Minute No. 538
Report - Alternate Service Delivery Committee - June 20, 2005

Item No. 1 **Annual Selection Report 2005 - Animal Services Special Operating Agency**
File GL-5.6.1

COUNCIL DECISION:

Council concurred in the recommendation of the Alternate Service Delivery Committee and adopted the following:

1. That the proposed tax supported funding for the Animal Services Self Operating Agency of $900,000.00 for 2005 and $900,000.00 for 2005 - 2009, be approved and adopted in principle, subject to confirmation in the annual budget process as outlined in the Financial Projection attached as Appendix B to the report from the Chief Operating Officer dated June 14, 2005.

2. That the 2004 audited financial statements for the Animal Services Special Operating Agency, as outlined in the report from the Chief Operating Officer dated June 14, 2005, be received as information.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Alternate Service Delivery Committee - June 20, 2005

DECISION MAKING HISTORY:

Moved by Councillor Magnifico,
That the recommendation of the Alternate Service Delivery Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 22, 2005, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the matter to Council.

COMMITTEE RECOMMENDATION:

On June 20, 2005, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

RE: Annual Selection Report 2005: Animal Services Special Operating Agency

FOR SUBMISSION TO: **Alternate Service Delivery Committee**

ORIGINAL REPORT SIGNED BY: **Tim Dack, Chief Operating Officer**
Animal Services Agency

REPORT DATE: **June 14, 2005**

RECOMMENDATION(S):

1. It is recommended that Council approve the proposed tax supported funding for the SOA of $900,000 for 2005; and $900,000 for 2005 - 2009 be adopted in principle, subject to confirmation in the annual budget process (See Financial Projection, Appendix B).

2. It is recommended that Council receive the attached 2004 audited financial statements for Animal Services Special Operating Agency as information.

REPORT SUMMARY:

Key Issues:

- Ongoing tax-supported funding is consistent with the Agency's 2000-2004 business plan approved by Council on November 17, 1999.

Implications of the Recommendation(s):

General implications:
X None
For the organization overall &/or for other departments
For the community and/or organizations external to the City
Involves a multi-year contract
Comment(s):

Policy implications:
X No
Yes Comment(s):

Environmental implications:
X No
Yes Comment(s):

Human Resources implications:

X No

Yes Comment(s):

Financial implications:

Within approved current and/or capital budget

X Current and/or capital budget adjustment required

Comment(s): Due to adjustments allocated for GST and small purchase savings, the Operating Grant budget was reduced to $895,101 for 2005 and $893,850 for 2006 to 2009. A budget adjustment for the Community Services Department will be required to restore the budget to $900,000.

REASON FOR THE REPORT:

The Animal Services Operating Charter stipulates that a Selection Report (summary of the annual business plan) will be provided to Council each year. Any revisions to the operating charter have to be tabled with the ASD Committee as part of the annual business plan approval process and approved by a 2/3 majority of Council.

HISTORY:

Animal Services was designated by Council as a Special Operating Agency (SOA) effective January 1, 2000.

DISCUSSION:

Animal Services continues to provide animal control measures under the City of Winnipeg Charter and related by-laws. This includes animal licensing and registration, neighbourhood dispute resolution, investigation and response to animal bites/attacks, stray dogs, illegal animals, injured animals, after-hours emergencies, and enforcement of related by-laws. This service also includes public education and the promotion of responsible pet ownership and care.

Animal Services continues to embrace and support the Community Services Department's vision, mission and values. The Agency also continues to work in partnership with the Veterinarian community and the Winnipeg Humane Society and other industry providers to ensure the human and animal populations of the City of Winnipeg can co-exist in harmony.

Strategic Direction:

Animal Services continues to build on the expectations of its stakeholders and remains committed to its goals and strategies, which are critical to improved customer service, core business operation and financial stability. These expectations relate to:

- shifting the cost base from the general taxpayer more towards the users of the system, with the objective of becoming financially self-sustainable to the greatest extent possible
- a strengthened commitment to public health and safety through increased public awareness and increased pet ownership education

- an improved public image, and
- improving and increasing the value of products and services.

Service / Business Goals / Strategies Summary:

The following table summarizes our Initiatives and key Strategies.

GOALS	INITIATIVES	STRATEGIES	TIME FRAME/ACTION BY **
To be financially self-sustainable to the greatest extent possible, (significantly less reliance on mill-rate support)	Increase license sales to meet annual targets	- Develop online licensing capabilities. - Continue with advertising/marketing campaigns. - Improve follow-up process for no-license complaints. - Implement Royal Mail Ad mail out of registration form to targeted neighbourhoods. - Explore feasibility of cat licensing.	Nov/05; COO, CSIT Ongoing; COO COO, FO/CC June/05; COO March/05; COO
	Maintain active license base	- Improve follow process for delinquent accounts.	Ongoing; COO, FO/CC
	Reduce service cost of licensing	- Develop on-line invoicing to dog owners. - Develop bar code scanning process for processing license renewals. - Develop and implement Internet and Telepay options for license renewals. - Explore other initiatives and/or partnerships to offset operating costs.	Nov/05; COO, CSIT June/05; COO, CSIT June/05; COO, CSIT Ongoing; COO
	Increase adoptions.	- Increase advertising. - Develop online site in Agency web site for viewing dogs available for adoption. - Offer discount coupon on Agency coupon sheet. - Continue adoption advertising to capital region. (Advertise dog adoptions in neighbouring municipalities and towns) - Advertise adoptions dogs on-line.	Ongoing; COO Aug/04; COO, CSIT, A/CEC Jan/04; COO Ongoing; COO March/05COO, CSIT, CIT
Improve Customer Service	Increase value to pet owners and to citizens at large.	- Enhance web site; - Continue with value added coupons for licensed dogs. - Develop partnerships and corporate sponsorships to offset costs of promoting the agency and its' services.	Ongoing COO Ongoing; SOA Ongoing; COO

GOALS	INITIATIVES	STRATEGIES	TIME FRAME/ACTION BY **
	Enhance I.T. systems to meet the challenges facing the Agency.	- Develop on-line invoicing to dog owners. - Develop on-line licensing process for new sales and renewals through the Agency web site (e-commerce). - Develop bar code scanning process for processing license renewals. -Develop I.T processes to support Internet banking payments. (Tele-Pay) - Evaluate general Agency technological needs and upgrade as necessary.	Nov/05; COO, CSIT, CIT Nov/05; COO, CSIT, CIT June/05; COO, CSIT June/05; COO, CSIT, Royal Bank Ongoing; COO, CSIT
Improve Health and Safety of neighbourhoods	Develop a feasible and sustainable plan of action to apply to the emerging issue of cat over population and control.	- Investigate feasibility of cat licensing in Winnipeg. - Amend Animal Control By-law to provide for mandatory rabies vaccination for cats.	March/05; COO June/05; COO
Improve public image	Marketing/Advertising	See Appendix E	
All	General	- Enhance prevention and education programs. - Develop partnerships with external providers to establish alternative services, such as dog training, pet grooming, etc. - Improve complaint response systems. - Review and amend by-law as necessary.	Ongoing; SOA, A/CEC Ongoing; COO Ongoing; SOA Sept/05; COO, FO/CC, Legal Services

** COO Chief Operating Officer
FO/CC Field Operations/Court Coordinator
A/CEC Adoption/Community Education Coordinator
CSIT Community Services I.T. Division
CIT Corporate I.T. Department
CCB Corporate Communications Branch
WHS Winnipeg Humane Society

Financial (see Appendix B; 2005 – 2009 Financial Projections)

Pro forma financial statements are attached which include a projected statement of financial position, projected statement of loss and deficit and a projected statement of cash flow (see Appendix B).

Tax supported funding for the Agency will continue to be reflected as a separate line item (Cost Center) in the Community Services Department budget.

Financial Highlights

Revenue:

Mill Rate Support

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
$1,250,000	$1,250,000	$1,250,000	$1,100,000	$950,000	$900,000	$900,000	$900,000	$900,000	$900,000

Current Budget Period

- The 2005 - 2009 financial projections reflects decreased tax supported funding of $50,000 in 2005. With the reduction in 2004 the Agency has reduced its tax supported funding to 72% of the original funding in 2000.

Licensing (see Appendix D; 2004 – 2008 License Revenue Projections)

2004 Budget	2004 Actual	Original 2005*	Revised 2005
$1,020,601	$903,523	$1,089,705	$973,060

- Original projected active license sales targets for 2004 were 43,000. Actual active licenses sales were 40,023.
- Dog license terms vary from 8 months to 30 months. Licenses have staggered monthly renewals based on the first letter of the last name. As a result there will be unearned revenue on hand at year-end. In 2002 a new two-year licensing option was offered to dog owners. This has resulted in a slightly higher deferral for unearned revenues.
- $367,620 in 2004 license revenue deferred to 2005 revenues.
- $495,360 projected to be deferred to 2006 revenues from 2005 license sales.
- Projected license sales and revenue for 2005-2009;

Year	Active License Sales Targets	Average License Fee	Revenue
2005**	43,000	$25.60	$973,060
2006	48,000	$25.60	$1,179,400
2007	53.000	$25.60	$1,299,300
2008	55,000	$25.60	$1,384,960
2009	58,000	$25.60	$1,450,240

** In 2005 license fees were increased to $45.00 for intact dogs and $22.50 for sterilized dogs. The increase reflects inflation increases from 2002 –2005 inclusive.

Expenses:

Salaries and Benefits

2004 Budget	2004Actual	Original 2005*	Revised 2005
$1,218,183	$1,140,121	$1,262,042	$1,280,902

- Salary levels are based on existing grades and levels presently in place plus the creation of two temporary license canvasser positions and a five-month term clerical position. The CUPE complement will consist of an office administrator, three clerk As, one clerk C, one education/adoption coordinator, two kennel attendants, ten ASO I's and two ASO II's. . The projections are based on the above staffing levels and include an adjustment of 3% per year for 2005 and 2.5% thereafter. Employee benefits are estimated to be 18.42% of total gross salaries. It is anticipated that we will hire two additional CUPE employees in 2008 to help handle the increased workloads.

Services

2004 Budget	2004 Actual	Original 2005*	Revised 2005
$550,783	$498,227	$565,054	$490,610

- Vet Commissions are projected to reduce by 50% with the implementation of Tele-Pay option for license renewals.
- Internal equipment rental (fleet) is projected to increase approximately $14,000 over 2004 costs
- The Agency pays $125,000 annually to the Winnipeg Humane Society for related services and approximately $55,000 for a service contract with Scotia Enterprises for the Charleswood pound. The Humane Society contract is currently under negotiation.

Materials, Parts and Supplies

2004 Budget	2004 Actual	Original 2005*	Revised 2005
$43,425	$39,056	$44,103	$38,075

Accommodations

2004 Budget	2004 Actual	Original 2005*	Revised 2005
$168,666	$168,326	$172,883	$169,477

- The Agency will continue to occupy 1057 Logan Avenue, first level of the building only. (12,296 square feet) Civic Accommodations established the rental rate for 2005 and it is expected to increase by 2.5% per year. The Agency leases the lower level to the Community Services Department, License Branch for storage of bicycles.

Administrative Services

2004 Budget	2004 Actual	Original 2005*	Revised 2005
$211,669	$146,791	$161,721	$165,343

- The Agency expects to purchase administrative services from the City's Community Services Department. Included in these services is assistance with respect to finance, human resources, strategic support and information technology. Fees for this service have been reduced by $50,000 starting in 2005.

- The City of Winnipeg incurs corporate costs that relate to the operation of the individual departments. The Agency will share in paying these costs. It is anticipated that the Agency's share of these costs will amount to 18% of the total or approximately $69,582 yearly.

Interest/Financing

2004 Budget	2004 Actual	Original 2005*	Revised 2005
$2,118	$144	$1,463	$1,824

- Decreased borrowing cost associated with decreased loan requirements.
- The Agency no longer uses the Idea Bank loan but has negotiated a line of credit with an interest rate of prime plus 2.5%.

- As projected in the 2004 – 2008 Selection Report

Financial Impact Statement

Date: June 13, 2005

Project Name: Animal Services Agency Selection Report for the years 2005-2009 **2005**

First Year of Program: 2005

	2005	2006	2007	2008	2009
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Total Additional Debt Required	$ -	$ -	$ -	$ -	$ -
Current Expenditures/Revenues					
Direct Costs	$ 900,000	$ 900,000	$ 900,000	$ 900,000	$ 900,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 900,000	$ 900,000	$ 900,000	$ 900,000	$ 900,000
Less: Existing Budget Amounts	895,101	893,850	893,850	893,850	893,850
Net Budget Adjustment Required	$ 4,899	$ 6,150	$ 6,150	$ 6,150	$ 6,150

A budget adjustment is required for the Community Services Department to restore the operating grant to the requested amount of $900,000. A 2005 Budget Decision to allocate GST and small purchase savings to the Animal Services SOA resulted in grant reductions of $4,899 in 2005, and $6,150 in 2006 to 2009.

C. Fernandes, Acting Manager
Finance & Administrative Services

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCY BY:

- Community Services Department, Financial Division

THIS REPORT SUBMITTED BY:

Community Services Department, Animal Services Agency
Prepared by: Tim Dack, Chief Operating Officer, 986-6106
File No.

Appendix Index;

Appendix A: **Page 8**
2000 – 2004 Revenue and Expense Comparisons (Including 2005Projections)

Appendix B: **Page 9**
2005 – 2009 Financial Projections and Notes

Appendix C: **Page 19**
2000 – 2004 Operational Statistics

Appendix D: **Page 23**
2005 – 2009 License Revenue Projections

Appendix E: **Page 24**
Communications/Marketing Plan

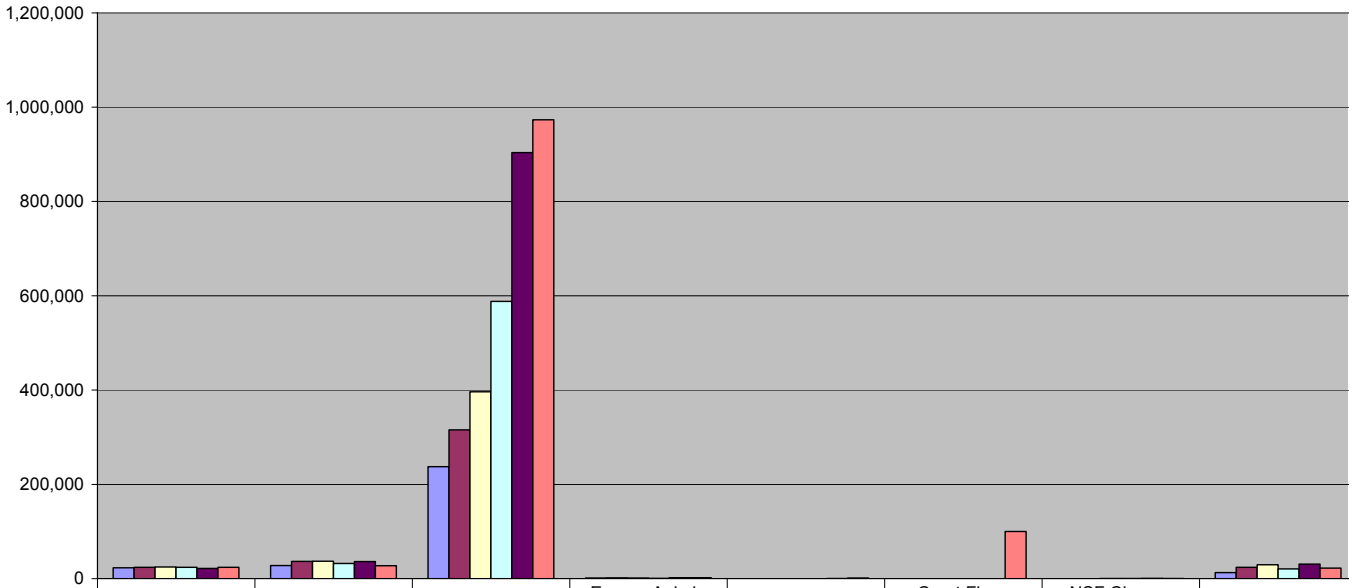
Appendix F:
2004 Pound Analysis **Page 29**

Appendix G: **Page 30**
2005 Advisory Board Members

Attachment **Page 33**
2004 Audited Financial Statements

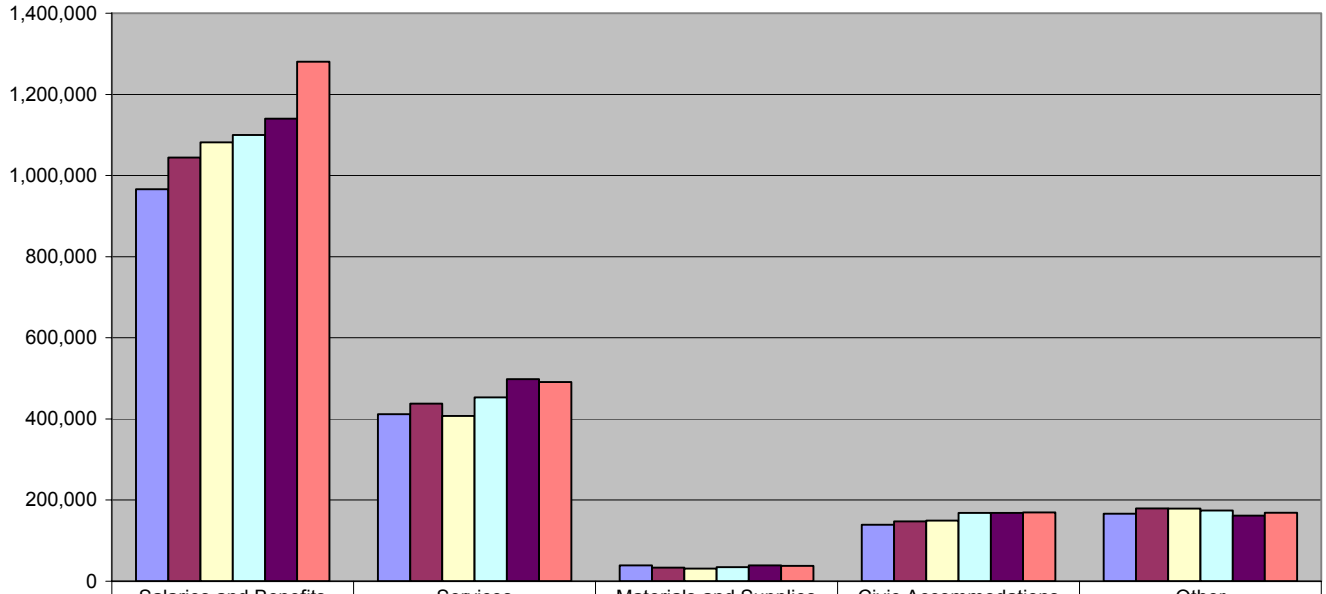
Appendix A: 2000 – 2004 Revenue and Expense Comparisons (Including 2005 Projections)

Revenue Comparisons 2000-2004 Actuals with 2005 Projections



	Pound Fees	Kenneling Fees	Dog Licensing	Excess Animla Permit	Cat Permits	Court Fines Accrued	NSF Cheque Charges	Others
2000	23,000	27,786	237,708	1,200			175	12,854
2001	24,050	36,641	315,566	1,320			120	23,805
2002	24,539	37,120	396,298	1,140			340	29,690
2003	23,970	32,241	587,916	900			480	20,491
2004	21,880	36,399	903,523	1,800	350		600	30,662
2005	23,925	27,132	973,060	1,860	1,000	100,000	500	22,350

Expense Comparisons 2000-2004 with 2005 Projections



	Salaries and Benefits	Services	Materials and Supplies	Civic Accommodations	Other
2000	966,293	411,639	39,191	139,238	166,531
2001	1,044,499	437,487	33,651	147,527	179,732
2002	1,081,767	407,698	31,131	149,598	178,756
2003	1,100,050	452,847	34,761	168,215	174,191
2004	1,140,121	498,227	39,056	168,326	161,950
2005	1,280,902	490,610	38,075	169,477	168,834

Appendix B: 2005 – 2009 Financial Projections

Projected Statement of Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

As At December 31		Actual 2004	2005	2006	2007	2008	2009
Assets							
CURRENT	*Note 7*						
Cash		$ 4,891	$ 2,973	$ 4,205	$ 5,082	$ 4,762	$ 4,242
Due from City of Winnipeg		-	-	30,000	270,000	360,000	457,000
Receivables		41,527	35,000	40,000	35,000	40,000	45,000
Inventory		11,164	13,000	10,000	12,000	11,000	12,000
Prepaid expenses		26,000	28,000	30,000	31,000	32,000	35,000
		83,582	78,973	114,205	353,082	447,762	553,242
EQUIPMENT	*Note 7*						
Computer equipment		74,500	84,500	84,500	84,500	109,500	109,500
Furniture and other equipment		71,015	71,015	71,015	71,015	71,015	91,015
		145,515	155,515	155,515	155,515	180,515	200,515
Less: accumulated depreciation		145,515	147,182	150,515	153,848	155,515	166,348
		-	8,333	5,000	1,667	25,000	34,167
		$ 83,582	$ 87,306	$ 119,205	$ 354,749	$ 472,762	$ 587,409
Liabilities							
CURRENT	*Note 7*						
Accounts payable & accrued liabilities		$ 34,557	$ 9,000	$ 8,000	$ 10,000	$ 15,000	$ 12,000
Vacation and overtime payable		48,423	42,000	50,000	55,000	57,000	55,000
Deferred revenue		375,960	503,560	553,060	610,560	633,600	668,160
Due to City of Winnipeg - Line of Credit		108,252	100,000	-	-	-	-
		567,192	654,560	611,060	675,560	705,600	735,160
LONG-TERM	*Note 7*						
Retirement allowance		120,227	111,000	106,000	115,000	125,000	120,000
		687,419	765,560	717,060	790,560	830,600	855,160
CAPITAL DEFICIENCY							
Deficit		(603,837)	(678,254)	(597,855)	(435,811)	(357,838)	(267,751)
		83,582	87,306	119,205	354,749	472,762	587,409

See accompanying notes to the financial statements

Projected Statement of Loss and Deficit

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31		Actual 2004	2005	2006	2007	2008	2009
Revenues	*Note 5*	$ 995,214	$ 1,149,827	$ 1,361,713	$ 1,483,426	$ 1,569,228	$ 1,633,829
Expenses							
	Note 6						
Salaries and Benefits		1,140,121	1,280,902	1,324,976	1,358,604	1,536,787	1,574,663
Services		498,227	490,610	500,222	504,577	498,553	501,950
Material, parts and supplies		39,056	38,075	39,713	41,366	42,036	42,722
Civic Accommodations		168,326	169,477	171,254	173,075	174,942	176,856
Other							
Depreciation		15,015	1,667	3,333	3,333	1,667	10,833
Administrative services		146,791	165,343	165,487	165,635	165,786	165,941
Interest/financing		144	1,824	907	-	-	-
		2,007,681	2,147,899	2,205,892	2,246,590	2,419,771	2,472,965
Loss from operations		(1,012,466)	(998,072)	(844,179)	(763,165)	(850,543)	(839,136)
Other							
Grant from the Province of Manitoba		20,787	23,656	24,578	25,208	28,517	29,223
Grant from the City of Winnipeg	*Note 5*	950,000	900,000	900,000	900,000	900,000	900,000
Net Income (Loss)		(41,679)	(74,417)	80,399	162,044	77,973	90,087
Deficit, beginning of year		(562,158)	(603,837)	(678,254)	(597,855)	(435,811)	(357,838)
Surplus(deficit)		$ (603,837)	$ (678,254)	$ (597,855)	$ (435,811)	$ (357,838)	$ (267,751)

See accompanying notes to the financial statements

Projected Statement Change in Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Actual 2004	2005	2006	2007	2008	2009
Net inflow (outflow) of cash related to the following activities						
Operating						
Net earnings (loss) for the year	$ (41,679)	$ (74,417)	$ 80,399	$ 162,044	$ 77,973	$ 90,087
Non-cash items related to operations						
Depreciation	15,015	1,667	3,333	3,333	1,666	10,833
Increase(decrease)Retirement Allowance	(9,773)	(9,227)	(5,000)	9,000	10,000	(5,000)
Working capital from operations	(36,437)	(81,977)	78,732	174,377	89,639	95,920
Net change in working capital other than cash assets	(96,336)	98,311	52,500	66,500	25,040	20,560
	(132,773)	16,334	131,232	240,877	114,679	116,480
Financing						
Due to Line of Credit	8,252	(8,252)	(100,000)	-	-	-
Due to/from the City of Winnipeg	114,277	-	(30,000)	(240,000)	(90,000)	(97,000)
	122,529	(8,252)	(130,000)	(240,000)	(90,000)	(97,000)
Investing						
Purchase of equipment	(1,015)	(10,000)			(25,000)	(10,000)
Proceeds from disposal of equipment		-				
	(1,015)	(10,000)	-	-	(25,000)	(20,000)
Increase (decrease in cash assets)	(11,259)	(1,918)	1,232	877	(321)	(520)
Cash position, beginning of year	16,150	4,891	2,973	4,205	5,082	4,762
Cash position, end of year	$ 4,891	$ 2,973	$ 4,205	$ 5,082	$ 4,762	$ 4,242

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL PROJECTION
FIVE YEARS ENDING DECEMBER 31, 2009

1. DESCRIPTION OF BUSINESS

Animal Services, Special Operating Agency commenced operations on January 1, 2000. The Agency is entering its sixth year of operations. Animal Services continues to work towards its goals;

- To be financially self-sustainable to the greatest extent possible, (significantly less reliance on mill-rate support)
- Improve Health and Safety of neighborhoods
- Improve Customer Service
- Improve Public Image

Since 2000 Animal Services has brought in the following new programs and initiatives:

- Adoption program to give strays a second chance
- Volunteer program to enhance the adoption program
- Work placement for students in our community
- Enhanced Free Ride program
- Added-value coupon strip
- Multi-year licensing
- Numerous retail outlets for license sales
- Enhanced education programs
- Increased advertising
- Revamped fines schedule
- 3-up invoicing for paper/printing economies and bar-coding for new technology

2. ACCOUNTING POLICIES

The projected financial statements have been prepared on the basis of generally accepted accounting principles. The projections include the following significant accounting policies:

Inventory

Inventory is stated at the lower of cost and net realizable value.

Equipment

Equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the asset using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%

3. FINANCIAL PROJECTION

This financial projection is an estimate of the financial position, results of operations and change in cash flow, for the operations of Animal Services Special Operating Agency, using management's assumptions that reflect the Agency's planned course of action for the five years ending December 31, 2009. Management's judgment has been used in the assumptions and the most probable set of economic conditions, together with the hypotheses stated in note 4 below. The hypotheses are consistent with the purpose of the information, but are not necessarily the most probable in management's judgment. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this projection. Therefore, the actual results achieved during the projected period will vary from the projections and the variations may be material.

4. HYPOTHESES

The financial projection has been prepared based on the following hypotheses:

(a) That the City of Winnipeg will agree to provide an annual operating grant of $900,000 per year.
(b) That the City of Winnipeg will extend an line of credit for up to $300,000, sufficient for the Agency to carry on operations.
(c) That the Agency will be allowed to purchase any support services required to sustain ongoing operations.
(d) That fine revenue collected on behalf of actions taken by Animal Services, by Corporate Services (Legal Services) will be transferred to the Agency.

5. ASSUMPTIONS – REVENUE

(a) Pound Fees

The basic fees for running at large are: first offence - $45, second offence - $150 and third offence - $225. Pound revenues are based on 425 -1st offences, 29 - 2nd offences and two - 3rd offences per year.

(b) Kenneling Fees

Kenneling fees will be set at $17 per day commencing in 2005 and will increase annually by $1 per day to $20 by 2008 where they will remain. 2005 volumes are based on 456 dogs annually with an average stay of 3.5 days.

(c) Dog Licenses

The following fees and volumes were derived based on the Agency's analysis of the market:

Year	Average License Fee	Anticipated Sales
2005	$25.60	43,000
2006	$25.60	48,000
2007	$25.60	53,000
2008	$25.60	55,000
2009	$25.60	58,000

Dog license fees applicable to intact dogs are $45 annually. A 50% discount is offered for sterilized dogs bringing this fee to $22.50 annually. Dangerous dog license fees are set at $75 annually. There is no charge for service dog licenses and for the first year dog adoptions done through the Humane Society and Animal Services. The Agency has implemented a fee increase in 2005. This reflects an inflation increase of approximately 3% from 2001 when license fees were last increased.

(d) Excess Animal Permit

2005 permit revenue is based on 27 renewals and two new applications with a modest annual increase to follow.

(e) Surrendered Animals

Revenues are based on 72 turnovers at a fee of $60. A fee increase to $75.00 has been forecast for 2006 to 2009.

(e) Trap Rentals/Set Ups

A fee of $60 is charged on skunk trap rentals and an administration fee of $10 on cat trap rentals. A planned expenditure for additional traps in 2005 and 2006 is reflected in the increased income for those years.

(f) Dog Adoptions

Adoption fees are $171 for dogs less than four months, $141 for dogs over four months, $111 for sterilized dogs and $100 and $50 for senior and senior, sterilized dogs. Adoptions include a health check by a veterinarian, vaccinations, spaying or neutering, microchip, first license and other value-added items. In an effort to stimulate sales the Agency introduced a discount for senior citizens of 20% and a reduced fee for dogs seven years and older. After costs, the Agency expects to net approximately $48 per animal with 200 animals adopted annually.

(g) Court Fines

The 2005 – 2009 projected fines are based on a new initiative to enforce the no license bylaw. Council approved a revamped fine structure in October of 2003. The Agency is projecting an increase in both the number of charges laid and the revenue recognized from the fines levied.

(h) Grant from the City of Winnipeg

The Agency has negotiated an annual operating grant from the City of Winnipeg in the amount of $900,000 for 2005 through 2009. This grant represents the mill rate support of operating costs.

2000	2001	2002	2003	2004	2005	2006
$1,250,000	$1,250,000	$1,250,000	$1,100,000	$950,000	$900,000	$900,000

6. ASSUMPTIONS – EXPENSES

(a) Salaries and Employee Benefits

The Agency expects to operate with the following staff levels over the next five years:

	2005	2006	2007	2008	2009
WAPSO	2	2	2	2	2
CUPE	20	20	20	22	22

Salary levels are based on existing grades and levels presently in place plus the creation of two temporary license canvasser positions and a five-month term clerical position. The CUPE complement will consist of an office administrator, three clerk As, one clerk C, one education/adoption coordinator, two kennel attendants, ten ASO I's and two ASO II's. . The projections are based on the above staffing levels and include an adjustment of 3% per year for 2005 and 2.5% thereafter. Employee benefits are estimated to be 18.42% of total gross salaries. It is anticipated that we will hire two additional CUPE employees in 2008 to help handle the increased workloads.

(b) Professional and Consulting Services

The Agency pays $125,000 annually to the Winnipeg Humane Society for related services and approximately $55,000 for a service contract with Scotia Enterprises for the Charleswood pound. The Humane Society contract is currently under negotiation.

(c) Audit Fee

The Agency expects to pay $5,000 annually for audit fees in 2005 and 2006 and have budgeted for an increase to $5,500 for the remaining three years.

(d) Auto Allowances

Two staff members are provided "required" auto allowances and three staff members are provided "regular" auto allowance.

(e) Office Equipment Maintenance

This has been reduced to $5,000 to more accurately reflect historic costs of office equipment repairs and maintenance.

(f) Telephone

A 2% rate increase has been forecast annually through to 2009. Additional costs for a call service have been incurred due to reduced police services.

(g) Advertising

The Agency intends to use extensive advertising to build its revenue base. Advertising will take the form of billboards, bus posters, newspaper ads and brochures as well as game sponsorships at sporting events. Special emphasis will be placed on developing a website to aid the Agency's adoption program and provide timely information to the public. The Agency will be pursuing Internet Banking and Telepay options to help facilitate license sales and control future costs such as postage and retail commissions.

(h) Equipment Rental, Internal

Equipment and Material Services provides fleet services for SOA vehicles. The Agency operates seven vehicles. Costs are expected to increase incrementally by 3% per year. The Agency will be giving consideration to tendering maintenance services with other contractors during the five-year period.

(i) Training/Workshops/Tuition

The Agency expects to incur costs of $5,000 annually to provide training to staff.

(j) Civic Accommodations

The Agency will continue to occupy 1057 Logan Avenue, first level of the building only. (12,296 square feet) The rental rate for 2005 was established by Civic Accommodations and it is expected to increase by 2.5% per year.

(k) Depreciation

Depreciation is based on rates identified in note 2.

(l) Interest on Operating Line of Credit

The Agency no longer uses the Idea Bank loan but has negotiated a line of credit with an interest rate of prime plus 2.5%.

(m) Administrative Charges

The Agency expects to purchase administrative services from the City's Community Services Department. Included in these services is assistance with respect to finance, human resources, strategic support and information technology.

(n) General Government Charges

The City of Winnipeg incurs corporate costs that relate to the operation of the individual departments. The Agency will share in paying these costs. It is anticipated that the Agency's share of these costs will amount to 18% of the total or approximately $69,582 yearly.

7. ASSUMPTIONS – CASH RECEIPTS AND DISBURSEMENTS

(a) Cash on hand

Petty cash of $150 will be available for incidental expenditures. Change funds of $150 are available for the cash register float.

(b) Inventory

The Agency requires inventory in respect to animal supplies and retail sales. A physical inventory count is done on December 31st.

(c) Equipment

On start-up, the Agency acquired equipment from the City of Winnipeg. In 2005 the Agency will review its technology needs and replace its computer equipment with updated technology as needed. The Agency has budgeted $10,000 for acquisitions and has assumed that all dispositions will be made at net book value and there will be no gain or loss resulting from the disposition of assets.

(d) Accounts Payable and Accrued Liabilities

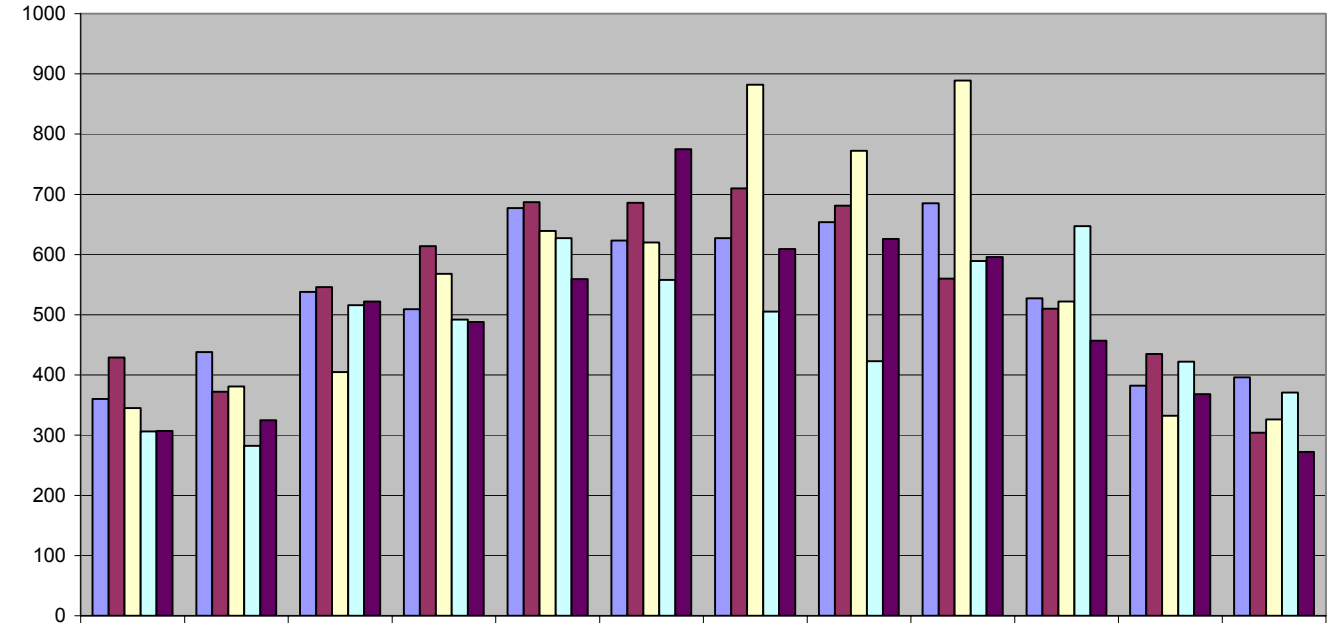
Accounts payable will be paid on the basis of 30-day terms and it has been assumed that accounts payable will be nominal at year-end. Accrued liabilities include such items as unpaid contract fees, salary accruals and other year-end payables.

(e) Deferred Revenue

Dog license terms vary from 8 months to 30 months. Licenses have staggered monthly renewals based on the first letter of the last name. As a result there will be unearned revenue on hand at year-end. In 2002 a new two-year licensing option was offered to dog owners. This has resulted in a slightly higher deferral for unearned revenues.

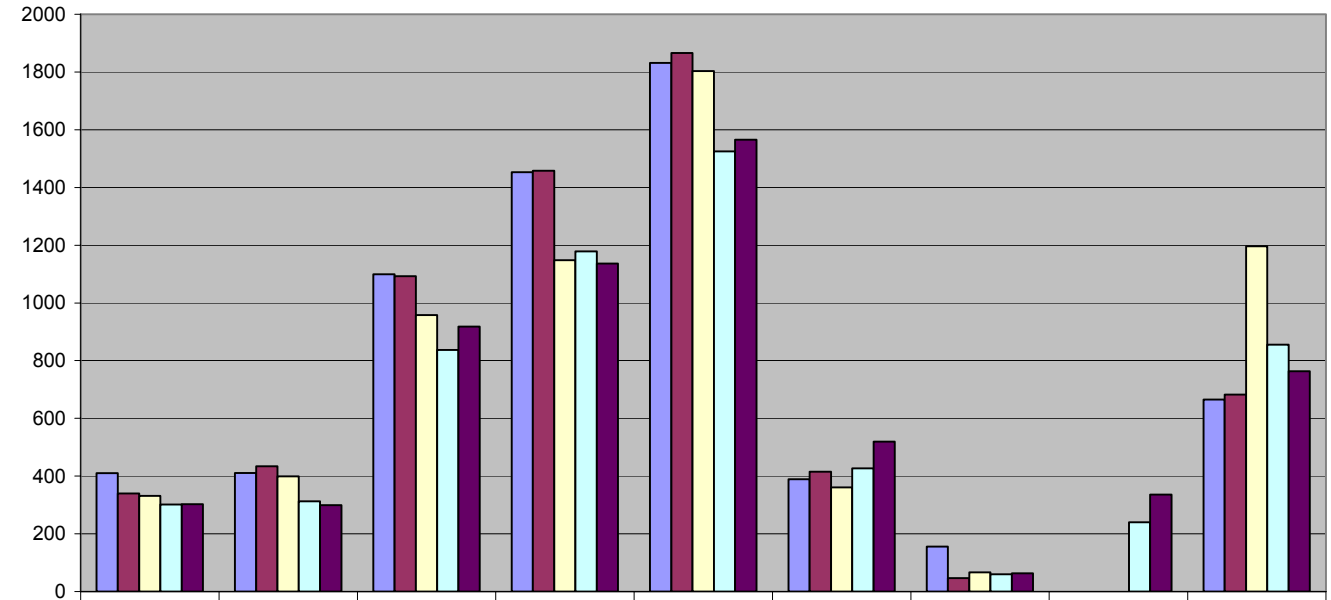
Appendix C: 2000 – 2004 Operational Statistics

Service Request 2000-2004



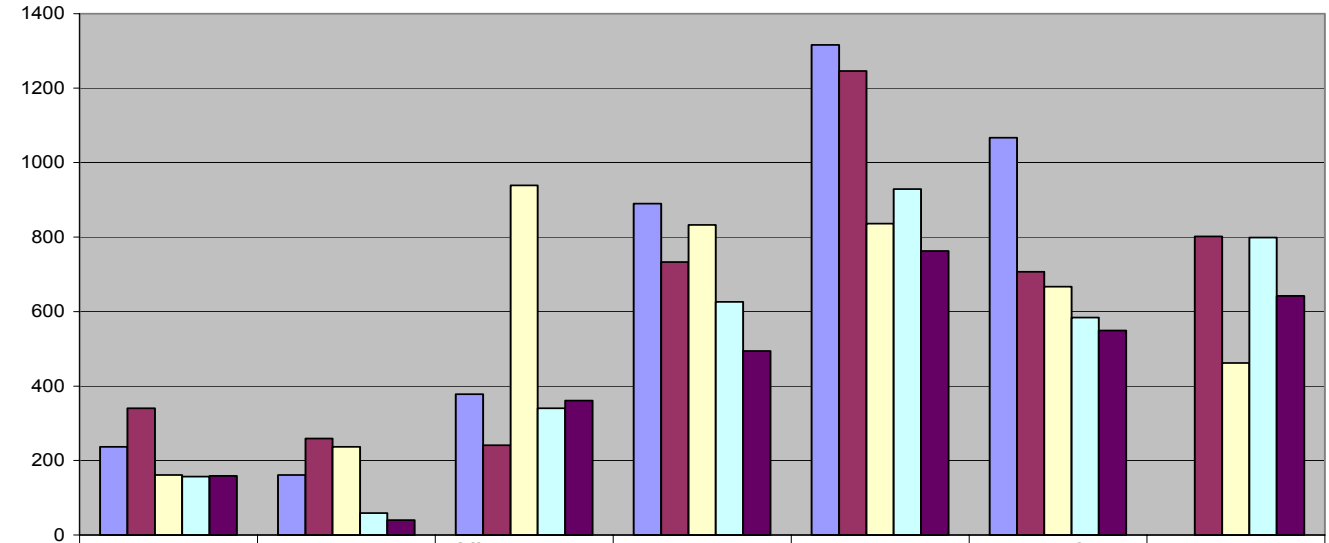
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
2000	360	438	538	509	677	623	627	654	685	527	382	396
2001	429	372	546	614	687	686	710	681	560	510	435	304
2002	345	381	405	568	639	620	882	772	889	522	332	326
2003	306	282	516	492	627	558	505	423	589	647	422	371
2004	307	325	522	488	559	775	609	626	596	457	368	272

Service Request Types 2000-2004



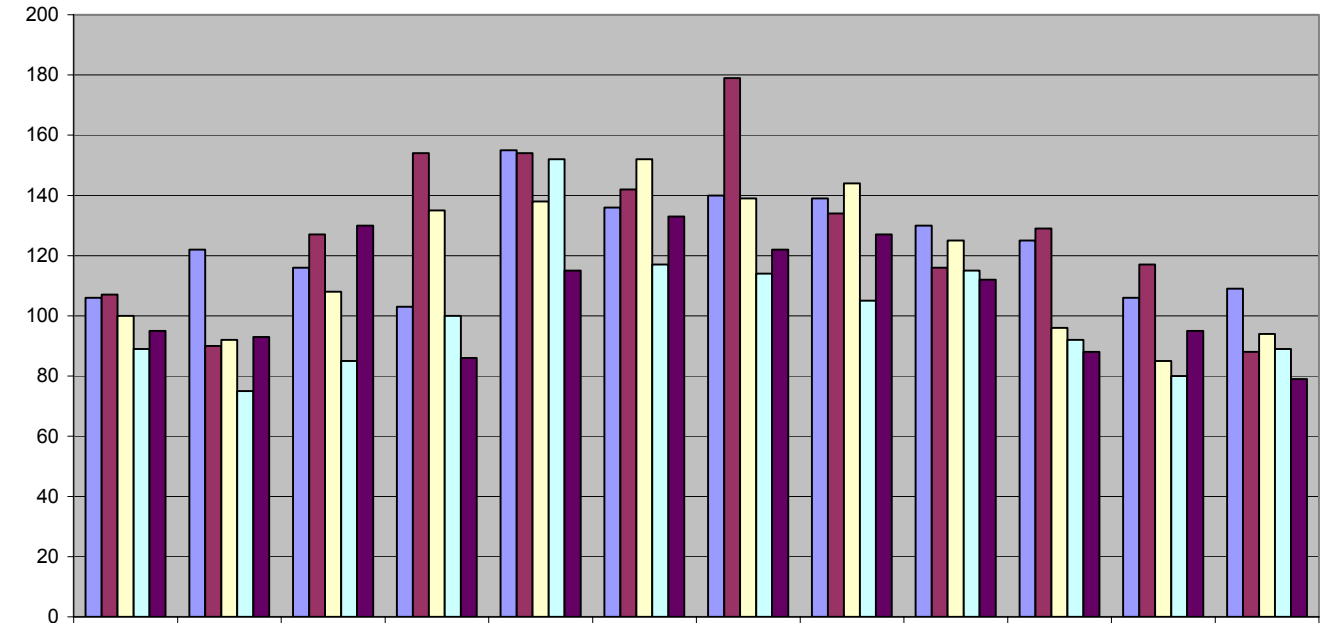
	Biters	Pursue Humans	Strays	Barking	Dogs RAL	Cats RAL	Animal Traps	Unsterilized Cats	Other
2000	410	411	1100	1453	1832	389	156	0	665
2001	340	434	1093	1458	1866	415	47	0	683
2002	332	399	958	1148	1803	361	67	0	1196
2003	302	313	837	1179	1525	427	60	240	855
2004	303	299	918	1136	1566	519	63	336	764

Action Taken 2000-2004



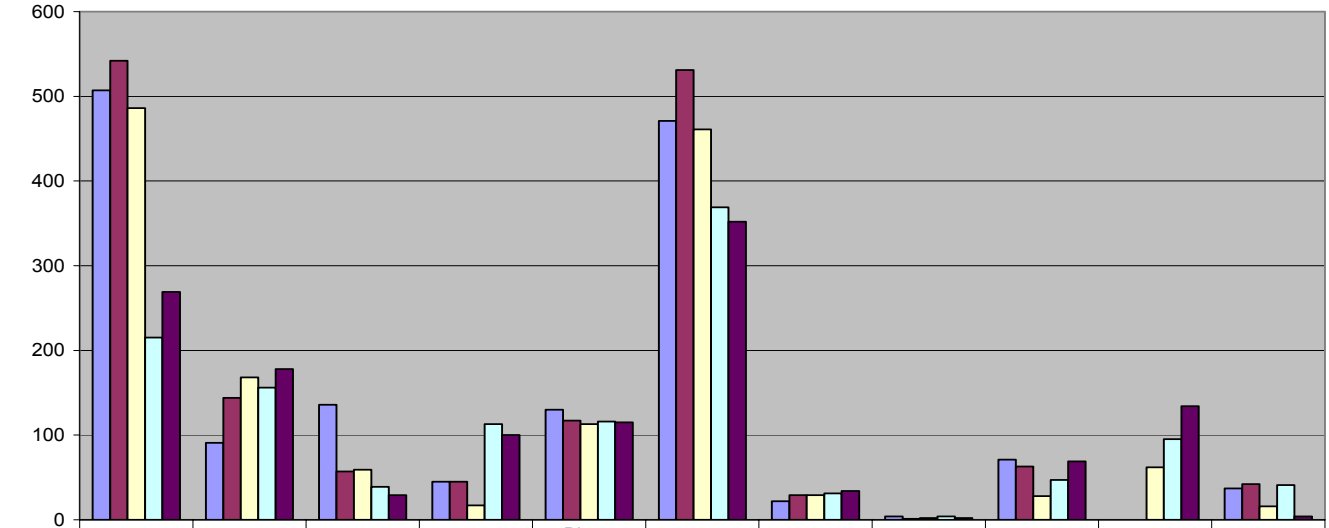
	Biters Handled	Assist Police	Offence Notices Served	License Notices Left	Verbal Warnings	Warning Cards Left	Barking Letters
2000	237	161	378	890	1316	1067	0
2001	340	259	241	733	1246	707	802
2002	161	237	939	833	836	667	462
2003	157	59	340	626	929	584	799
2004	159	40	361	494	763	549	642

Impounded Dogs 2000-2004



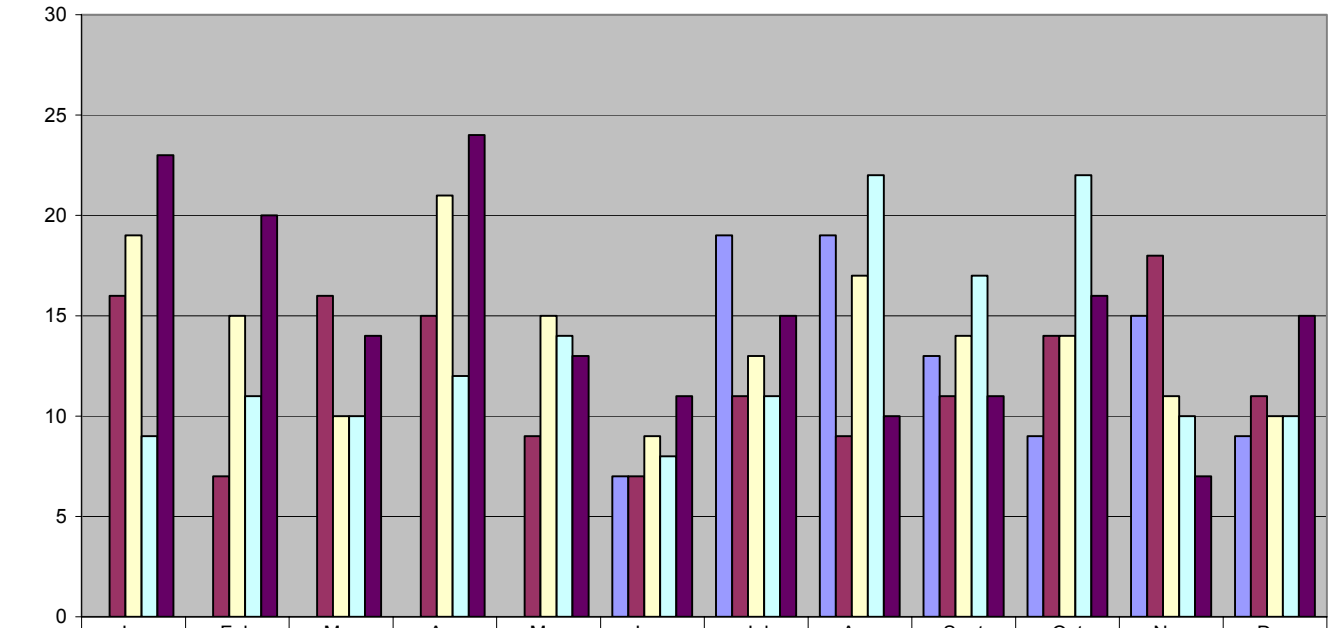
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
2000	106	122	116	103	155	136	140	139	130	125	106	109
2001	107	90	127	154	154	142	179	134	116	129	117	88
2002	100	92	108	135	138	152	139	144	125	96	85	94
2003	89	75	85	100	152	117	114	105	115	92	80	89
2004	95	93	130	86	115	133	122	127	112	88	95	79

Dispostion of Impounded Animals 2000-2004



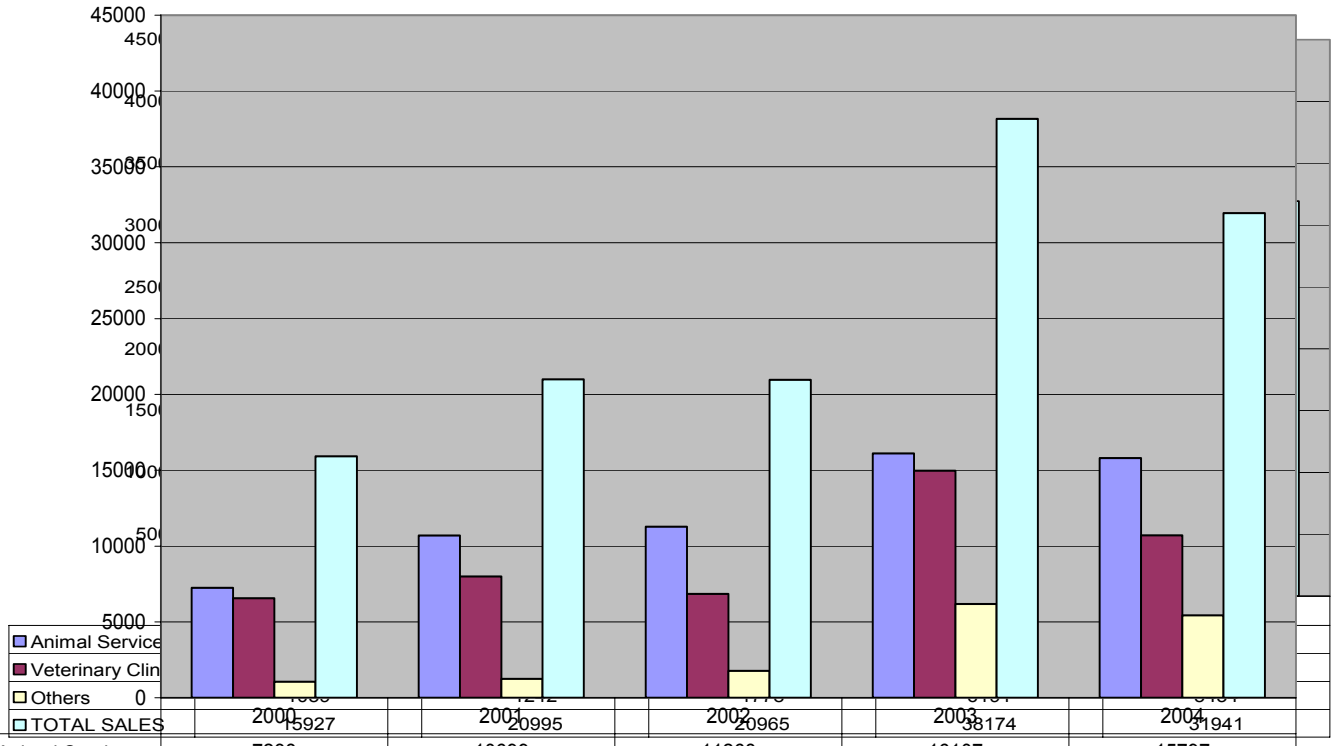
	Euthanized	Adopted	Humane Society	Breed Rescue	Biters Returned to Owner	RAL* 1st Offence	RAL* 2nd Offence	RAL* 3rd Offence	Returned No Charge	Free Ride	Other
2000	507	91	136	45	130	471	22	4	71		37
2001	542	144	57	45	117	531	29	1	63		42
2002	486	168	59	17	113	461	29	2	28	62	16
2003	215	156	39	113	116	369	31	4	47	95	41
2004	269	178	29	100	115	352	34	2	69	134	4

Adoptions 2000-2004



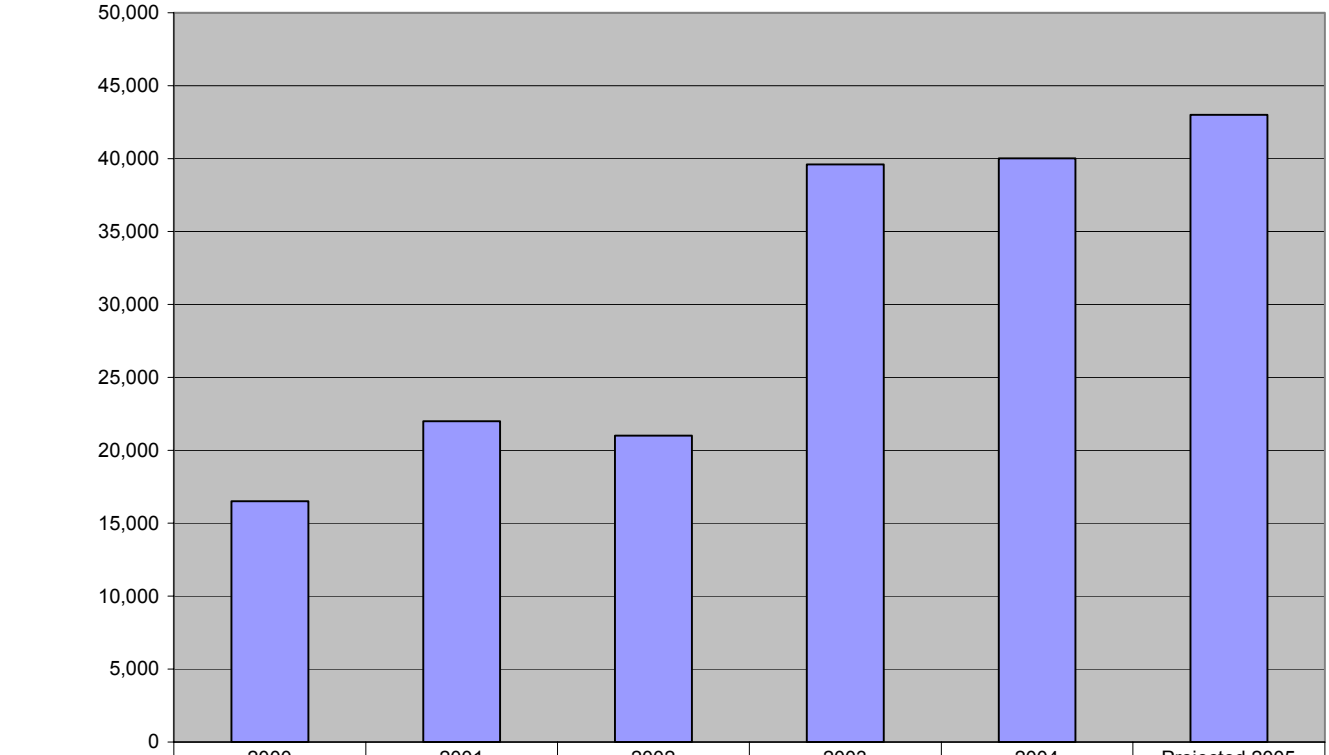
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
2000	0	0	0	0	0	7	19	19	13	9	15	9
2001	16	7	16	15	9	7	11	9	11	14	18	11
2002	19	15	10	21	15	9	13	17	14	14	11	10
2003	9	11	10	12	14	8	11	22	17	22	10	10
2004	23	20	14	24	13	11	15	10	11	16	7	15

License Sales 2000-2004



	2000	2001	2002	2003	2004
Animal Services	7238	10699	11268	16107	15797
Veterinary Clinics	6561	7994	6844	14962	10710
Others	1059	1242	1778	6191	5434
TOTAL SALES	15927	20995	20965	38174	31941

Active Licenses 2000-2004 with 2005 Projections



	2000	2001	2002	2003	2004	Projected 2005
Active Licenses	16,500	22,000	21,007	39,604	40,023	43,000

Appendix D: 2005 – 2009 Projection of Revenues License Revenue Projections

	Number Sold	Average Price	Current Yr Sales	Under Accrued 2003 Sales	Total	Previous Yr Deferred	Current Deferred	License Sales
2004	31941	$ 22.83	$ 729,213	$ 21,642	$ 750,855	$ 493,409	$ (340,741)	$ 903,523
Whole $40								
Sterilized $20								
2005	43000	$ 25.60	$ 1,100,800	$ -	$ 1,100,800	$ 367,620	$ (495,360)	$ 973,060
Whole $45								
Sterilized $22.50								
2006	48000	$ 25.60	$ 1,228,800	$ -	$ 1,228,800	$ 503,560	$ (552,960)	$ 1,179,400
Whole $45								
Sterilized $22.50								
2007	53000	$ 25.60	$ 1,356,800	$ -	$ 1,356,800	$ 553,060	$ (610,560)	$ 1,299,300
Whole $45								
Sterilized $22.50								
2008	55000	$ 25.60	$ 1,408,000	$ -	$ 1,408,000	$ 610,560	$ (633,600)	$ 1,384,960
Whole $45								
Sterilized $22.50								
2009	58000	$ 25.60	$ 1,484,800	$ -	$ 1,484,800	$ 633,600	$ (668,160)	$ 1,450,240
Whole $45								
Sterilized $22.50								

3% increase per year for 2002 - 2005 (4 years = 12%) 4x 1.12 = 44.80 or $45.00 50% discount for sterilized = $22.50

*2004 figures reflect actual new sales and renewals for the year. For 2004 there were 40,023 active licenses on file.

Appendix E: Communications/Marketing Plan

Marketing (See Appendix E)

The highlights of the 2004 Marketing Plan are to;

- Increase active license by 3,000 over 2004 to 43,000 active licenses.
- Engage and encourage Veterinarians and other pet industry providers to be active participating partners in the licensing of dogs.
- Provide dog owners a tangible sense of value for licensing their dogs by improving benefits and adding usable value.
- Promote Animal Services as a contributing partner in the building of safe communities, safe families and safe pets.
- Promote a positive, caring and interactive image of Animal Services.
- Encourage and educate dog owners to be responsible.

Introduction & Background:

Animal Services Agency provides enforcement of animal control by-laws, licensing of dogs, and control of stray and unwanted animals, animals running at large, abandoned pets and community incidents of animal bad behavior.

Animal Services is dedicated to continuously improving its service delivery and to becoming an active partner in the Winnipeg Community. It has adopted strategies designed to improve customer service, enhance financial stability and better fulfill the expectations of stakeholders.

These strategies include:

- A commitment to making the service self-sustaining to the greatest extent possible, by generating revenues to offset the cost of operations to the general taxpayer.
- A renewed and strengthened commitment to improving community health and safety through increased public awareness of the many services that Animal Services provides.
- A commitment to the provision of courteous, professional and prompt service
- A commitment to improving and increasing the value and appeal of products and services, and enhancing the public image of Animal Services.

Communication/Marketing Objectives:

Conduct an annual wide scale promotions and advertising campaign designed to increase consumer awareness and satisfaction relative to the mandate, services and licensing requirements of Animal Services. The goal of the campaign would be to achieve 90% target market awareness at the end of the five-year planning period.

Continue to expand the number of distribution outlets for dog licenses to include appropriate municipal offices.

Optimize advertising/promotional opportunities by partnering with external service providers such as the Humane Society, veterinarians, and other industry members.

Enhance service options to include license purchases through the use of the Internet, telephone banking and automatic renewal options.

Target Audience:

- Mayor and Councillors
- Chief Administrative
- Animal Services Agency Advisory Board
- Winnipeg Citizens
- Dog Owners
- Cat Owners
- The Winnipeg Humane Society
- Veterinarians

Challenges:

Strong enforcement of by-laws is essential to increasing license sales. Failure to do this more stringently and failure to impose significant penalties for non-adherence will seriously jeopardize Animal Services' ability to meet forecasted revenue targets.

Although the awareness of the Animal Services Mandate is increasing (as indicated by increases license revenues), as is the importance and value of the Agency's services to the health and safety of the community, significant promotional dollars are still required to address these issues.

Opportunities:

To continue to enhance the Animal Services Agency's image through targeted Community outreach programs/services, Promotional Campaigns, and Animal Services Programs.

Targeted Community Outreach Programs/Services include:

- Continued relationships with the Winnipeg Humane Society, City Veterinarians
- Participation in special events such as the Teddy Bears Picnic and Great Manitoba Dog Party
- School programming /contests
- Community Relations Bill Board Campaign

Promotional Campaigns include:

- Advertising through professional sport venues
- Leisure Guide Advertising
- Annual city wide campaigns designed to increase awareness
- Door-to-Door Campaigns
- Earned media
- Animal Services Web site

Animal Services Programs

- Dog Adoption Program
- Volunteer Services program
- Sale of goods

Strategies:

1. **Complete development of and publish the Animal Services Agency Web site.**

Animal Services Agency to work with the Strategic & Information Systems Services Division and external web designers to complete development of the Animal Services Agency website and to publish to City's Internet site. The site would include linkages to agencies with which the Animal Services Agency does business and on-line license sales and renewal capabilities

Responsibility:	Agency Head, with support from the Strategic & Information Systems Services Division.
Timeline:	Nov 2005
Budget:	N/A

2. **Continue the Community Relations out reach programs to further enhance the Animal Services Agency image as an Agency who cares about animal owners and their pets. The emphasis on these outreach programs include the agency's mandate, licensing requirements, purchase options.**

Vehicles for Community Relations outreach include:

- Static displays in shopping mall, community centers
- National Dog Bite Prevention week promotion
- Participation in high profile special events such as the Great Manitoba Dog Party, Teddy Bear's Picnic
- Participation in the Winnipeg Humane Society's Bow Wow Ball
- School programming and contests
- Photos with Santa
- Walk for Guide Dogs

Responsibility:	Agency Head, with support from the Strategic & Information Systems Services Division.
Timeline:	Year round
Budget	$8,000

3. Offer clinics for new pet owners on the care and handling of pets to ensure a healthy home for both pet and pet owners including children.

The clinics could be an evening session where new pet owners are invited to the Animal Services Agency with their pet and discuss pet care and handling with new owners. A small fee would be charged for consultation session.

Responsibility: Agency Head and Animal Services Staff
Timeline: on-going
Budget: $3,000 - $5,000

4. Conduct an annual promotions and advertising campaign in the spring and fall of each year using integrated media to encourage dog owners to license their dogs.

Promotional Vehicles include:

- Advertising through professional sport venues
- Leisure Guide Advertising Spring/Summer
- Door-to-Door License renewal Campaigns
- Television commercials with local entertainers
- Radio commercials with local entertainers
- Bill Boards
- Bus Shelters
- Animal Services Agency Web site
- Civic Pulse Newsletter
- Community Services Department Newsletter
- City wide email to staff
- Local newspaper advertising
- Posters and handouts/giveaways

Responsibility: Agency Head with support from the Strategic & Information Systems Services Division
Timeline: Spring of each year
Budget: $30,000

5. Highlight Animal Services programs (Adopt a Pet, Volunteers Program and Photos with Santa), success stories and services through earned media to demonstrate the benefits of the Animal Services programs.

Vehicles include:

- News releases
- Radio spots
- A-Channels Big Breakfast
- Shaw Cable's City Scape

- Story's with associated photo's in the Winnipeg Free Press Community Review section and or the Community Newspapers
- Customer Testimonial on the Web site
- Quarterly and Annual reports
- Civic Pulse Newsletter
- Community Services Department newsletter
- City wide email to staff

Responsibility: Agency Head with support from Animal Services staff and the Strategic & Information Systems Services Division.
Timeline: on-going
Budget: $10,000

6. Continue to provide responsible pet owners who license their dogs with value added coupon promotions. Seek out additional sponsorship to help support promotions for this program to include:

- Either radio or TV spots with local entertainers
- Paid advertising in the Winnipeg Free Press, Winnipeg Sun or Community Newspapers
- Promotions on the Animal Services web site
- Leisure Guide Advertising
- Civic Pulse Newsletter
- Community Services Department Newsletter
- City wide emails to Civic Staff

Responsibility: Agency Head with support from the Strategic & Information System Services Division
Timeline: on-going annually
Budget: Sponsorship $ to cover costs

7. Develop in consultation with Corporate Education courses in advance customer care services for Animal Services Agency staff.

Responsibility: Agency Head
Timeline: on-going
Budget: N/A

Appendix F: 2004 Pound Analysis

Pound Analysis for the Month of December, 2004

Revenues:

Fine/Kenneling Fees	Current Month	YTD
Biters Boarding Fees Paid	$ 368.00	$ 14,992.00
Strays - Impound Fees	$ 1,652.00	$ 32,590.00
Total Gross Impound Fees	$ 2,020.00	$ 47,582.00

Adoption Revenues

	Current Month	YTD
Sales	$ 2,806.00	$ 24,793.12
Costs	$ (958.87)	$ (12,753.96)
Net Sales	$ 1,847.13	$ 12,039.16

Average Days Stay

Average Days Impounded:

		Current Month		YTD	
All Dogs	Total Days Impounded	703	**= 8.47 days**	12632	**=9.84 days**
	Total Dogs Dealt With	83		1284	
Biters	Total Days Impounded	23	**= 7.67 days**	1529	**= 10.06 days**
	Total Dogs Dealt With	3		152	
Strays (non adoption candidates)	Total Days Impounded	164	**= 2.93 days**	3326	**= 4.02 days**
	Total Dogs Dealt With	56		827	
Adoption Candidates	Total Days Impounded	516	**= 21.5 days**	8076	**= 26.48 days**
	Total Dogs Dealt With	24		305	

Disposition:

	All Dogs			**Adoption Dogs**		
	Current Month	YTD		Current Month	YTD	
Beginning Dogs on hand	33	36	**%**	18	21	**%**
New Pickups	79	1276	**of YTD**	15	292	**of YTD**
Total Dogs	112	1312	**total**	33	313	**total**
Euthanized	22	269	20.92%	4	39	12.83%
Adopted	15	178	13.84%	15	178	58.55%
Humane Society	0	29	2.26%	0	14	4.61%
Breed Rescues/Other	1	17	1.32%	0	6	1.97%
Pet Rescue	3	53	4.12%	3	37	12.17%
Darcy's Arc	2	30	2.33%	2	21	6.91%
Biters Returned to Owners	3	115	8.94%			0.00%
Returned R.A.L. 1st offence	20	352	27.37%	0	6	1.97%
Returned R.A.L. 2nd offence	2	34	2.64%			0.00%
Returned R.A.L. 3rd offence	0	2	0.16%			0.00%
Returned No Charge	6	69	5.37%			0.00%
Free Ride	12	134	10.42%			0.00%
Not Approved/Other	0	4	0.31%		3	0.99%
On hand at end of month	26	26		9	9	
Total Dogs:	112	1312	100.00%	33	313	100.00%
Total Dispositions		**1286**				

Strays Picked Up:		Month	YTD		Month	YTD
Male	59%	46	662	Unclaimed-Known Owner	4	62
Female	41%	31	460	Dogs P.U. Current License	12	134

Appendix G: 2004 Advisory Board Members

From Civic Government Agencies:

- Department Head or Designate (ex-officio)
  Kelly Goldstrand, Manager Community Resources, Protection and Safety Services Division
- Agency Head (ex-officio)
  Tim Dack, Chief Operating Officer, Animal Services
- Corporate ASD Initiative Representative and Chairperson
  Iain Day, Alternative Service Delivery Development Officer
- Agency Staff Representative
  Ted Turk, Animal Service Officer

From Non-Government Agencies:

- Business Representatives external to government
  Two vacant positions
- Humane Society Representative
  Brent Thomas, Past President, Winnipeg Humane Society
- Veterinarian Association Representative
  Dr. Nancy McQuade
- Executive Member of the Canadian Union of Public Employees
  Nicole Campbell
- Member at Large
  Vacant

Attachment: 2004 Audited Financial Statements

Financial Statements

The City of Winnipeg Animal Services – Special Operating Agency

December 31, 2004

AUDITORS' REPORT

To the Mayor and Members of City Council
The City of Winnipeg

We have audited the statement of financial position of **The City of Winnipeg Animal Services – Special Operating Agency** as at December 31, 2004 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg Animal Services – Special Operating Agency** as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
February 18, 2005

Chartered Accountants

ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2004	2003
ASSETS		
Current		
Cash	**$ 4,891**	$ 16,150
Due from City of Winnipeg - General Revenue Fund (Note 3)	**-**	114,277
Accounts receivable (Note 4)	**41,527**	52,200
Inventory	**11,164**	12,974
Prepaid expenses	**26,000**	55,342
	83,582	250,943
Equipment		
Computer	**74,500**	74,500
Furniture and other	**71,015**	70,000
	145,515	144,500
Less: accumulated depreciation	**145,515**	130,500
	-	14,000
	$ 83,582	$ 264,943
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 34,557**	$ 15,269
Vacation and overtime payable (Note 5a)	**48,423**	53,204
Deferred revenue	**375,960**	528,628
Due to City of Winnipeg - General Revenue Fund (Note 3)	**108,252**	-
Due to City of Winnipeg - Idea Bank Reserve (Note 6)	**-**	100,000
	567,192	697,101
Long-term		
Retirement allowance (Note 5b)	**120,227**	130,000
	687,419	827,101
CAPITAL DEFICIENCY		
Deficit	**(603,837)**	(562,158)

THE CITY OF WINNIPEG

$ 83,582	$ 264,943

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF LOSS AND DEFICIT

For the years ended December 31

		unaudited 2004 Budget	2004 Actual	2003 Actual
REVENUES		**$ 1,184,451**	**$ 995,214**	$ 665,998
EXPENSES				
Salaries and benefits		**1,218,183**	**1,140,121**	1,100,051
Services (Note 7)		**550,783**	**498,227**	452,847
Rent (Note 7)		**168,666**	**168,326**	168,215
Material, parts and supplies		**43,425**	**39,056**	34,761
Other				
	Administrative expenses (Note 7)	**211,669**	**146,791**	141,228
	Depreciation	**32,625**	**15,015**	32,625
	Interest	**2,118**	**144**	338
		2,227,469	**2,007,680**	1,930,065
Loss from operations		**(1,043,018)**	**(1,012,466)**	(1,264,067)
Other				
	Grant from the Province of Manitoba	**22,665**	**20,787**	20,711

Grant from The City of Winnipeg (Note 8)	**950,000**	**950,000**	1,100,000
NET LOSS FOR THE YEAR	**(70,353)**	**(41,679)**	(143,356)
DEFICIT, BEGINNING OF YEAR	**(562,158)**	**(562,158)**	(418,802)
DEFICIT, END OF THE YEAR	**$ (632,511)**	**$ (603,837)**	$ (562,158)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31

	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	**$ (41,679)**	$ (143,356)
Non-cash items related to operations		
Depreciation	**15,015**	32,625
(Decrease) Increase in retirement allowance	**(9,773)**	4,000
Working capital from operations	**(36,437)**	(106,731)
Net change in working capital other than cash assets	**(96,336)**	258,763
	(132,773)	152,032
FINANCING		
Decrease in Due to City of Winnipeg - Idea Bank Reserve	**(100,000)**	(125,000)
Increase (Decrease) in Due to/from City of Winnipeg - General Revenue Fund	**222,529**	(14,743)
	122,529	(139,743)
INVESTING		
Purchase of equipment	**(1,015)**	-
(Decrease) Increase in cash	**(11,259)**	12,289
CASH POSITION, BEGINNING OF YEAR	**16,150**	3,861
CASH POSITION, END OF YEAR	**$ 4,891**	$ 16,150

See accompanying notes to the financial statements

SUPPLEMENTARY INFORMATION		
Interest paid	**$ 144**	$ 338

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

1. Description of Business

Animal Services, Special Operating Agency commenced operations on January 1, 2000. Our goals since the establishment of the agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

2. Accounting Policies

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles. The financial statements are based on the following significant accounting policies:

Revenue Recognition

License revenues are recognized over the license validation period.

Inventory

Inventory is stated at the lower of cost and net realizable value.

Equipment

Equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the asset using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%

Financial Instruments

Financial instruments include cash, accounts receivable, due to/from City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities and due to City of Winnipeg - Idea Bank Reserve. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Agency's financial assets and liabilities approximates their fair value.

3. Due to/from City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, Animal Services does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account. As well, the Agency has negotiated an operating line of credit up to $300 thousand from The City of Winnipeg at a 2004 effective interest rate of prime plus 2.5%.

4. Accounts Receivable

	2004	2003
Trade accounts receivable	**$ 27,203**	$ 39,108
Allowance for doubtful accounts	**(6,174)**	(7,619)
	21,029	31,489
Provincial Grant	**20,498**	20,711
	$ 41,527	$ 52,200

5. Employee Benefits

(a) Vacation and overtime payable

The Agency's employees accrue vacation credits, which together with unused holidays from previous years generally become a charge to operations in the year they are earned.

(b) Retirement allowance

Under various union agreements, unused sick leave credits accumulate and employees with

specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation had estimated the sick leave credit liability as at December 31, 2004 at $120,227 (2003 - $130,000).

(c) Pensions

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, $60,089 (2003 - $56,079) of pension costs were allocated to Animal Services.

6. Due to City of Winnipeg - Idea Bank Reserve

The Agency originally negotiated a loan of up to $500,000 from The City of Winnipeg Idea Bank Reserve at an effective interest rate for 2004 of 3.5% (2003 - 3.5%).

7. Related Parties

Included in Animal Services expenditures is a transfer to City of Winnipeg Civic Accommodations Fund for rent of $168,326 (2003 - $168,215) and a transfer to City of Winnipeg General Revenue Fund for administrative services of $130,000 (2003 - $130,000). Also included are lease costs of $81,466 (2003 - $89,960) to The City of Winnipeg Fleet Management - Special Operating Agency.

8. Grant from the City of Winnipeg

This year, the general grant from The City of Winnipeg decreased by 14% or $150,000 to $950,000. This follows a decrease in 2003 of 12%. It is anticipated that the funding will decrease a further 5% in 2005 to $900,000.

2000	$ 1,250,000
2001	1,250,000
2002	1,250,000
2003	1,100,000
2004	950,000