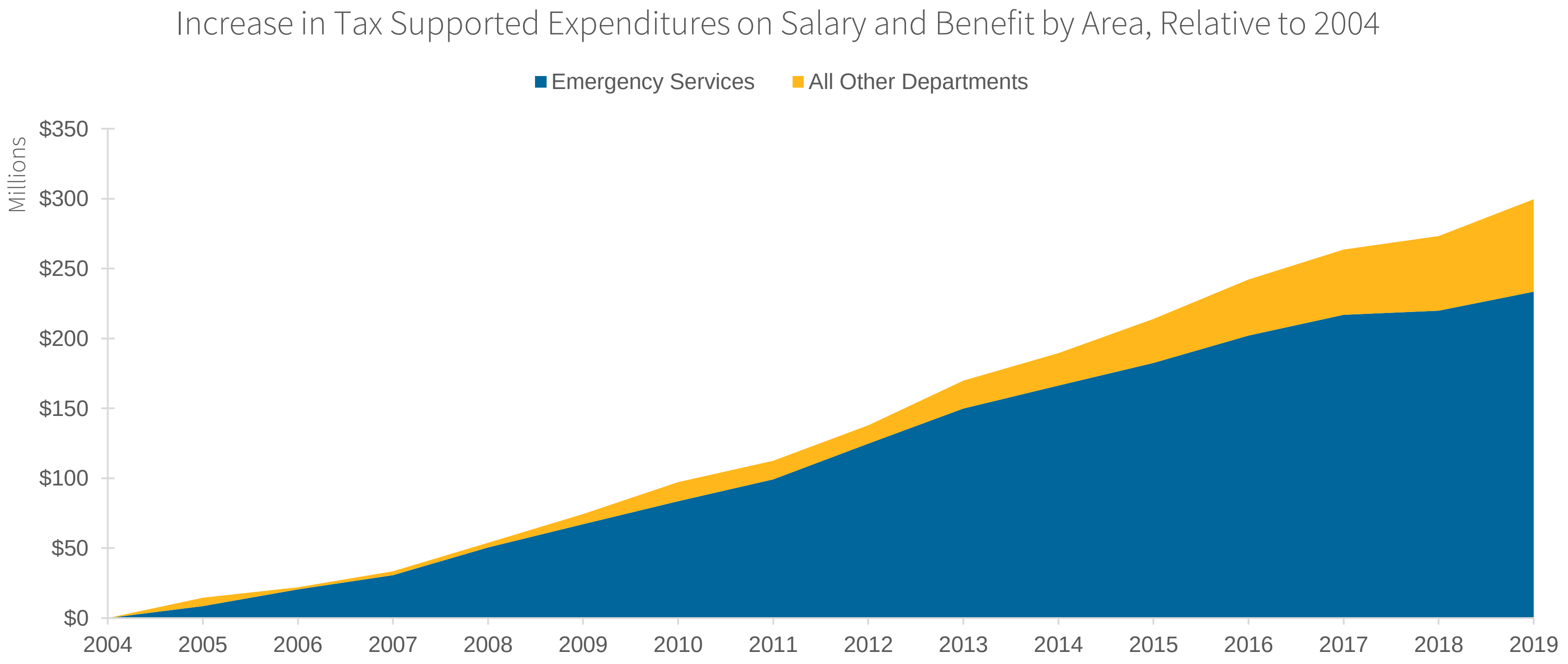
Source: City of Winnipeg Adopted Tax-Supported Operating Budget Documents, 2004 to 2019

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



Source: City of Winnipeg Adopted Tax-Supported Operating Budget Documents, 1998 to 2018

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

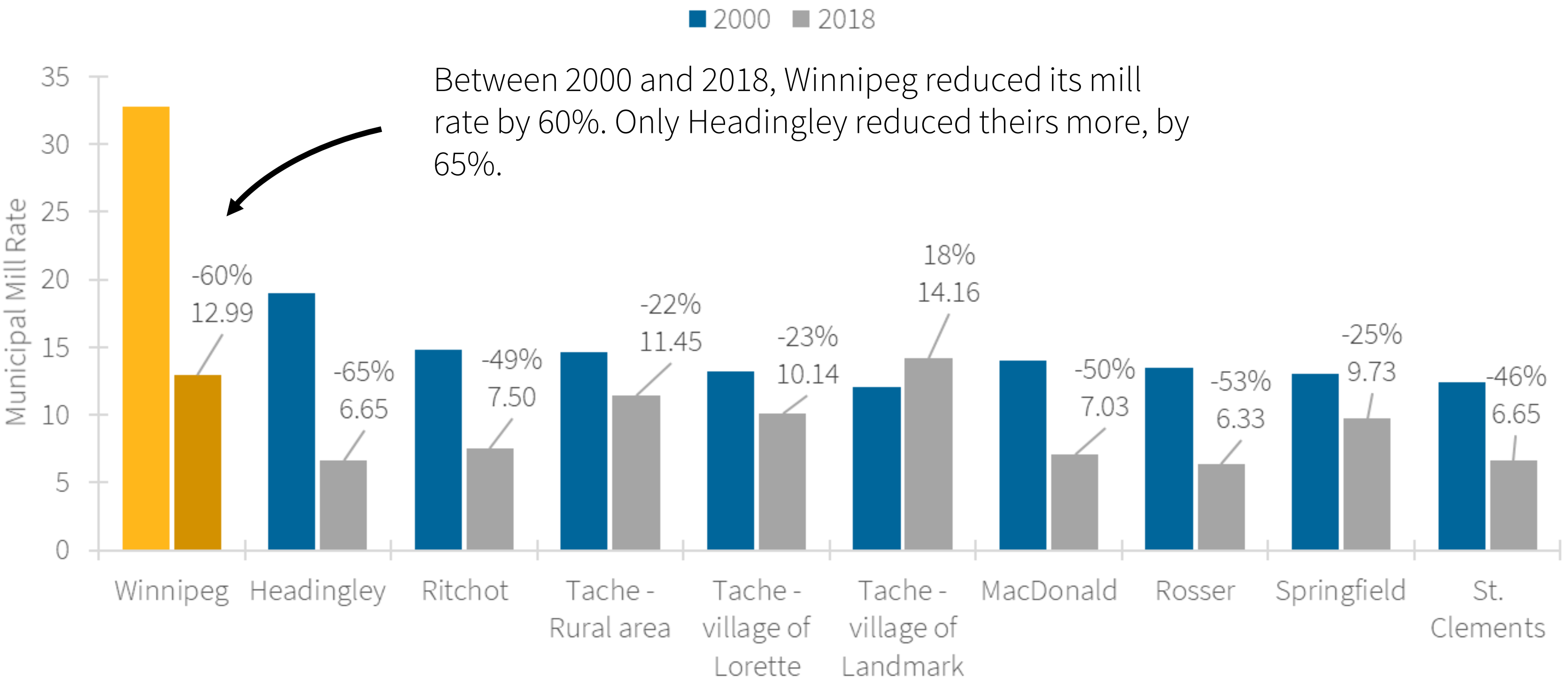


Source: City of Winnipeg Adopted Tax-Supported Operating Budget Documents, 2004 to 2019

Winnipeg

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

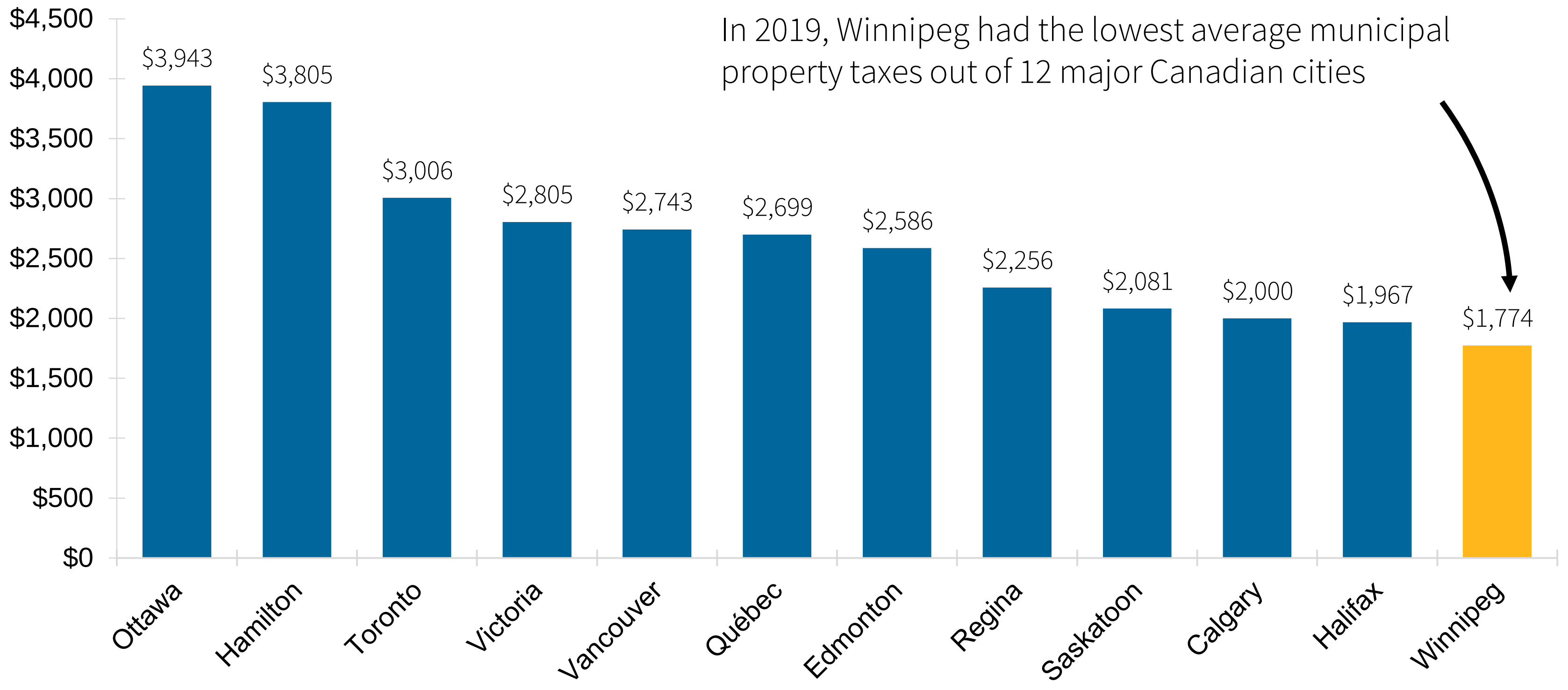
Second largest mill rate reduction locally



Source: City of Winnipeg Assessment and Taxation Department, various Rural Municipality’s 2018 Financial Plans.

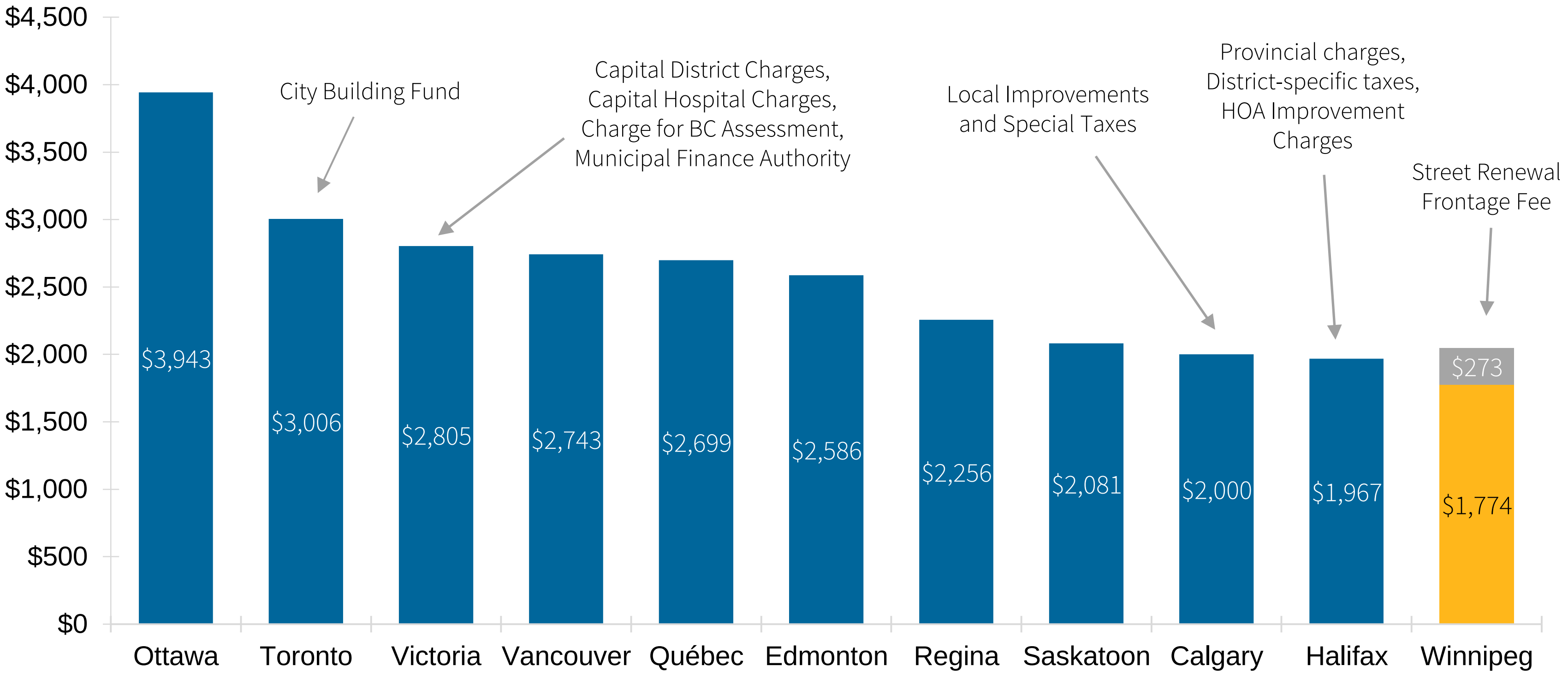
Lowest Average Municipal Property Tax - 2019

In 2019, Winnipeg had the lowest average municipal property taxes out of 12 major Canadian cities



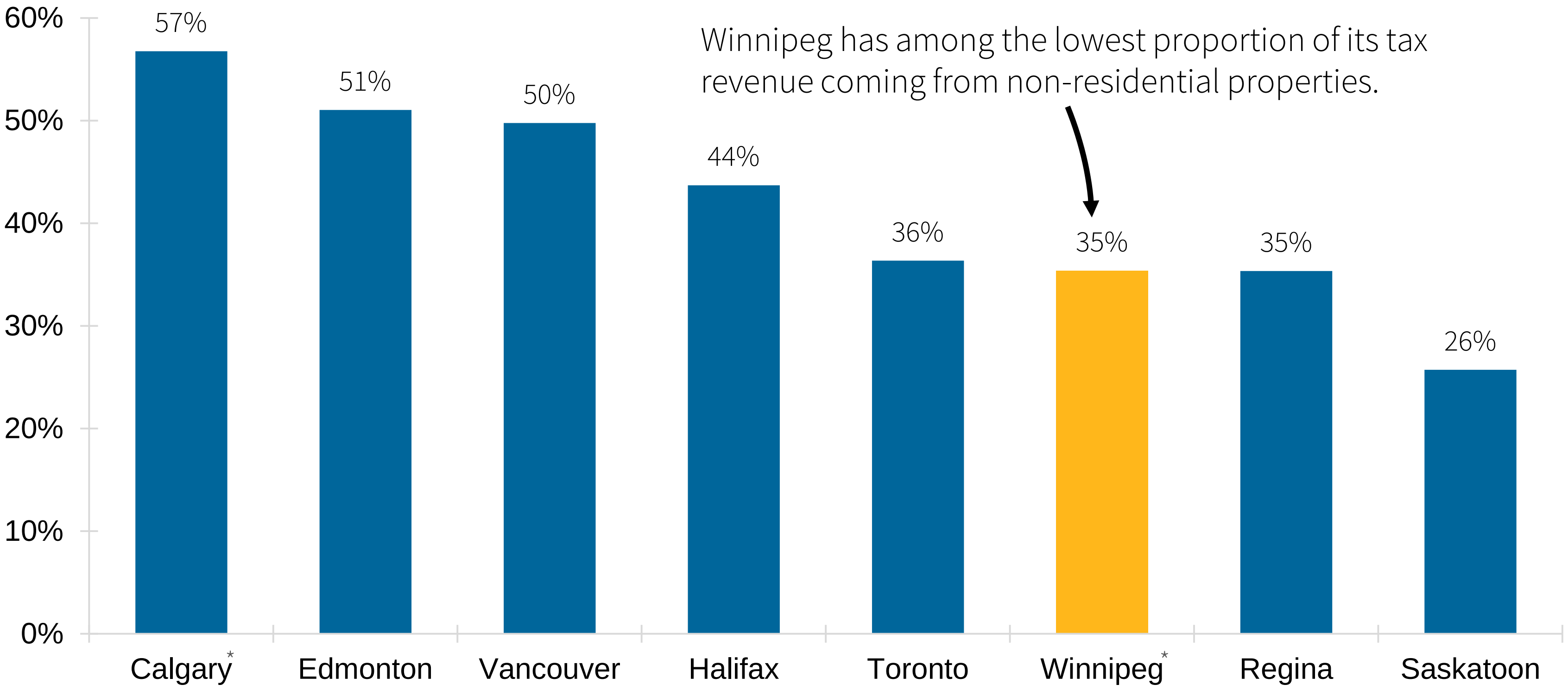
Source: Cities Assessment and Taxation Websites and various other media sources

Lowest Average Municipal Property Tax - 2019



Source: Cities Assessment and Taxation Websites and various other media sources

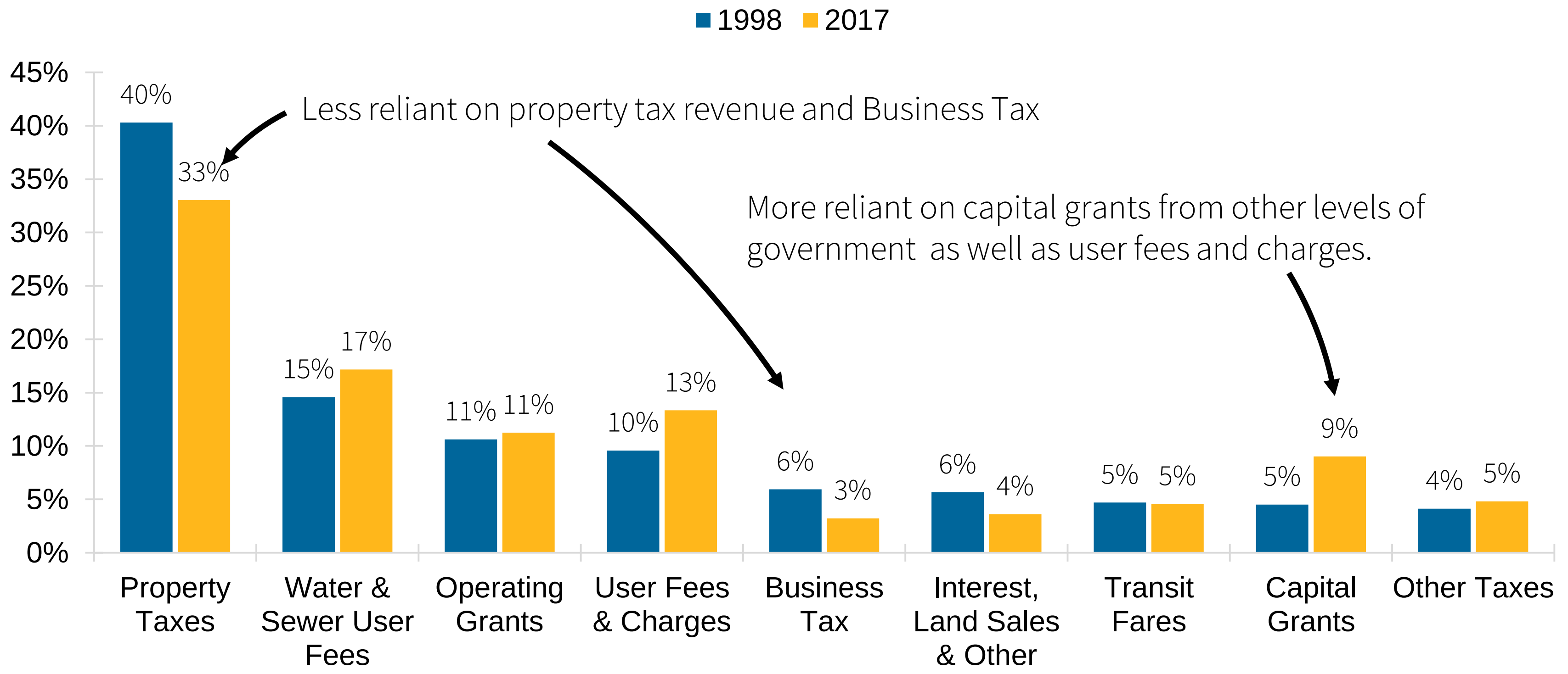
Low proportion of property tax non-residentially



Source: City of Calgary Property Tax Survey, 2017

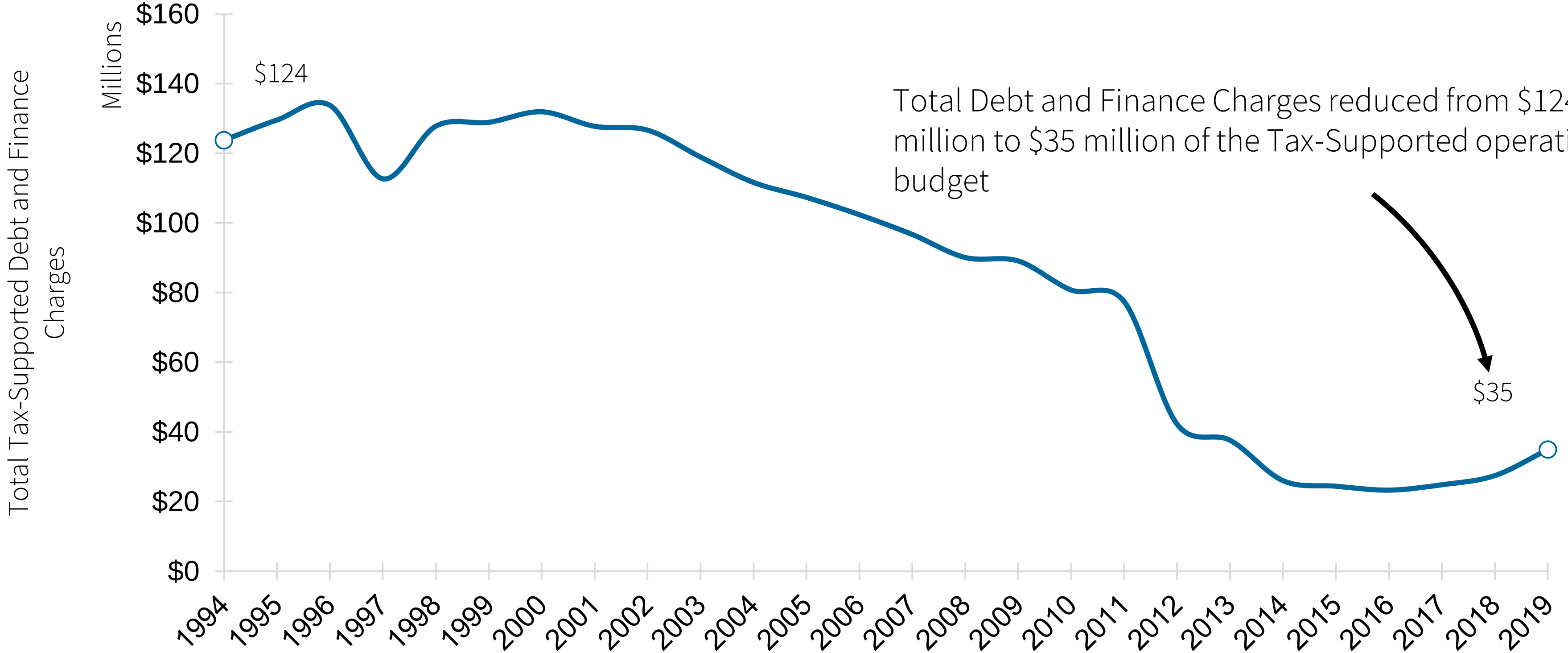
* Note: Revenue received from Business taxes in Calgary and Winnipeg are included in the total amount of taxes received from non-residential properties.

Less reliant on tax, more reliant on transfers



Source: City of Winnipeg 1998 and 2016 Annual Financial Reports

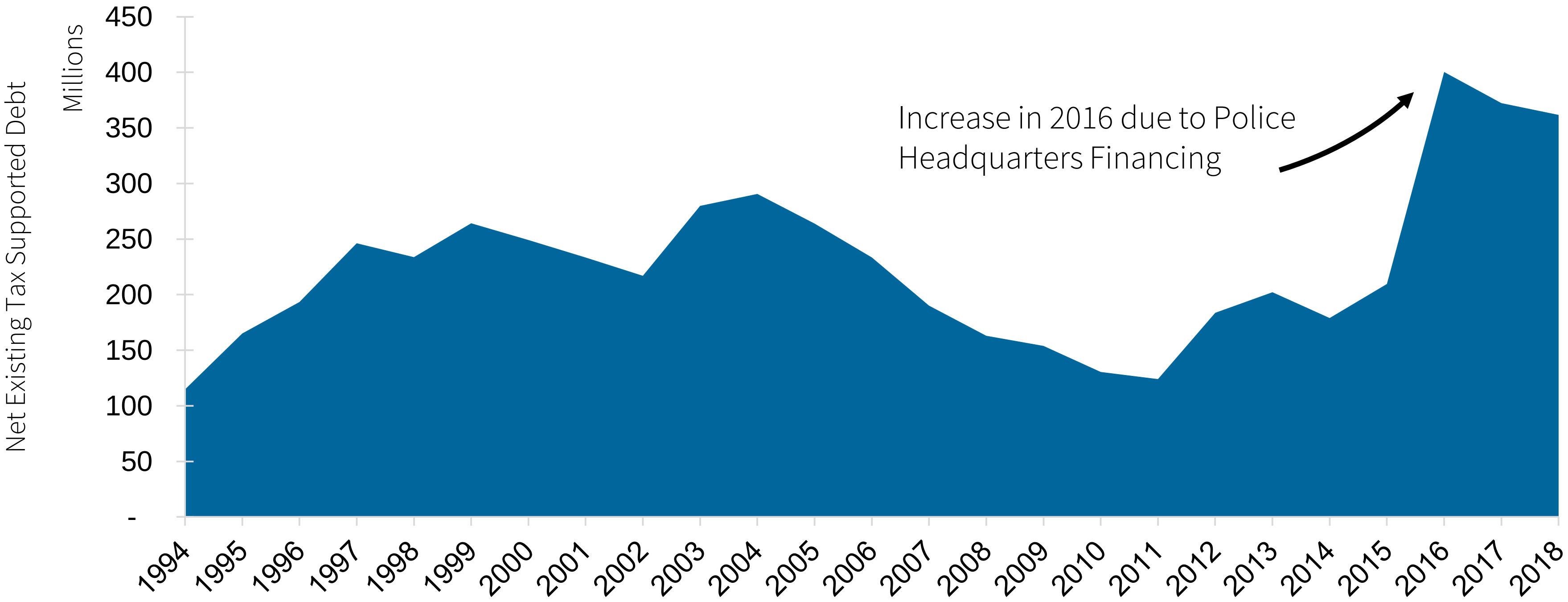
Lowered debt and finance charges



Total Debt and Finance Charges reduced from $124 million to $35 million of the Tax-Supported operating budget

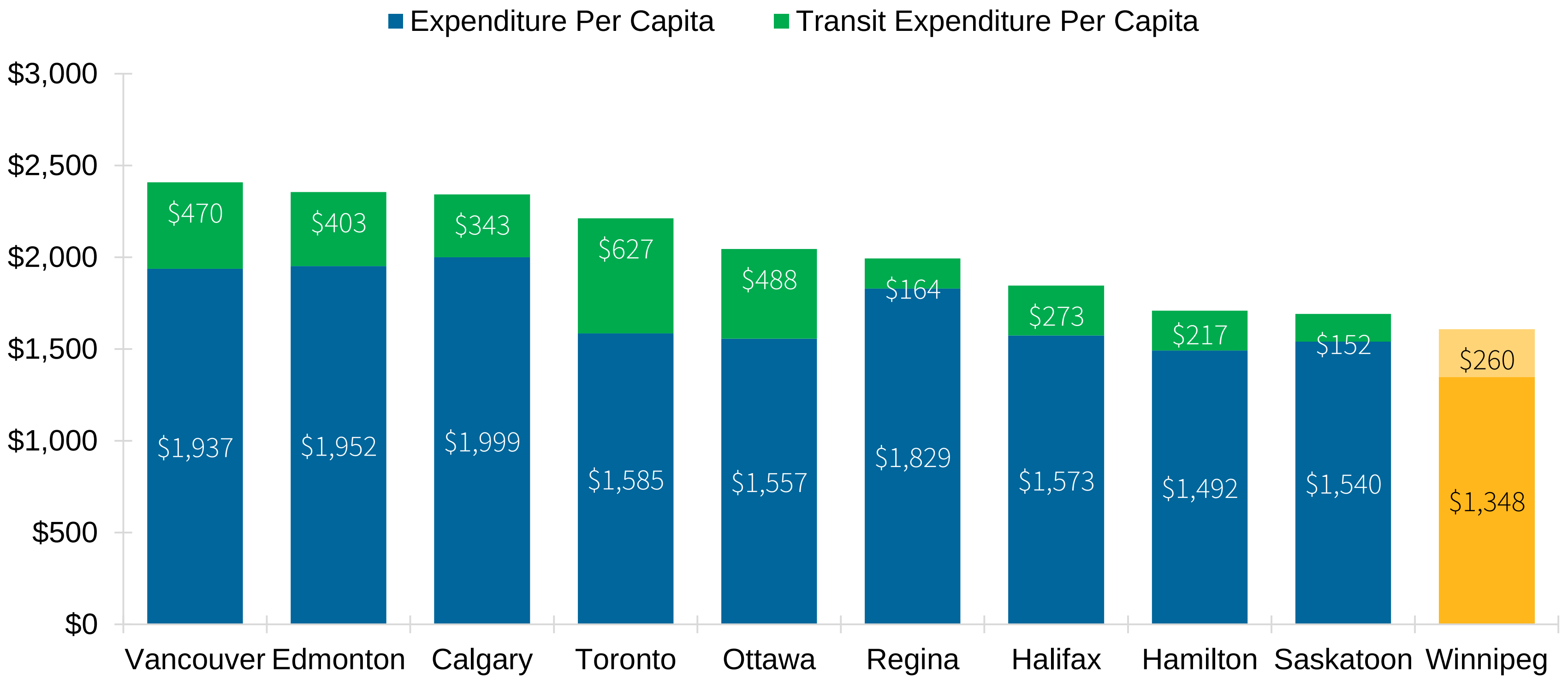
Source: City of Winnipeg Tax-Supported Operating Budgets, 1994 to 2019

Net Tax Supported Debt is Increasing



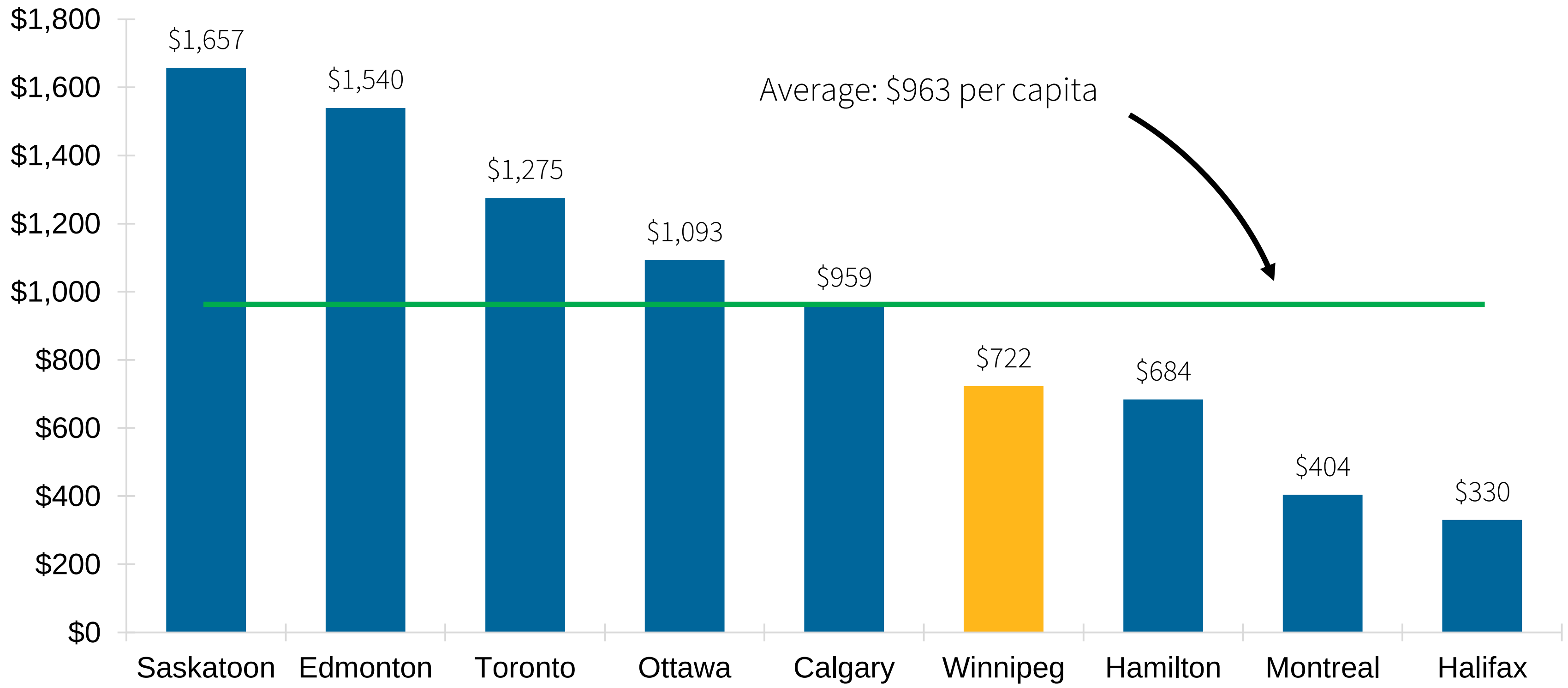
Source: City of Winnipeg Treasury Department

Lowest expenditures per capita



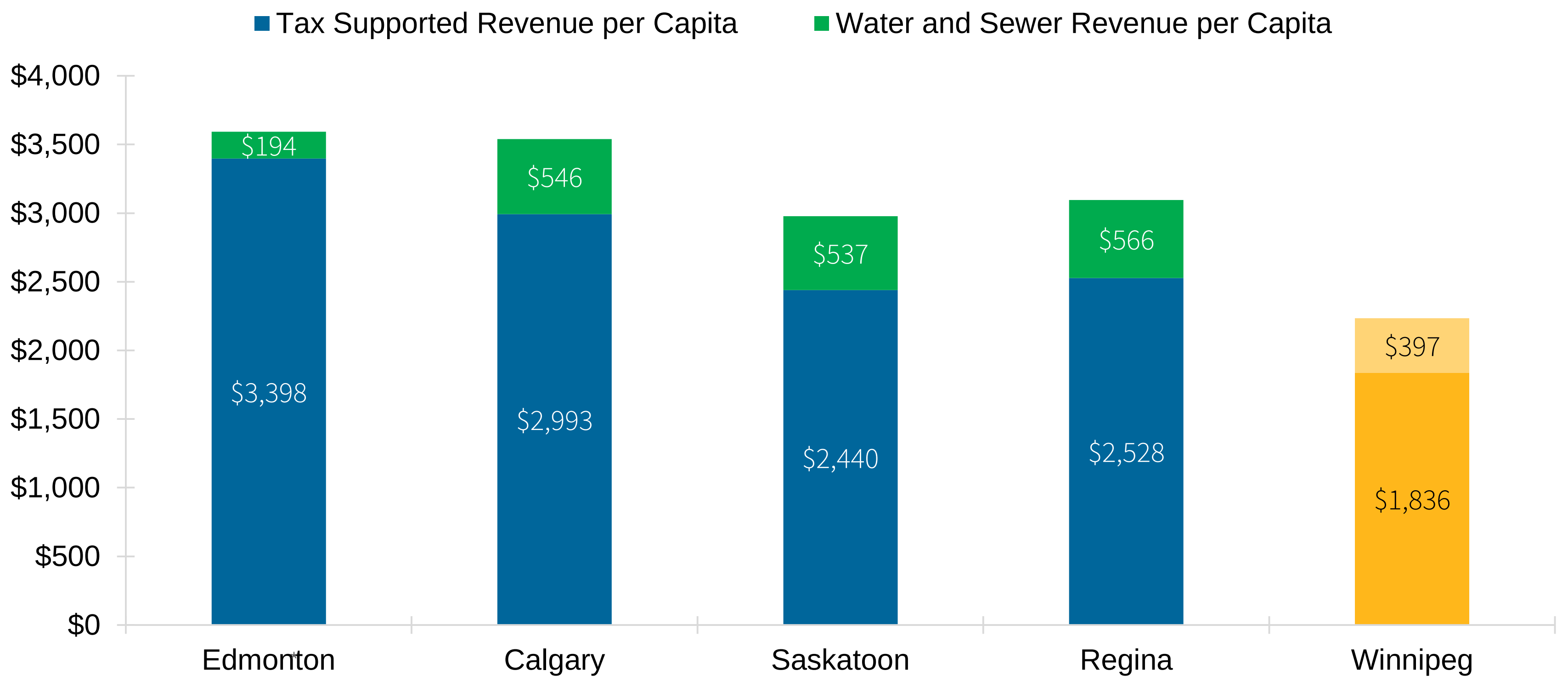
Source: Cities' 2017 Tax-Supported Operating Budgets and Annual Reports

Low capital investment per capita



Source: 2012 to 2017 Cities Annual Financial Reports

Low revenue per capita

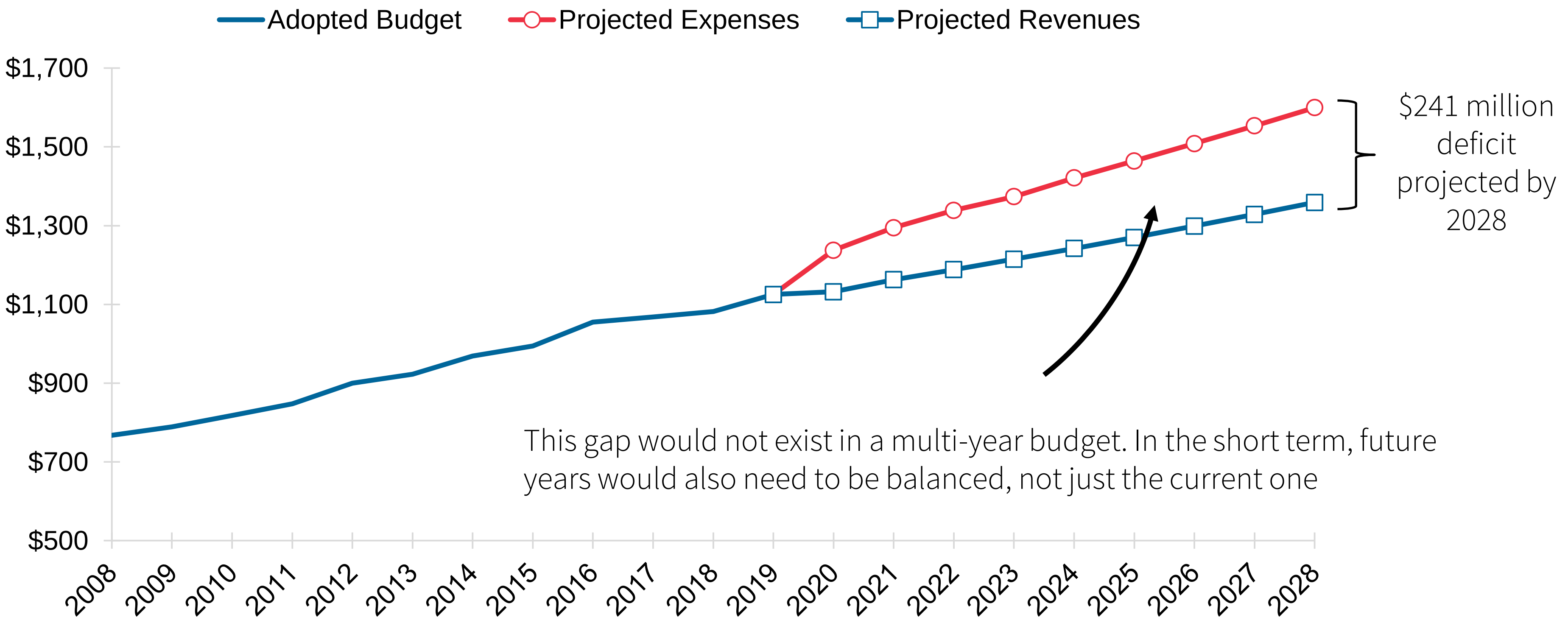


Source: Cities' 2017 Tax-Supported Operating Budgets, Utility Budgets, and Annual Reports
* Note: The City of Edmonton figures for water and sewer includes land drainage only. This does not include water and sewer revenue collected by the EPCOR utility.

Winnipeg

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

The structural fiscal deficit: 2008-2028

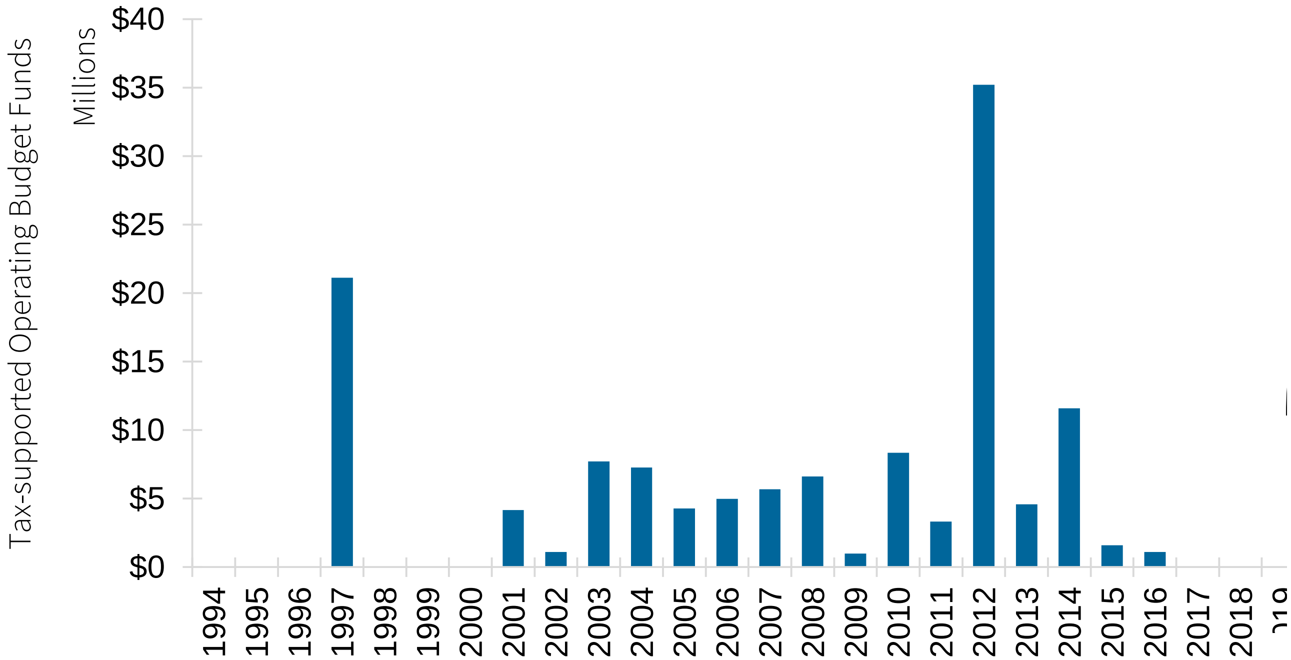


Source: City of Winnipeg Economic Research Office Budget Model

Winnipeg

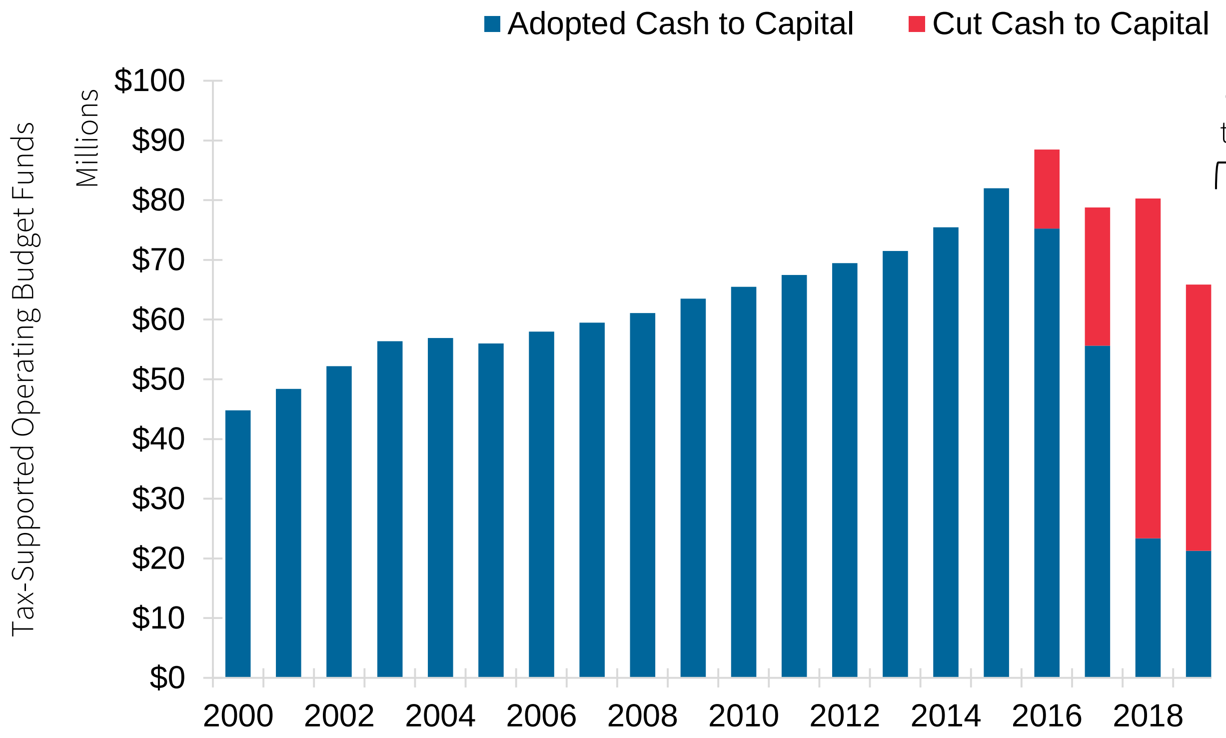
We can no longer rely on reduced debt

Tax-Supported Funds Freed up from Expired Debt Payments



Source: City of Winnipeg Department of Corporate Finance

We can no longer rely on cutting cash to capital

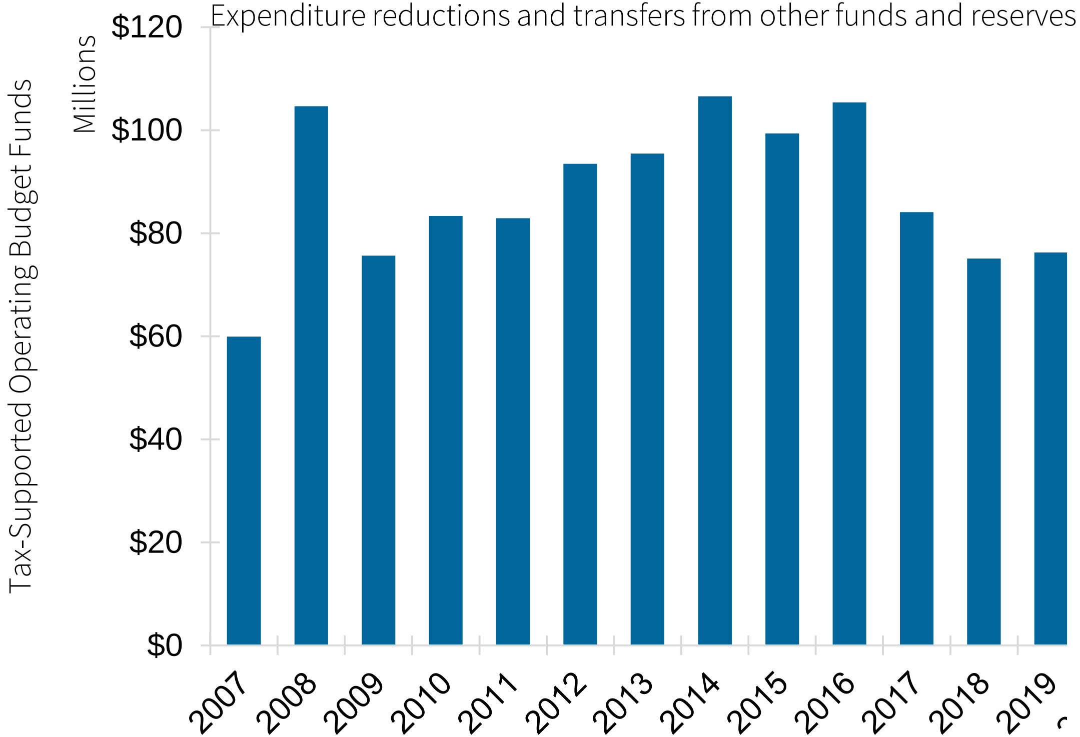


Under the current projections, all cash to capital would need to be cut to get us closer to a balanced budget

Source: City of Winnipeg Department of Corporate Finance

Expenditure reductions and transfers from reserves are unreliable

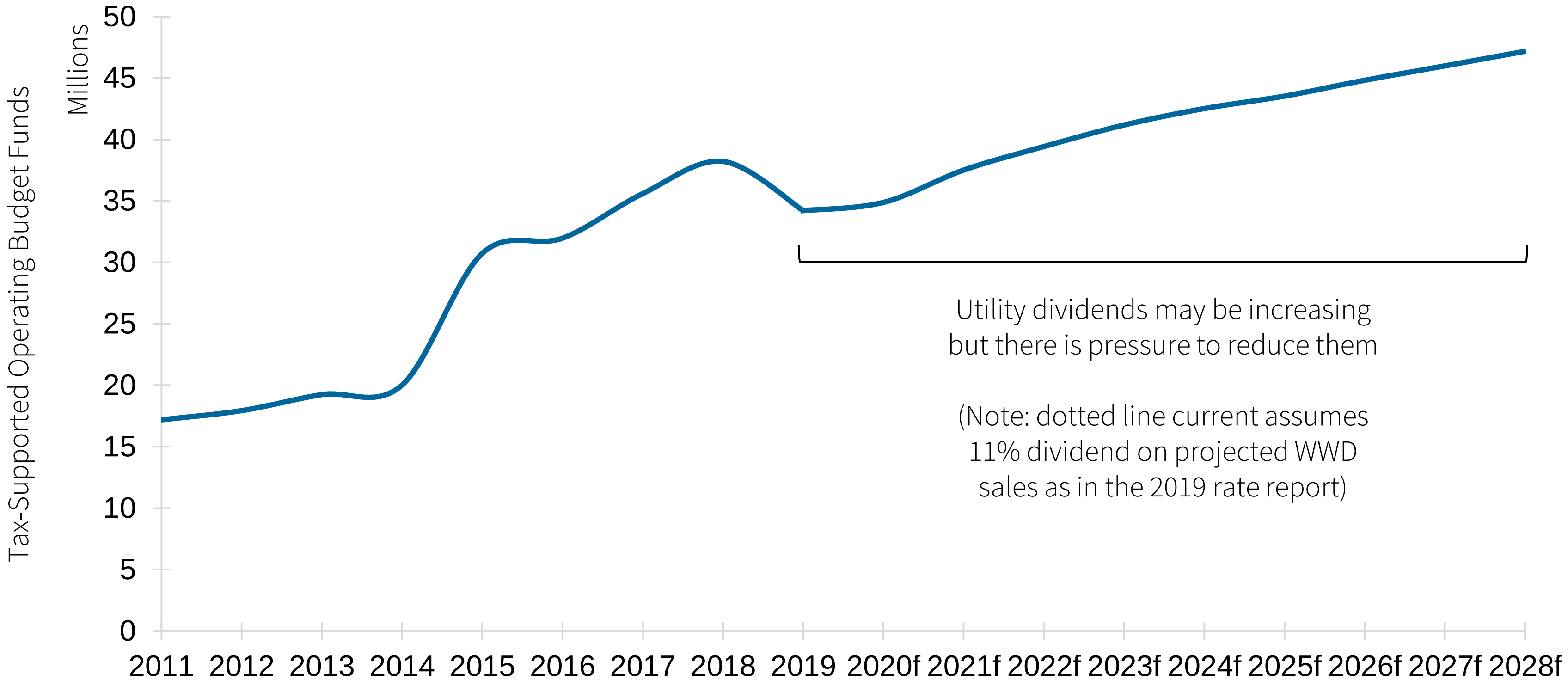
Expenditure reductions and transfers from other funds and reserves vary in size and availability each year.



Funds available in reserves are hard to predict and not necessarily sustainable as we use them up

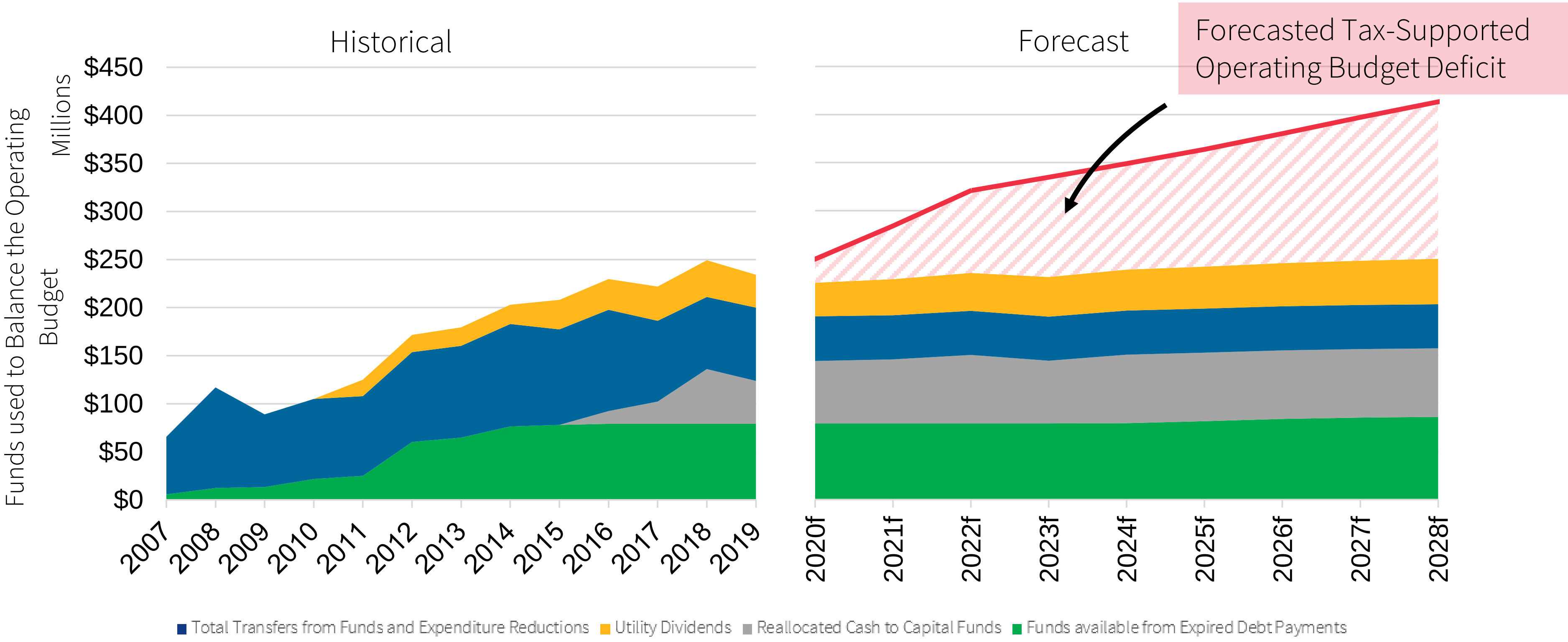
Source: City of Winnipeg Department of Corporate Finance

Utility dividends face growth pressure



Source: City of Winnipeg Department of Corporate Finance

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



Source: City of Winnipeg Department of Corporate Finance, Economic Research Office Budget Model

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

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