Agenda - Executive Policy Committee - March 14, 2007

Moved by Councillor

That Rule 9.3 of the Procedure By-law be suspended in order that the following item, which was received too late to be placed on the agenda, may also be considered by Committee at this time.

Report - Alternate Service Delivery Committee - March 12, 2007

Item No. 5 Winnipeg Parking Authority Special Operating Agency - 2007 Annual Selection Report
File GL-5.6.1

COMMITTEE RECOMMENDATION:

On March 12, 2007, the Alternate Service Delivery Committee concurred in the administrative recommendation and submits the following to Council:

1. That the 2007 Selection Report (a Summary of the Business Plan) for the Winnipeg Parking Authority Special Operating Agency including the 2007 budget be approved, and the Financial Projections for 2008 to 2009, as outlined in Appendix A to the report from the Chief Information Officer dated March 8, 2007, be received as information.

2. That the operating line of credit to support the Winnipeg Parking Authority Special Operating Agency be increased from $3.0 million to $7.5 million, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of the Agency.

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

Agenda - Executive Policy Committee - March 14, 2007

Report - Alternate Service Delivery Committee - March 12, 2007

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On March 12, 2007, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Further on March 12, 2007, the Alternate Service Delivery Committee received a PowerPoint Presentation titled "Winnipeg Parking Authority 2007 Budget" from David Hill, Chief Operating Officer, and Paul Rogan, Financial Analyst, Winnipeg Parking Authority Special Operating Agency.

RE: 2007 Selection Report (Summary of the Business Plan) – Winnipeg Parking Authority Special Operating Agency

FOR SUBMISSION TO: ALTERNATE SERVICE DELIVERY COMMITTEE

ORIGINAL REPORT SIGNED BY: Cliff Jeffers, Chief Information Officer

REPORT DATE: March 8, 2007

RECOMMENDATION(s):

1. That the Alternate Service Delivery Committee recommend the following to Council:

    a) That the 2007 Selection Report (a summary of the Business Plan) for the Winnipeg Parking Authority Special Operating Agency including the 2007 budget be approved, and the 2008 to 2009 financial projections, as set out in Appendix A, be received as information.

    b) That the operating line of credit be increased from $3.0 million to $7.5 million. Funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of the Agency.

2. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

KEY ISSUES:

- In accordance with its business plan, the Agency repaired, replaced and made improvements to selected assets. It also expanded and increased its services, and grew revenues in key areas. Revenue will continue to grow in 2007 as service enhancements and new practices are consolidated.

- In 2006, the Agency earned a net profit from operations of $ 1.49 million and distributed $ 6.1 million to the City's General Revenue Fund.

- In addition to the Provincial Court collection processes now in place, the Agency will capitalize on improvements in information delivery and return to the past practice of applying liens and seizing vehicles to encourage the payment of delinquent accounts.

- The Agency will assume responsibility for the repair and replacement of high value capital assets, including 2 parking lots, 3 structures and associated facilities that are currently managed through the corporate capital fund. The transfer of capital project responsibility to the Agency will bring the Winnipeg Parking Authority more into line with comparable municipal parking agencies across North America.

- The Agency is of the view that funding for the capital commitments will require stabilization of the annual dividend received by the City at 25% of annual gross revenue net of the current provision for bad debts, beginning in 2008. This percentage is comparable to the return on investment demonstrated by industry benchmarks as outlined in Appendix B. A formal request for Council to approve this change in distribution expectations will be provided to Council in 2007.

- In order to provide for revenue shortfalls and expense overruns experienced in 2006 and to fund the cost of transfers made to the City in 2005, 2006 and planned for 2007, the Agency will require an increase in its operating line of credit from $ 3.0 million to $ 7.5 million. The Agency will pursue entering into a long term financing arrangement to access funds from the Idea Bank Reserve to help offset the cost of capital asset replacement. Debt repayment will commence in 2008.

IMPLICATIONS OF RECOMMENDATION(S)

General Implications:

X	None
	For the organization overall and/or for other departments

	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Policy Implications:

X	No
	Yes

Regulatory Implications:

X	None
	Eliminates or reduces regulatory impact
	Proposes regulatory impact

Environmental Implications:

X	No
	Yes

Human Resource Implications:

X	No
	Yes

Financial Implications:

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment(s): Please refer to attached Appendix A for details of financial projections related to the Agency.

REASON FOR THE REPORT:

The Winnipeg Parking Authority's Operating Charter stipulates that an annual business plan be submitted to Council each year.

Any amendments to by-laws governing Special Operating Agencies require Council approval.

HISTORY:

The Winnipeg Parking Authority (WPA) was designated as a special operating agency effective January 1, 2005. The Agency was created to manage City owned on-and-off-street parking resources and parking enforcement.

DISCUSSION:

In 2006, WPA completed the upgrade the operating component of its parkade facilities 2 years ahead of schedule and accomplished the replacement of 60% of the parking meters with new solar powered wireless pay stations. Initial indications are that revenues and service performance is increasing with the new technology.

In 2007, the Agency will consolidate its staffing, office and field operations and review the enforcement services contract. It will also complete the removal of parking meters and conversion to pay stations.

Recent Achievements

The Agency achieved its short and mid term operational goals related to providing parking support for downtown stakeholders, urban parking issues, downtown renewal projects and parking supply and demand issues. In accordance with its strategic objectives, the Agency has demonstrated a reduced reliance on parking enforcement and towing practices revenues, and on increasing revenues from off-street facilities.

The Agency enjoys excellent stakeholder relations and maintains a strong and exemplary leadership position in promoting the vitality of Winnipeg's downtown. The Agency provides dynamic and progressive representation for the City of Winnipeg on the following national and international Boards: the Canadian Parking Foundation; the International Parking Institute; the Canadian Parking Association (Manitoba Chapter); the International Downtown Association; and the Winnipeg Chamber of Commerce.

In 2006, the Agency began a major effort to reform parking enforcement practices including:

- Improving parking operations, quality of tags issued, and quality of services through regular delivery of reminder notices resulting in better service to customers and fewer parking offences.
- Resolving $ 1 million in outstanding Summary Convictions (pre-2005) representing 30,000 individual accounts.

Financial Performance

Revenue:
In 2006, parking fee revenues from off-street facilities increased by 10.2% to $ 4.64 million while on-street revenues from meters increased by 1.6% to $ 2.28 million. Enforcement revenues increased by 1.76% to $ 4.48 million as compared to 2005 results. For 2006, enforcement revenues are 15% below budget due in part to improved parking services in traditional enforcement areas.

Expenditures:
In 2006, the Agency continued with its 3 year refurbishment plan to bring its parking assets and facilities up to national standards. The majority of works envisioned in the 3 year plan has been completed 1 year ahead of schedule and are considered one time outlays and are non-recurring.

Throughout the upgrade process it was discovered that many of the assets and facilities required additional work that was not originally anticipated in the 2006 budget. The decision to proceed with the work was necessary in order to maintain working functionality of the assets and sustain revenues, these one time expenditures amounted to $ 536 thousand.

The Agency experienced unanticipated costs of $ 594 thousand related to the collection of parking tickets. These costs included such items as printing, postage costs for mail outs, additional contract staff, inbound call centre, and computer hosting charges for the T2 enforcement system. These expenditures have been reviewed and the required steps have been taken to make the collection process more streamlined and therefore reduce these expenses in 2007 and subsequent years.

Distribution to the City:
In 2006, the Agency will return to the City a distribution of $6.1 million. This is $4.58 million in excess of what the Agency had earned during 2006. The result is that the Agency is requesting an increase to its Line of Credit from $3.0 million to $7.5 million for 2007 and subsequent years.

Review of 2006 Operations and Strategic Direction

Staff Resources
In 2006, the Agency was assigned responsibility for the operations of the Skywalk, in particular the security and cleaning of various bridge elements related to access to the MTS Centre and the Agency's parkades. A coordinator role was established using existing staff to oversee the Skywalk, as well as for on-street special events/movie shoot set up and tear down.

In 2005 and 2006, significant effort was made to develop a public profile for the Agency. In 2007, the Agency will coordinate promotions with other downtown and City services. The Agency is investigating the opportunity to amalgamate the existing role of the special events coordinator position to include functions of a Marketing, Promotions and Media Relations.

The Agency will pursue the establishment of a separate seniority list for CUPE staff in 2007. Existing staff will retain rights in their originating departments while new staff will have seniority within the Agency. This exercise is intended to reduce staff turnover and allow the Agency to develop greater expertise which will result in higher commitment levels and improved services.

The Agency will revise the parking enforcement and administration services contract with the contract group(s) in order to provide a consistent level of service.

Parking Enforcement
In 2006, the Agency began working with its new parking enforcement management system, which uses hand held computers to facilitate many actions, including statistical analysis, court tracking, routine mailings, and billing and invoicing. Police summary conviction records pertaining to parking offences dating back to 1992 were uploaded into the system. A direct link to the Manitoba Public Insurance (MPI) vehicle registry was created. This allows the Agency to

link all parking offences to a registered vehicle owner which, in turn, facilitates a more accurate collection effort.

The first invoice run generated 84,000 individual account statements which were all mailed to registered owners of offending vehicles. Follow-up statements were generated monthly. Customers were offered new payment options, such as “pre-authorized payment”, “on-line payment”, “payment by phone”, and “account payment over time”. The result was the collection and settlement of over $1 million in pre-2005 parking offences and the resolution of over 30,000 old parking accounts. The regular transmittal of monthly statements to all outstanding account holders ensures that customers are aware of the amounts they owe the City.

The Agency has been able to proactively monitor the quality of enforcement services through a Quality Assurance (QA) coordinator position. A practice has been implemented whereby enforcement officers are required to apply a courtesy standard to tag issuance, and to photograph incidents leading to the writing of offence notices or enforcement tows. The QA coordinator reviews and verifies these charges on a daily basis. Where an error in issuance or an error in fact are detected, the QA coordinator applies to the Province for a ‘quash’ or ‘stay of proceedings’, returns any value to the customer, and issues a reprimand or a requirement for better training to the individual officer. The QA coordinator encourages customers to advise the Agency of any tagging errors through a written Request for Review process. Where a tag has been correctly issued, but issued for the wrong offence, the QA coordinator is empowered to make that correction to the record sheet and accept payment. The Agency will continue to engage the Province in discussion concerning the establishment of a Provincial Screening Officer position to better facilitate the ticket quality control and resolution function.

The Agency will review the tendering process and placement of the enforcement services contract and incorporate objective measurement standards to ensure that on-street staffing, the enforcement presence, and cost/benefit efficiencies are optimized.

In 2007, the Agency will continue to withhold services to frequent parking offenders. Discussions with the Province will continue toward implementation of arrangements to facilitate drivers’ license and license plate denial for persistent offenders.

The Agency will restore the former lien and tow policy employed by the Winnipeg Police Service in the years prior to 2005 for all individuals who do not settle outstanding parking tickets. The liens will be filed under the Provincial Personal Property Registry and vehicles of offenders may be seized and, if necessary, sold to recover outstanding fines.

The Agency will also investigate a new vehicle-based detection system (similar to the system used in Calgary) to more quickly identify persistent offenders at the curbside, detect stolen or sought after vehicles, and automate tagging for timed and residential permit parking zones and parking lots.

Surface Lots
In 2006, extensive fence and electrical repairs were done on the Paulin (311 Ross) and the 100 Main Street lots. Several other lots received emergency asphalt patching. In 2007, the Agency will continue to address emergency asphalt patching, signage, fence and electrical repairs in its stock of public and civic use parking lots. Civic use lots will be converted to a combination of civic/public parking lots on a non-reserved stall basis where practicable.

On-Street Parking
In 2006, the Agency implemented the first phase of the parking meter replacement program aimed at replacing 60% of existing single space meters ($1 and $.25 coin only) with multi space pay stations (all credit cards and all coinage). Signage for these units was upgraded and old meter posts were either removed or converted to bicycle rings a gift to the community. The new pay stations are generally favored by customers and stakeholders because they expanded the curb-space available for parking while accepting all denominations of coin and credit card, providing receipts, and eliminating unsightly street clutter.

In 2007, the Agency will upgrade the existing system to distribute coupons as well as accept payment by cell phones and smart cards.

The Agency will explore opportunities for new meter placements where they are required for better control of parking and traffic, or where the local community requests them. At present, WPA is considering a request to place 20 multi space meters on Selkirk Ave between McGregor and Salter Streets.

Working in conjunction with communities and other stakeholders, the Agency will continue to explore potential for changes to on-street parking as follows:

- Engage with Centre Venture and Public Works to arrange for the establishment of a residential permit area favouring residents in the Exchange District;
- Engage with Impark to propose discount parking in off-street lots on weekends;
- Work with Public Works to establish white markings on streets to “bracket” each end of available parking zones within the areas supported by parking meters, as is done in other cities;
- Engage the Society of Manitobans with Disabilities and Public Works to create a proactive on-street parking program for persons with disabilities; and
- Work toward approval of a more precise signage pattern to be used in addition to the current pattern, which will assist in better management of disability parking.

Parking meter rates have not kept pace with inflation. The Agency will review the need for a rate adjustment in 2008.

Parkades
The Agency will progress toward a long-term solution for capital repairs to the Civic Parkade.

Capital Project Responsibilities
The Agency will commit to maintaining its own capital budget for major maintenance, acquisition and disposal costs of city owned, fee supported parking lots and parkades.

Dividend Policy Adjustment
The Agency is proposing to provide a distribution to the City beginning in 2008 that is consistent with that demonstrated at other cities offering the same scope of services. The proposed distribution from annual operations will equal 25% of actual gross revenue (net of the provision for bad debts) for that year. Any funds in excess of the distribution will be used to pay down the line of credit, acquire or dispose of parking lots and spaces, or to complete capital repairs to parking lots, on-street stalls or parkades. A formal request for Council to approve this change in distribution expectations will be provided to Council in 2007.

Operating Line of Credit
The Agency is requesting an increase to its operating line of credit with the City from $ 3.0 million to $ 7.5 million. This will allow the Agency to sustain operations over its initial three year transitional period and continue with its planned implementation for the replacement of obsolete on-street meters with new pay and display meter technology.

Line of Credit Increase Review
While the Agency commenced operations as an SOA in January 2005, it was not equipped to conduct operations until November 2005. The initial business plan incorporated an ambitious target distribution to the City of $ 5.3 million annually. This calculation was based on incomplete base-line information and excluded necessary capital repairs to facilities that could not be estimated at the time. At the end of 2005, the distribution to the City was retroactively increased to $ 5.6 million. In 2006, Council increased the distribution figure to $ 6.07 million, which the Agency advised was not sustainable. In 2006, the Agency was budgeted to rely on its line of credit to a total of $ 3.0 million.

Specifically, the Agency is reporting net income of $ 1.49 million for the year ended December 31, 2006, which is $ 3.87 million under the budgeted 2006 net income of $ 5.36 million and has exceeded the authorized line of credit amount by $ 4.73 million. Details of the increased amount are as follows:

- The foundation of the 2006 operating budget was based on actual results of 2005 operations. Due to inconsistencies in the information received from City departments that managed operations for meters and enforcement in 2005 unforeseen budget variances have been experienced in 2006:
- Operating expenses are greater than budget by $ 2.94 million primarily due to:
  - Accelerating the 3 year painting schedule for parkades at a cost of $ 256 thousand;
  - Increased printing and postage costs associated with producing 55,000 monthly statements for outstanding enforcement fines for collection. When the 2006 budget was drafted the Agency had not generated a customer statement run, therefore expenses were based on information from the Winnipeg Police Service that it served approximately 4,000 notices monthly. The Agency's first statement run in February produced in excess of 84,000 customer statements and is currently producing in excess of 50,000 customer

statements each month. The volume of customer statements is expected to decrease as the Agency moves to a quarterly statement run and takes more resolute action against frequent offenders in 2007;
    - Increased maintenance and utility costs at the parkades and surface lots of $ 235 thousand;
    - Increased computer hosting charges from Corporate IT of $ 123 thousand;
    - Unbudgeted expenses were incurred by the Agency for operation of he City's weather-protected Skywalk system. This responsibility was assigned to the Agency subsequent to the budget process and was retroactive to 2005 expenses.
    - Additional capital expenditures were required due to the inability to repair the old proprietary gate control equipment and increased costs for the installation and purchases of consumables for pay and display meters.
- In 2006, parking tag issuance declined by 28%; the direct result was a decrease in budgeted enforcement revenues of $ 818 thousand. This decline was partially due to improvements to the on-street parking systems, resulting in fewer parking violations. The Agency is working with the Corps of Commissionaires to ensure that performance measurement guidelines are incorporated into their daily operations.
- The Province has not yet enacted its new Summary Convictions legislation, adversely affecting the Agency's projected collection rate.
- Since its inception in 2005 the Agency has paid out $ 11.7 million to the City of Winnipeg's General Revenue Fund.

As a result of the large dividends received by the City, changes in performance of the on-street enforcement contract, and slow collections prior to the implementation of resolute collection action, the Agency is proposing to increase its operating line of credit with the City from $ 3.0 million to $ 7.5 million. This will allow the Agency to sustain operations over its initial three year transitional period and continue with its planned implementation for the replacement of obsolete on-street meters with new pay and display meter technology.

Conclusion

The annual business plan for 2007 builds on the Agency's successes during its first years of operation and drives toward the three goals of service improvement, self sufficiency, and revenue optimization that were established in Council's Downtown Parking Policy, the Agency's original business plan, and operating charter. In 2007 the Agency will distribute $ 5.3 million to the City and assume responsibility for capital works related to its facilities. The Agency intends to propose in a forthcoming Report to Council that, in 2008 and in each subsequent year, the Agency distribute a dividend of 25% of its gross revenues to the City's General Revenue Fund.

IN PREPARING THIS REPORT, THERE WAS:

Internal Consultation With and Concurrence By:

Corporate Finance Department
Corporate Services Department

External Consultation With:

The Agency's Advisory Board

THIS REPORT SUBMITTED BY:

Department: Corporate Information Technology
Division: Winnipeg Parking Authority
Prepared by: David Hill, Chief Operating Officer

Financial Impact Statement

Date: March 6, 2007

Project Name:

Winnipeg Parking Authority Special Operating Agency

First Year of Program 2007

	2007	2008	2009	2010	2011
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
External	-	-	-	-	-
Grants (Identify)	-	-	-	-	-
Reserves, Equity, Surplus, Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Please refer to attached Appendix A for details of financial projections related to the proposed Winnipeg Parking Authority SOA.

"Original signed by"
Paul Rogan CGA
Financial Analyst

APPENDIX A

Financial Statement and Projections 2005-2009

Financial Projections

- Statement of Financial Position 2005 -2009
- Statement of Operations and Deficit 2005-2009
- Statement of Cash Flows 2005-2009
- Notes to the Financial Projections
- Assumptions to the Financial Projections

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF FINANCIAL POSITION

As at December 31

(In thousands of dollars)

	Audited 2005	Unaudited 2006	Budget 2006	Variance 2006	2007	2008	2009
ASSETS							
Current							
Cash on hand	$ 173	$ 26	$ 2	$ 24	$ 3	$ 3	$ 3
Accounts receivable	1,043	1,288	701	587	1,441	2,045	2,459
Prepaid expenses	-	5	-	5	-	-	-
Inventory	157	313	125	188	150	124	102
	1,373	1,632	828	804	1,594	2,172	2,565
Property, equipment and leasehold improvements	13,206	16,090	13,987	2,103	15,003	15,081	14,165
	$ 14,579	$ 17,722	$ 14,815	$ 2,907	$ 16,597	$ 17,253	$ 16,730
LIABILITIES							
Current							
Due to General Revenue Fund (Note 4)	$ 2,606	$ 7,757	$ 2,848	$ 4,909	$ 7,232	$ 6,035	$ 4,818
Accounts payable and accrued liabilities	220	451	100	351	300	309	318
Vacation payable	95	117	-	117	133	158	188
Unearned revenue and deposits	-	7	-	7	7	7	7
Current Portion of long-term debt	558	481	-	481	948	1,224	1,168
	3,479	8,813	2,948	5,865	8,619	7,734	6,498
Retirement allowance	77	86	77	9	95	104	113
Long-term debt (Note 5)	12,442	14,822	13,918	903	14,774	14,618	13,450
	12,519	14,908	13,995	912	14,869	14,722	13,563
	15,998	23,721	16,943	6,777	23,488	22,456	20,062
CAPITAL DEFICIENCY:							
Contributed surplus	172	172	172	-	172	172	172
Deficit	(1,591)	(6,170)	(2,300)	(3,870)	(7,064)	(5,376)	(3,506)
	(1,419)	(5,998)	(2,128)	(3,870)	(6,892)	(5,204)	(3,334)
	$ 14,579	$ 17,722	$ 14,815	$ 2,907	$ 16,597	$ 17,253	$ 16,730

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF OPERATIONS AND DEFICIT

December 31

(In thousands of dollars)

	Audited 2005	Unaudited 2006	Budget 2006	Variance 2006	2007	2008	2009
REVENUES							
Parking fees	$ 4,168	$ 4,639	$ 4,478	$ 162	$ 5,060	$ 5,234	$ 5,338
Meters	2,247	2,284	2,362	(78)	2,872	2,929	2,988
Enforcement	4,403	4,482	5,300	(818)	5,458	6,472	6,372
Winnipeg Square Ground Lease	326	325	326	(1)	325	325	325
Sundry	10	40	29	11	37	38	39
	11,154	11,770	12,494	(724)	13,752	14,998	15,062
EXPENSES							
Salaries and employee benefits	1,562	1,078	1,040	(38)	1,101	1,123	1,146
Materials, parts and supplies	483	957	531	(426)	810	872	879
Services	3,610	5,031	3,766	(1,265)	4,280	4,355	4,453
Municipal taxes	655	655	675	20	750	765	780
Business taxes	103	103	106	3	-	-	-
Amortization	475	747	638	(109)	940	911	916
Recoveries	(28)	(5)	(30)	(25)	-	-	-
Provision for bad debts	128	1,054	-	(1,054)	743	906	937
Debt and finance charges	7	292	61	(231)	568	609	582
	6,995	9,912	6,787	(3,125)	9,193	9,540	9,692
INCOME BEFORE OTHER ITEMS	4,159	1,858	5,707	(3,849)	4,560	5,458	5,370
OTHER ITEMS							
Loss on disposal of assets	(144)	(366)	(348)	(18)	(154)	(270)	-
NET INCOME	4,015	1,492	5,359	(3,867)	4,406	5,188	5,370
DEFICIT - BEGINNING	-	(1,591)	(1,593)	(2)	(6,170)	(7,064)	(5,376)
DISTRIBUTION TO CITY	(5,606)	(6,070)	(6,070)	-	(5,300)	(3,500)	(3,500)
	(5,606)	(7,661)	(7,663)	(2)	(11,470)	(10,564)	(8,876)
DEFICIT - ENDING	$ (1,591)	$ (6,170)	$ (2,304)	$ (3,866)	$ (7,064)	$ (5,376)	$ (3,506)

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CASH FLOWS

As at December 31

(In thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:	**Audited**	**Unaudited**	**Budget**	**Variance**			
	2005	**2006**	**2006**	**2006**	**2007**	**2008**	**2009**
OPERATING							
Net income	$ 4,015	$ 1,492	$ 5,359	$ (3,867)	$ 4,406	$ 5,188	$ 5,370
Add non-cash items:							
Retirement allowance	77	9	-	9	9	9	9
Loss on disposal of assets	144	366	348	18	154	270	-
Amortization	475	747	638	109	940	911	916
Working capital from operations	4,711	2,614	6,345	(3,731)	5,509	6,378	6,295
Net change in non-cash working capital items	(327)	(224)	159	(383)	347	(264)	(410)
Net cash used in operating activities:	4,384	2,390	6,504	(4,115)	5,856	6,114	5,885
FINANCING							
Increase in contributed surplus	172	-			-	-	-
Distribution to City	(5,606)	(6,070)	(6,070)	-	(5,300)	(3,500)	(3,500)
Increase (decrease) in long-term debt	12,442	2,380	867	1,513	(48)	(156)	(1,168)
	7,008	(3,690)	(5,203)	1,513	(5,348)	(3,656)	(4,668)
INVESTING							
Proceeds on sale of assets	-	19	-	19	-	-	-
Purchase of capital assets	(13,825)	(4,015)	(1,714)	(2,301)	(8)	(1,261)	-
	(13,825)	(3,996)	(1,714)	(2,282)	(8)	(1,261)	-
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(2,433)	(5,297)	(413)	(4,884)	501	1,197	1,217
CASH AND EQUIVALENTS - BEGINNING	-	(2,433)	(2,433)	-	(7,730)	(7,229)	(6,032)
CASH AND EQUIVALENTS - ENDING	$ (2,433)	$ (7,730)	$ (2,846)	$ (4,884)	$ (7,229)	$ (6,032)	$ (4,815)

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL PROJECTIONS

As at December 31
(in thousands of dollars)

1. Description of Business

On March 20, 1997, Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by Council.

The Winnipeg Parking Authority, SOA was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by the City of Winnipeg. The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

2. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

The financial statements are prepared using the accrual basis of accounting, with the exception of enforcement revenue from citations issued prior to 2005, which are being recorded using the cash basis of accounting. The accrual basis of accounting recognizes revenue in the period which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

2. Summary of Significant Accounting Policies - (continued)

b) Inventory

Inventory is recorded at the lower of cost and market value.

c) Property, equipment and leasehold improvements

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. In the year of acquisition 50% of the applicable amortization rates are used, with the exception of assets transferred from the City.

The amortization rates are as follows:

Leasehold improvements	15 Years
Parking surfaces	5%
Parkades	2%
Vehicles	20%
Meters	10%
Equipment	10-20%
Computer equipment	33%
Office furniture and equipment	20%

d) Financial instruments

Financial instruments include accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. Property, Equipment and Leasehold Improvements

		Net Book Value			
	Audited 2005	Unaudited 2006	2007	2008	2009
Leasehold improvements	$ 387	$ 376	$ 349	$ 321	$ 294
Parking surfaces	96	103	105	99	93
Parkades	10,486	10,272	10,058	9,844	9,630
Vehicles	112	62	42	23	4
Meters	1,341	4,054	3,477	4,021	3,510
Equipment	200	748	646	543	440
Computers	274	176	63	1	1
Furniture and office equipment	138	126	91	56	21
	13,034	15,917	14,831	14,908	13,993
Land	172	172	172	172	172
	$ 13,206	$ 16,090	$ 15,003	$ 15,081	$ 14,165

4. ***Due to 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, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is $3.0 million at a rate of 6.0%.

5. ***Long-Term Debt***

	Audited	Unaudited			
	2005	**2006**	**2007**	**2008**	**2009**
City of Winnipeg - General Revenue Fund					
Start-up loan, interest at 6%, with no specific terms of repayment.	$ 12,218	$ 12,218	$ 12,218	$ 12,218	$ 12,218
Equipment financing					
Loan repayable over a five year term including interest at 6.9% with a 12 month deferral of first payment.	282	3,085	2,604	2,884	1,829
Idea Bank Loan					
Loan repayable over a five year term with interest at 6% per annum.	500	-	900	740	571
	13,000	15,303	15,722	15,842	14,618
Current portion of long-term debt	(558)	(481)	(948)	(1,224)	(1,168)
	$ 12,442	$ 14,822	$ 14,774	$ 14,618	$ 13,450

Interest on the start-up loan was $733 thousand during the year and is included in the distribution to the City's General Revenue Fund.

6. ***Employee Benefits***

a) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $59 thousand of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has an actuarial surplus.

6. ***Employee Benefits- cont'd***

b) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 9.7 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2006.

7. Enforcement Revenue

	Audited 2005	Unaudited 2006	2007	2008	2009
Gross Enforcement revenue - Accrual basis	$ 3,741	$ 3,791	$ 4,658	$ 5,872	$ 5,872
Enforcement revenue - Cash basis	662	691	800	600	500
	$ 4,403	$ 4,482	$ 5,458	$ 6,472	$ 6,372

Prior to 2005 enforcement revenue was accounted for using the cash basis of accounting. At January 1, 2005 there was a gross enforcement receivable outstanding of $12,138 thousand. Any collection of the pre-2005 enforcement receivable will continue to be recorded using the cash basis of accounting. Current year collections of pre-2005 citations totaled $691 thousand.

Enforcement revenues subsequent to January 1, 2005 are accounted for using the accrual basis of accounting.

	Audited 2005	Unaudited 2006	2007	2008	2009
Enforcement receivables consist of:					
Accounts receivable	$ 917	$ 2,113	$ 3,211	$ 4,721	$ 6,072
Allowance for doubtful accounts	-	(1,027)	(1,770)	(2,676)	(3,613)
	$ 917	$ 1,086	$ 1,441	$ 2,045	$ 2,459

8. **Distribution to City**

An equitable distribution policy will be in place effective 2008 which will provide a return to the City's General Revenue Fund of 25% of gross revenues earned and is in lieu of a return on equity of the assets transferred to the Agency and consists of the following:

	Audited 2005	Unaudited 2006	2007	2008	2009
Income tax equivalency	$ 1,152	$ 640	$ 1,237	$ 1,525	$ 1,591
General government charge of 2%	152	192	184	191	194
Interest on Start-up loan	753	733	733	733	733
Return on equity	3,549	4,505	3,146	1,051	982
Distribution	$ 5,606	$ 6,070	$ 5,300	$ 3,500	$ 3,500

9. Related Party Transactions

In addition to those transactions described elsewhere in the notes, included in the Agency's financial projections are the following amounts which occurred in the normal course of operations and are recorded at the exchange amount:

	Audited 2005	Unaudited 2006	2007	2008	2009
a) Sales of goods and services to the City	$ 297	$ 382	$ 429	$ 454	$ 462
b) General Government charges	$ 28	$ 28	$ 36	$ 36	$ 36
c) Allocated departmental charges (Building services, computer hosting, transit)	$ 411	$ 671	$ 499	$ 509	$ 519
d) Civic Accommodations - office rental	$ 53	$ 113	$ 115	$ 118	$ 120
e) Municipal and business taxes	$ 758	$ 758	$ 750	$ 765	$ 780
f) Fleet Management Agency	$ 148	$ 238	$ 293	$ 297	$ 300

10. Municipal Tax Equivalency Charge

Municipal realty tax equivalency charges are applicable to the three facilities and two surface lots owned and previously operated by the City of Winnipeg - Civic Centre, Winnipeg Square, Millennium library parkade's, and the Main and McDermot and Osborne Street surface lots.

11. Comparative Figures

The comparative figures have been reclassified to conform with the current year's presentation.

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

ASSUMPTIONS TO THE FINANCIAL PROJECTIONS

For the three years ending December 31, 2009
(In thousands of dollars)

The financial projections include managements best estimates of future financial performance and incorporate the financial implications of the Agency's goals and strategies. The financial projections are estimates of the financial position, results of operations and deficit and cash flows using management's assumptions that reflect the Agency's planned course of action for the three years ending December 31, 2009.

The following assumptions take into consideration management's best estimates for future economic events at the time these projections were prepared. Some assumptions may 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 may vary from the projections and the variations may be material. The financial projections have been prepared with the following assumptions:

1) The increases to fees for off-street parking will be implemented;

2) The Agency's line of credit will be increased to meet its current and future operating requirements through out the transitional period as well as to finance its distribution back to the City's General Revenue Fund;

3) The formation of a distribution policy by the BRACC committee in order to bring the amount of distribution paid by the Agency to the General Revenue Fund in line with the Agency's ability to pay;

4) Operating expenses are increased by 2% inflation per year;

5) Enforcement accounts receivable reflects a 60% collection rate for parking tickets issued. This rate may increase over time and is dependent on the Agency's ability to implement an effective lien and tow policy as well as having the Driver's License and plate denial legislation proclaimed by the Province of Manitoba; and

6) The new pay and display meters being put in use to replace the obsolete on-street meters will provide a return of 20-30% over the existing meters as a result of increased curb side parking spaces, increased methods of payment and efficiencies of the technology.

APPENDIX B

Municipal Distributions from Parking

City	Prov./State	Distribution % based on Gross Revenues
Winnipeg	MB	54%
Calgary	AB	30%
Toronto	ON	32%
Wilmington	NC	18%
Sacramento	CA	21%
Portland	OR	30%
Fargo	ND	22%
Grand Rapids	MI	15%
Colorado Springs	CO	27%

APPENDIX C

Organization Chart

