Agenda – Executive Policy Committee – March 19, 2009

REPORTS

Item No. 4 Animal Services Special Operating Agency – 2009-2011 Business Plan (Selection Report) - Operating Charter amendments
eFile GL-5.6.1

COMMITTEE RECOMMENDATION:

On March 6, 2009, the Alternate Service Delivery Committee concurred in recommendation of the Winnipeg Public Service, as amended, and recommends to the Executive Policy Committee and Council:

1. That an increase to the Animal Services Agency Line of Credit to $615,000.00 be approved.

2. That the 2009 Business Plan (Selection Report) for the Animal Services Special Operating Agency including the 2009 budget be approved, and the 2010 – 2011 financial projections as tabled in Appendix B to the report of the Chief Operating Officer, Animal Services SOA dated February 10, 2009, be received as information.

3. That the proposed tax supported funding for the Animal Services SOA of $1,154,276.00 annually for 2009 through 2011 be approved, subject to confirmation in the annual tax supported budget process as contained in the Financial Projection of Appendix B to the report of the Chief Operating Officer, Animal Services SOA dated February 10, 2009.

4. That the Winnipeg Public Service be requested to report back to the Alternate Service Delivery Committee, within 60 days, on the cost of having an operational review conducted by an outside firm on the Animal Services SOA.

5. That the Animal Services SOA Charter be amended to include a Board of Directors comprising of a designate sitting member of the Alternate Service Delivery Committee, the Chief Administrative Officer and the Deputy Chief Administrative Officers.

Pursuant to the provisions of the Operating Charters of the Special Operating Agencies, changes to the Operating Charter require approval of two-thirds of the members present at Council.

STANDING COMMITTEE RECOMMENDATION:

On March 9, 2009, the Standing Policy Committee on Protection and Community Services concurred in the recommendation of the Winnipeg Public Service and recommends to the Executive Policy Committee and Council:

4. That the proposed increase to the annual dog license fees from $22.50 for sterilized dogs and $45.00 for intact dogs, to $30.00 and $60.00 respectively, for 2009 with an additional annual $1.00 increase for both 2010 and 2011, be approved.

5. That further amendments to the City of Winnipeg Pound By-law No. 2443/79 as detailed in the report dated February 10, 2009, from the Chief Operating Officer, Animal Services SOA, be approved, including:
   i. An increase in kennel fees to $22.00 per day for 2010; and to $23.00 per day for 2011, effective January 1st of each calendar year.
   ii. Rewording of Clause 20(1) (j) as it pertains to Rabies vaccination for dogs.
   iii. A requirement for cat owners to produce a Certificate of Vaccination for rabies from a licensed Veterinary Surgeon for each cat owned (similar to the requirement for dog owners).
   iv. Establishing pro-rated rebates for current valid dog licenses in the event that the pet owner takes the responsible step to sterilize their dog during the current license period for which an 'intact' license fee was paid.
   v. Replacing the tattoo requirement for dangerous dogs with a microchip requirement.

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

DECISION MAKING HISTORY:

STANDING POLICY COMMITTEE RECOMMENDATION:

On March 9, 2009, the Standing Policy Committee on Protection and Community Services concurred in the recommendation of the Winnipeg Public Service and submitted its recommendation to the Executive Policy Committee and Council.

Further, on March 9, 2009, the Standing Policy Committee on Protection and Community Services did not concur in the recommendation from the Alternative Service Delivery Committee with respect to the fee for annual dog licenses for intact dogs.

COMMITTEE RECOMMENDATION:

On March 6, 2009, the Alternate Service Delivery Committee concurred in recommendation of the Winnipeg Public Service, with the following amendments:

- Add the following as new recommendations
  - That the Winnipeg Public Service be requested to report back to the Alternate Service Delivery Committee, within 60 days, on the cost of having an operational review conducted by an outside firm on the Animal Services SOA.

  - That the Animal Services SOA Charter be amended to include a Board of Directors comprising of a designate sitting member of the Alternate Service Delivery Committee, the Chief Administrative Officer and the Deputy Chief Administrative Officers,

and submitted its recommendation to the Executive Policy Committee and Council.

Further on March 6, 2009, the Alternate Service Delivery Committee recommended to the Standing Policy Committee on Protection and Community Services that the proposed increase to the annual dog license fess for intact dogs be from $22.50 to $25.00.

On November 8, 2007, the Alternate Service Delivery Committee passed the following motion, namely:

1. That the Animal Services Special Operating Agency be directed to discuss with the Winnipeg Humane Society and report back, in thirty days, on possible partnerships and efficiencies for both agencies.

RE: 2009 – 2011 Business Plan (Selection Report) - Animal Services Special Operating Agency

FOR SUBMISSION TO: Alternate Service Delivery Committee

ORIGINAL REPORT SIGNED BY: Tim Dack, COO Animal Services SOA

REPORT DATE: February 10, 2009

RECOMMENDATION(S):

That the Alternative Service Delivery Committee submit a recommendation to the Executive Policy Committee and Council on the following:

1. That the Alternative Service Delivery Committee approve an increase to the Animal Services Agency Line of Credit to $615,000.

2. That Council approve the 2009 Business Plan (Selection Report) for the Animal Services Special Operating Agency, including the 2009 budget, and receive as information the 2010 – 2011 financial projections as tabled in Appendix B.

3. That Council approve the proposed tax supported funding for the SOA of $1,154,276 annually for 2009 through 2011, subject to confirmation in the annual tax supported budget process (See Financial Projection, Appendix B).

That the Standing Policy Committee on Protection and Community Services submit a recommendation to the Executive Policy Committee and Council on the following:

4. That Council approve the proposed increase to the annual dog license fees from $22.50 for sterilized dogs and $45.00 for intact dogs to $30.00 and $60.00 respectively for 2009 with an additional annual $1.00 increase for both 2010 and 2011.

5. That Council also approve further amendments to the City of Winnipeg Pound Bylaw No. 2443/79 as detailed in this report, including:
    i. An increase in kennel fees to $22.00/day for 2010; and to $23.00/day for 2011, effective January 1st of each calendar year.
    ii. Rewording of Clause 20(1) (j) as it pertains to Rabies vaccination for dogs.
    iii. A requirement for cat owners to produce a Certificate of Vaccination for rabies from a licensed Veterinary Surgeon for each cat owned (similar to the requirement for dog owners).
    iv. Establishing pro-rated rebates for current valid dog licenses in the event that the pet owner takes the responsible step to sterilize their dog during the current license period for which an 'intact' license fee was paid.
    v. Replacing the tattoo requirement for dangerous dogs with a microchip requirement.

6. 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:

- Provide Agency mill-rate support at $1,154,276 for 2009 – 2011.
- Mill-rate support increased by $150,000 over 2008 amounts to facilitate projected increases to the service agreement with the Winnipeg Humane Society and enhanced advertising/education programs in conjunction with the Winnipeg Humane Society targeting responsible pet ownership, particularly the ownership of cats.
- Existing Service Agreement with the Winnipeg Humane Society expired on December 31, 2008.
- The Agency is currently negotiating a new service agreement with the Winnipeg Humane Society which require approvals from Council and the Winnipeg Humane Society Executive Board.
- Increase dog license fees from $22.50 to $30.00 for sterilized dogs and from $45.00 to $60.00 effective March 1, 2009.
- Council approval is required for further amendments to the City of Winnipeg Pound Bylaw No. 2443/79 as detailed in this report.
- The attached business plan includes an inflationary increase of 2.2% for 2009 and 2.0% for 2010 and 2011 to all fees for service and/or products delivered by the Agency which are not established in the Pound By-law. (See attached notes to the financial statements.)
- The SOA will pursue sponsorship opportunities for the Adoption/Education program.
- The financial statements for 2007 are attached for information in Appendix E.

Implications of the Recommendation(s):

General Implications

() None

( ) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

- A multi-year service agreement will be negotiated with the Winnipeg Humane Society and will be brought to Council for approval.

Policy Implications

( ) No

(X) Yes

Comment(s):

- This report proposes additional amendments to the City of Winnipeg Pound By-law.

Regulatory Implications

( ) None

( ) Eliminates or reduces regulatory impact

(X) Proposes regulatory impact

Comment(s):

Amendments required to City of Winnipeg Pound By-law 2443/79, including:

i. An increase in kennel fees to $22.00/day for 2010; and to $23.00/day for 2011, effective January 1st of each calendar year.
ii. Rewording of Clause 20(1) (j) as it pertains to Rabies vaccination for dogs.
iii. A requirement for cat owners to produce a Certificate of Vaccination for rabies from a licensed Veterinary Surgeon for each cat owned (similar to the requirement for dog owners).
iv. Establishing pro-rated rebates for current valid dog in the event that the pet owner takes the responsible step to sterilize their dog during the current license period for which an 'intact' license fee was paid.
v. Replacing the tattoo requirement for dangerous dogs with a microchip requirement.

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

( ) No

( ) Yes

Comment(s):

Financial Implications

( ) Within approved current and/or capital budget

(X) Current and/or capital budget adjustment required

Comment(s):

i. The 2009 - 2011 Animal Services Selection Report assumes a tax-supported subsidy of $1,154,276 in 2009-2011. The SOA projects a deficit of $43,911 in 2009, and surpluses of $107,658 in 2010, and $216,967 in 2011 which will reduce the accumulated deficit [from the December 31, 2008 balance of $1,340,802 to $1,060,088 by the end of 2011].

ii. The Community Services Department's PeopleSoft 2009-2011 Draft budget submission provides a transfer of $1,104,276 in mill-rate support to the SOA, therefore an adjustment to the tax-supported PeopleSoft budget of $50,000 is required.
iii. Inflationary increases apply to fees for services not established in the Pound By-law (Surrendered Animals, Dog Adoptions, Trap Rentals/Set Ups).

Report

REASON FOR THE REPORT:

The Animal Services Operating Charter stipulates that a Business Plan (Selection Report) (summary of the annual business plan) will be provided to Council each year.

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. The Agency's current service consists of four sub-service areas:

Sub-Service	Description
Licensing	o Animal licensing and registration o Animal permits
Adoption/Education	o Adoption of unclaimed dogs o Public education programs on responsible pet ownership
Kenneling	o Kenneling and care for stray animals and dogs running at large picked up by the Agency o Quarantine kenneling for biting dogs
By-Law Enforcement	o Enforcement of all animal related by-laws o Neighbourhood dispute resolution o Investigation and response o Picking up injured animals o After hours emergency response o Investigation of illegal animal complaints

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, 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 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.

Summary of Goals and Strategies:

Reduce reliance on the Agency's mill-rate support through the enforcement of by-laws and the education of pet owners as to their responsibilities, as it pertains to pet licensing.

- Increase license fees.
- Improve follow process for delinquent accounts and no-license complaints.
- Develop online licensing capabilities.
- Continue with advertising/marketing campaigns.
- Implement Royal Mail Ad mail out of registration form to targeted neighbourhoods.
- Develop e-commerce capabilities such as:
  - Online pet licensing invoicing
  - Online pet licensing
- Online new license payments
- Develop first-time licensing program with local breed rescue organizations, veterinarians and recognized breeders.
- Actively pursue sponsorship opportunities to offset operating costs of Agency programs such as adoptions and licensing.

Increase customer service and satisfaction through improvement to response times and front line services delivery.

- Maintain up-to-date web site.
- Develop on-line invoicing to dog owners.
- Develop on-line licensing process for new sales and renewals through the Agency web site (e-commerce).
- Continue with value added coupons for licensed dogs.
- Develop partnerships and corporate sponsorships to offset costs of promoting the agency and its' services.
- Evaluate general Agency technological needs and upgrade as necessary.
- Support ongoing staff training and development.
- Review staff training need and implement training specific to the Agency's services and to the changing face of the community.

- Address staffing shortfalls in the annual business plan.
- Develop and implement an information technology strategy.
- Update field equipment.

Improve health and safety of neighbourhoods through the enforcement of animal control bylaws and the administration of responsible pet ownership.

- Improve follow-up process for delinquent accounts and no-license complaints.
- Enhance prevention and education programs.
- Amend Animal Control By-law to provide for mandatory rabies vaccination for cats.
- Strategize with community groups and industry service providers on how best to get the message out.
- Develop advertising/education campaign on responsible cat ownership in conjunction with the Humane Society and community groups.
- Be an active partner in community initiatives targeting stray cats and other related concerns.
- Explore other opportunities for new partnerships.

Improve the Agency's public image by providing professional, caring and appropriate response to citizens/pet owner concerns and humane alternatives to unclaimed animals.

- Improve complaint response systems.
- Consult with Humane Society, veterinarian community and other rescue organizations to develop joint strategies to provide solutions for neighbourhoods.
- Review and amend by-law as necessary.
- Develop a comprehensive and sustaining marketing plan and communications strategy.

Financial: (see Appendix B: 2009 – 2011 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 continues to be reflected as a separate line item (Cost Center) in the Community Services Department budget.

Financial Highlights

Revenue: *(from non mill-rate sources)*

Actual 2007	Adopted 2008	Acutal 2008	Original* 2009	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
$ 975,854.63	$ 1,315,607.94	$ 989,043.96	$ 1,535,633.30	$1,299,949	$1,549,123	$1,727,761

- As projected in the 2008 – 2010 Business Plan (Selection Report)

The Agency receives revenue from a number of sources including dog licenses, pound and kennel fees, permits, adoption sales, surrendered animals, trap rentals, retail sales.

Dog Licensing

The City of Winnipeg has historically required dog owners to license their dogs. The current fees for dog licenses are $45.00 for intact dogs with a 50% reduction to $22.50 for sterilized dogs. Analysis of license sales shows that approximately 78% of licenses sold are for sterilized dogs. The last time dog license fees were increased was 2005.

When the Animal Services Agency became a Special Operating Agency of the City of Winnipeg, it identified as one of its main goals to become financially self-sustainable to the greatest extent possible through increased revenues and alternative methods of delivering its service. The current main source of revenue for the Agency is dog licensing, and in 2007 the Agency recovered approximately 45% of its expenditures from dog licensing

The agency proposes to increase the annual dog license fees effective March 1, 2009, from $22.50 to $30.00 for sterilized dogs and $45.00 to $60.00 for intact dogs with an annual $1.00 increase across the board for both 2010 and 2011. Table 1 outlines the current dog license fees by city for comparative purposes, including the proposed fees for Winnipeg.

Table 1: Dog License Fees by City

	Intact	Sterilized
Winnipeg (Proposed)	$60.00	$30.00
Vancouver	$65.00	$35.00
Edmonton	$64.00	$28.00
Hamilton	$61.00	$26.00
Toronto	$60.00	$25.00
Regina	$60.00	$20.00
Calgary	$52.00	$31.00
London	$50.00	$31.00
Halifax	$50.00	$15.00
Brandon	$50.00	$17.00
Thompson	$50.00	$10.00
Victoria	$45.00	$35.00
Winnipeg (Current)	$45.00	$22.50
Guelph	$40.00	$20.00
Thunderbay	$35.00	$15.00
Saskatoon	$30.00	$15.00
Portage la Prairie	$30.00	$15.00
Ottawa	$25.00	$12.00
Montreal	$24.00	$24.00
St. John's	$10.00	$10.00

The average dog license fees are $21.39 for sterilized dogs and $44.53 for intact.

It is estimated that 35% - 45% of dogs in the City of Winnipeg have valid licenses. Table 2 outlines historic performance of dog license sales for 2000 - 2007 in the City of Winnipeg.

Table 2: License Sales Performance 2000 - 2007

	Revenue	# of License Sold	% Change in # of License Sold	Fee	Discount Fee	% Change in Fee
2000	$301,348.00	15927		$30.00	$15.00	
2001	$401,552.00	20995	31.82%	$30.00	$15.00	0.00%
2002	$489,277.00	20965	-0.14%	$40.00	$20.00	33.33%
2003	$665,998.00	38174	82.08%	$40.00	$20.00	0.00%
2004	$995,214.00	31941	-16.33%	$40.00	$20.00	0.00%
2005	$1,006,833.00	35149	10.04%	$45.00	$22.50	12.50%
2006	$983,609.00	31229	-11.15%	$45.00	$22.50	0.00%
2007	$975,855.00	35876	14.88%	$45.00	$22.50	0.00%

- Revenues and number of licenses sold have increased significantly from 2000 to 2007 (i.e. 224% and 125% respectively).
- The highest growth in license sales and revenue occurred from 2000 to 2004.
- Revenues and numbers of licenses sold increased dramatically in the last quarter of 2003 (i.e., 36.12% and 82.08% respectively) due to a by-law amendment passed by Council in September 2003 increasing fines for un-licensed dogs from $50 to $250.
- 2004 revenue increase was due to deferred revenues from increased license sales in the last quarter of 2003.
- Since 2004, revenues and sales growth has been volatile and has flattened.
- Volatile sales can be explained by staffing resource issues.
- In 2005, a 12.5% price increase was implemented plus an option for dog owners to purchase a two-year license which contributed to an increase in license sales (10.04%) and revenues (1.17%).
- Revenues and sales decreased by 2.31% and 11.15% respectively in 2006 due to lack of human resource capacity but revenues were higher than expected given the decreased license sales due to an increased revenue deferral from the previous year.

Table 3 outlines the projected dog license sales and revenues for 2008 - 2011 with actual sales for 2007.

Table 3:

	# Dog Licenses	Dog Licenses Revenue
Actual 2007	35,876	$ 866,631
Adopted 2008	48,000	$ 1,221,000
Actual 2008	36,300	$ 873,110
Proposed Budget 2009	37,000	$ 1,152,865
Proposed Budget 2010	40,000	$ 1,400,888
Proposed Budget 2011	43,000	$ 1,581,900

- 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 which is deferred into the following years.
- In 2007, $444,085 of license revenue was deferred to 2008.
- $486,343is to be deferred to 2009 - 2011 revenues from 2008 license sales.
- Original budgeted active license sales targets for 2008 were 48,000. Actual active licenses sales for 2008 were approximately 36,300. This reduction resulted in a $347,890 loss in license sales revenue for 2008.
- An amendment to the City of Winnipeg Pound By-law No. 2443/79 will be required to increase dog license annual fees.

Pound and Kennel Fees

	Actual 2007	Adopted 2008	Actual 2008	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
Pound Fee - Dog	$ 22,955	$ 23,850	$ 25,862	$ 21,100	$ 22,950	$ 21,100
Kenneling Fees - Dog	$ 31,244	$ 41,800	$ 37,173	$ 38,325	$ 44,220	$ 41,975
Total	$ 54,199	$ 65,650	$ 63,035	$ 59,425	$ 67,170	$ 63,075

* As adopted in the 2008 – 2010 Business Plan (Selection Report)

- The basic dog pound fees for running at large are:
  - first offence - $50
  - second offence - $150
  - third offence - $225
- Kenneling fees are set at:
  - $20/day – 2008
  - $21/day – 2009
  - $22/day – 2010
  - $23/day – 2011
- Projected revenues are based on returning dogs to their owners with an average stay of 5 days.
- An amendment to the City of Winnipeg Pound By-law No. 2443/79 will be required to increase pound fees for 2010 - 2011.

Mill Rate Support:

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

2005	2006	2007	2008	2009	2010	2011
$895,877	$1,020,101	$1,018,850	$1,004,276	$1,154,276	$1,154,276	$1,154,276

Current Budget Period

- The Business Plan for the Agency is premised upon obtaining the mill rate funding from the City of Winnipeg at $1,154,276 for 2009 – 2011
- Mill-rate support increased by $150,000 over 2008 amounts to facilitate projected increases to the service agreement with the Winnipeg Humane Society and enhanced advertising/education programs targeting responsible pet ownership.

Expenses:

Actual 2007	Adopted 2008	Actual 2008	Original* 2009	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
$ 2,184,127	$ 2,349,335	$ 2,236,992	$ 2,541,011	$ 2,522,170	$ 2,620,792	$ 2,691,024

* As projected in the 2008 – 2010 Business Plan (Selection Report)

Salaries and Benefits

Actual 2007	Adopted 2008	Actual 2008	Original* 2009	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
$ 1,253,781	$ 1,348,341	$ 1,240,232	$ 1,463,222	$ 1,297,489	$ 1,371,418	$ 1,419,581

* As projected in the 2008 – 2010 Business Plan (Selection Report)

- 2009 proposed salary levels are based on existing grades and levels as per the collective agreements. The 2009 CUPE staff complement will consist of an Office Administrator, one Clerk C, two Clerk A's, one part-time Clerk A, one Adoption/Education Coordinator, ten Animal Service Officer ASO I's, two ASO II's and two Kennel Attendants. The WAPSO/WAPSO exempt positions include a Chief Operating Officer and a Field Operations/Court Coordinator. Projections also include an adjustment of 2.2% for 2009; 3% for 2010 and 2% for 2011 for CUPE staff. Projections for WAPSO/WAPSO exempt staff include an adjustment of 2% for 2009-2011. Employee benefits are estimated to be 18.50% of total gross salaries. Retirement Allowance is accumulated provision for sick time severance payable.
- 1.8 FTE's have been reallocated to 311, January 1, 2009

Services

Actual 2007	Adopted 2008	Actual 2008	Original* 2009	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
$ 542,082	$ 586,866	$ 596,014	$ 662,008	$ 771,566	$ 797,331	$ 818,692

* As projected in the 2008 – 2010 Business Plan (Selection Report)

- Advertising increased by $50,000 in 2009 - 2011 to facilitate enhanced advertising/education programs in conjunction with the Winnipeg Humane Society targeting responsible pet ownership, particularly the ownership of cats.
- The City of Winnipeg has a service agreement with the Winnipeg Humane Society which in part requires the Humane Society to provide kenneling space for all cats trapped pursuant to the by-law and handle other general and specific animal welfare issues. Included in the service agreement is a low cost cat spay and neuter program provided by the Humane Society and subsidized in part by the City of Winnipeg to a maximum of $50,000 annually. This service agreement is funded through the Animal Services Agency's budget.
- The most recent agreement expired on December 31, 2008.
- The Agency is currently negotiating a new service agreement with the Winnipeg Humane Society.
- The Agency pays approximately $55,000 for a service contract with Scotia Enterprises for providing animal control services in the Charleswood/Tuxedo section of the city.

Materials, Parts and Supplies

Actual 2007	Adopted 2008	Actual 2008	Original* 2009	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
$ 31,337	$ 33,338	$ 22,556	$ 35,380	$ 40,732	$ 33,363	$ 33,497

* As projected in the 2008 – 2010 Business Plan (Selection Report)

Accommodations

Actual 2007	Adopted 2008	Actual 2008	Original* 2009	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
$ 169,338	$ 208,536	$ 208,532	$ 208,536	$ 210,084	$ 214,286	$ 218,571

* As projected in the 2008 – 2010 Business Plan (Selection Report)

- 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 2009 - 2011. The Agency leases the lower level to the Community Services Department, By-Law Enforcement Division for storage of bicycles.

Administrative Services

Actual 2007	Adopted 2008	Actual 2008	Original* 2009	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
$ 177,592	$ 157,000	$ 152,353	$ 157,000	$ 176,082	$ 176,082	$ 176,082

* As projected in the 2008 – 2010 Business Plan (Selection Report)

- The Agency expects to continue purchasing administrative services from the City's Community Services Department for 2009 - 2011. Included in these services is assistance with respect to finance, human resources, strategic support and information technology. (See Table 8 for allocated costs.)

  Table 8: Allocated Costs

	Actual 2007	Actual 2008	Proposed Budget 2009	Proposed Budget 2010	Proposed Budget 2011
Financial	27,500	27,500	27,500	27,500	27,500
Human Resources	16,000	16,000	16,000	16,000	16,000
Strategic	16,000	16,000	16,000	16,000	16,000
Information System	24,486	20,896	25,500	25,500	25,500
Corporate Service	72,782	69,582	69,582	69,582	69,582
Bad Debts	16,716	-2,057	17,500	17,500	17,500
Credit Card Commissions	4,108	4,432	4,000	4,000	4,000
Total Administrative Services	$ 177,592	$ 152,353	$ 176,082	$ 176,082	$ 176,082

- The City of Winnipeg incurs Corporate Services charges 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 approximately $69,582 for 2009.

City of Winnipeg/Humane Society Service Agreement

The City of Winnipeg and the Winnipeg Humane Society had a three-year service agreement in place ending December 31,2008 which in part required the Humane Society to provide kenneling space for all cats trapped pursuant to the by-law and handle other general and specific animal welfare issues. Included in the service agreement was a low cost cat spay and neuter program provided by the Humane Society and subsidized in part by the City of Winnipeg to a maximum of $50,000 annually. Cost of the sterilization was shared equally by the City of Winnipeg, the Winnipeg Humane Society and the cat owner with each party paying $20.00 towards the procedure. This service agreement is funded through the Animal Services Agency's budget.

The Agency has begun negotiations with the Winnipeg Humane Society for a new service agreement for the period 2009-2011 which requires the approvals of Council and the Winnipeg Humane Society Executive Board. The 2009-2011 financial projections are based upon the assumptions contained in Table 9.

The Agency and the Humane Society have agreed to work together in delivering targeted neighbourhood programs dealing with cat spay and neutering and responsible pet ownership. It is anticipated that through collaborative efforts some of the ongoing issues surrounding increasing populations of stray cats and irresponsible cat ownership can be resolved.

Table 9: Service Agreement Funding Costs

	2009	2010	2011
General Service Agreement Grant	275,000	275,000	275,000
Subsidized Spay & Neuter Program	75,000	75,000	75,000
Total Service Agreement Cost	**350,000**	**350,000**	**350,000**

Human Resources:

In June of 2007, the Agency re-aligned funding from two vacant Animal Services Officer I positions to create two temporary License Inspector I positions to deal only with dog licensing issues. The Agency experienced difficulty in recruiting qualified staff and retaining staff once hired. This license enforcement program showed success when operating at full strength. The Agency intends to re-align the funding back to the vacant Animal Service Officer Positions and assign those positions, once filled, primarily to licensing. The two temporary positions are currently vacant.

Information Technology:

Animal Services will be enhancing its service delivery in 2009 with the installation of wireless technology. The Agency will be installing portable computer technology in each of its service vehicles which will provide field staff with real time access to service requests and archived information stored in the Animal Services Information System.

This technology will in addition to improving service delivery provide Officers field access to any prior history/warnings about a particular address before attending which will improve employee safety.

By-Law Amendments:

1. Increase kennel fees for 2010 and 2011

As per Clause 21(5)(e) of the Pound Bylaw, dog owners must pay a daily kenneling fee for each day their dog is impounded before they can claim their dog. These fees are applied against the cost incurred by the Agency for caring and feeding dogs during impoundment. The daily fee has been increased $1.00 per day in each of the previous two years and is set to increase $1.00 in 2009. The Agency is recommending that the By-law be amended to allow increasing the fee $1.00 per day in each of the years 2010 and 2011.

2. Rewording of Clause 20(1)(j) as it pertains to Rabies vaccination for dogs

Clause 20(1)(j) of the Pound By-law states that a dog owner;

"… produce on demand a Certificate of Vaccination for rabies for each dog he or she owns from a licensed Veterinary Surgeon showing that each dog has been vaccinated within the 12 months immediately preceding the demand."

The current wording demands that dog owners vaccinate their dog every year for rabies. Rabies vaccinations are now available in multi-year doses. This allows dog owners the flexibility to acquire the vaccination dose that suits their needs. It is recommended that the wording in this clause be changed to indicate valid Rabies vaccination in place of the timeframe of the previous 12 months.

3. Valid rabies vaccination for all cats

It is recommended that in the interest of public health, a requirement for cat owners to produce on demand to the Animal Services Agency, a Certificate of Vaccination for rabies from a licensed Veterinary Surgeon for each cat they own similar to the requirement for dog owners be added to the Pound By-law. Cats, through their nature, like to travel in areas such as under decks, in ditches, in culverts, etc., which are frequented by possible rabid animals, such as skunks, weasels, etc. Table 10 details the number of biting/aggressive cats the Agency has handled since 1996.

Table 10: Biting /Aggressive Cats Handled

Year	# of incidents
1996	8
1997	27
1998	57
1999	41
2000	40
2001	36

2002	49
2003	35
2004	41
2005	46
2006	35
2007	39
2008	36
Total	**490**

4. Pro-rated rebates for current valid dog licenses upon proof of sterilization

Dog License fees are currently $45.00 for intact dogs and $22.50 for sterilized dogs, a 50% reduction. Pet owners who license their intact dogs must wait until the next year for a reduction to their license fee. In fairness, if a pet owner takes the responsible step to sterilize their dog, they should be able to reap the benefits of a reduced license fee as soon as possible. It is recommended that the Pound By-law be amended to allow a pro-rated rebate to a pet owner who provides proof from a licensed Veterinary Surgeon that their pet was sterilized within the current license year. Rebates should be pro-rated to the closest quarter year.

5. Replace the requirement for owners of dangerous dogs to tattoo their dogs with the requirement to microchip

The Pound By-law currently requires owners of dogs designated as a "Dangerous Dog" to "…cause the dog to be tattooed upon the ear or flank by a licensed Veterinary Surgeon…" Typically, to apply a tattoo to a dog, the dog must be anesthetized before the tattoo process can begin. Although tattoos are an industry accepted and efficient method of providing a permanent identifier on an animal they can, over time, be difficult to read due to fading or distortion and because of their location, inside the ear or rear flank, they can be problematic to read on aggressive dogs.

Dangerous dogs are required to be tattooed in the case they are not wearing their tags when picked up. To simplify the need for alternate identification, it is recommended that the requirement for tattoos be replaced with a requirement for a micro-chip implant. Micro-chips on dog are implanted under the skin at the top of the front shoulders on the back. The information contained on the chip is held in national data banks and is accessible 24/7. Also, microchips are easily read with a handheld scanner which requires little if any physical contact with the dog. Installation of the chip is painless and takes only seconds to insert.

Financial Impact Statement

Date: February 10,2009

Project Name:
2009 - 2011 Selection Report Animal Services Special Operating Agency

First Year of Program **2009**

	2009	2010	2011	2012	2013
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	$ 1,154,276	$ 1,154,276	$ 1,154,276	$ -	$ -
Less: Incremental Revenue/Recovery				-	-
Net Cost/(Benefit)	$ 1,154,276	$ 1,154,276	$ 1,154,276	$ -	$ -
Less: Existing Budget Amounts	$ 1,104,276	$ 1,104,276	$ 1,104,276	-	
Net Budget Adjustment Required	$ 50,000	$ 50,000	$ 50,000	$ -	$ -

Additional Comments: i. The 2009 - 2011 Animal Services Selection Report assumes a tax-supported subsidy of $1,154,276 in 2009-2011. The SOA projects a deficit of $43,911 in 2009, and surpluses of $107,658 in 2010, and $216,967 in 2011 which will reduce the accumulated deficit [from the December 31, 2008 balance of $1,340,802 to $1,060,088 by the end of 2011]. The Community Services Department's PeopleSoft 2009-2011 Draft budget submission provides a transfer of $1,104,276 in mill-rate support to the SOA, therefore an adjustment to the tax-supported PeopleSoft budget of $50,000 is required.

Cindy Fernandes, B. Comm (Hon), CMA
Manager of Finance and
Administrative Services

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

The Community Services Department
The Corporate Finance Department

External Consultation With:

The Winnipeg Humane Society

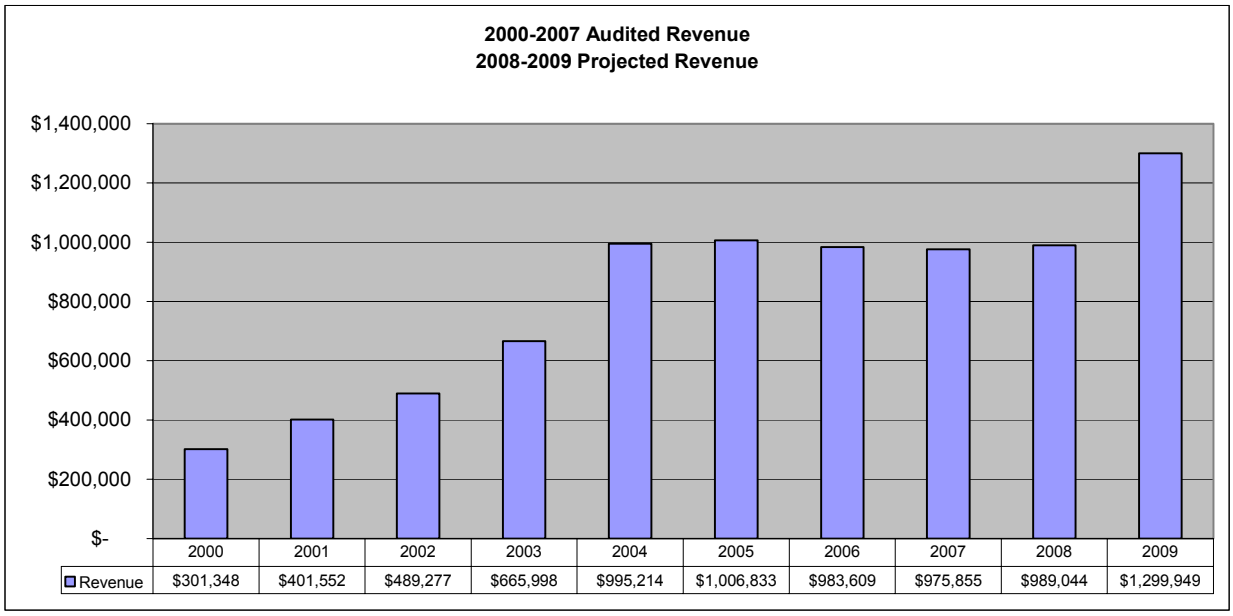
THIS REPORT SUBMITTED BY:

Department: Animal Services SOA
Division
Prepared by: Tim Dack, COO
File No.

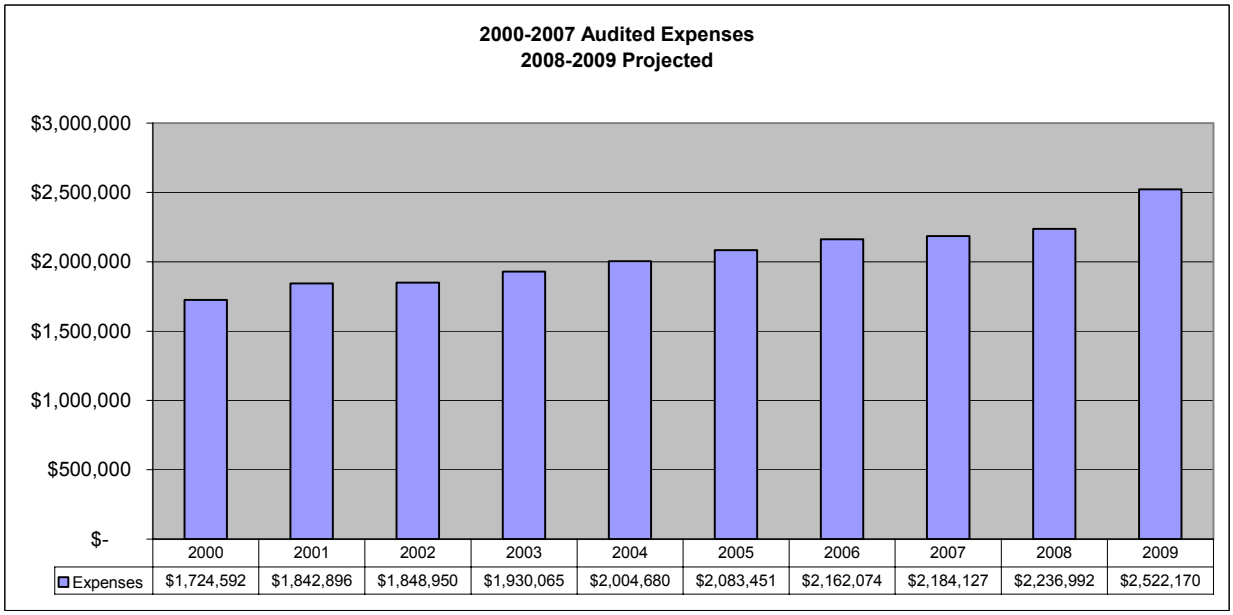
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2007 Financials and Notes

APPENDIX A: 2000 – 2007 Actual Expense and Revenue Comparisons with 2008 – 09 Projections



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenue	$301,348	$401,552	$489,277	$665,998	$995,214	$1,006,833	$983,609	$975,855	$989,044	$1,299,949



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenses	$1,724,592	$1,842,896	$1,848,950	$1,930,065	$2,004,680	$2,083,451	$2,162,074	$2,184,127	$2,236,992	$2,522,170

APPENDIX B: 2009 – 2011 Financial Projections and Notes

Projected Statement of Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

As At December 31		Actual 2007	Adopted Budget 2008	Actual 2008	*Variance*	Proposed Budget 2009	Projected Budget 2010	Projected Budget 2011
Assets								
CURRENT	*Note 7*							
Cash		$7,334	$55,450	$9,509	*($45,941)*	$0	($0)	($0)
Due from City of Winnipeg		-	-	-	-	-		
Receivables		32,136	40,000	26,462	*($13,538)*	40,000	40,000	40,000
Inventory		9,363	12,000	408	*($11,592)*	12,000	12,000	12,000
Prepaid expenses		25,835	31,000	26,567	*($4,433)*	31,000	32,000	32,000
		74,668	138,450	$62,946	*($75,504)*	83,000	84,000	84,000
EQUIPMENT	*Note 7*							
Computer equipment		78,946	96,126	78,946	*($17,180)*	143,946	143,946	143,946
Furniture and other equipment		73,850	73,005	76,270	*$3,265*	76,270	76,270	76,270
Communication Radios		37,503	35,000	37,502	*$2,502*	37,502	37,502	37,502
		190,299	204,131	192,718	*($11,413)*	257,718	257,718	257,718
Less: accumulated depreciation		155,394	172,644	164,873	*($7,771)*	181,869	206,471	231,073
		34,905	31,487	27,845	*($3,642)*	75,849	51,247	26,645
		$ 109,573	$ 169,937	$ 90,790	*($79,147)*	$ 158,849	$ 135,246	$ 110,644
Liabilities								
CURRENT	*Note 7*							
Accounts payable & accrued liabilities		$73,362	$ 50,000	$ 46,864	*($3,136)*	$ 50,000	$ 50,000	$ 50,000
Vacation and overtime payable		85,469	57,000	163,199	*$106,199*	100,000	107,000	107,000
Deferred revenue		525,681	594,000	500,447	*($93,554)*	648,888	752,000	829,900
Due to City of Winnipeg - Line of Credit		361,218	433,839	609,583	*$175,744*	605,675	349,301	6,832
		1,045,730	1,134,839	1,320,092	*$185,253*	1,404,562	1,258,301	993,732
LONG-TERM	*Note 7*							
Retirement allowance		129,000	139,000	111,500	*($27,500)*	139,000	154,000	177,000
		1,174,730	1,273,839	1,431,592	*$157,753*	1,543,562	1,412,301	1,170,732
CAPITAL DEFICIENCY								
Deficit		(1,065,157)	(1,069,944)	(1,340,802)	*($270,858)*	(1,384,713)	(1,277,055)	(1,060,088)
		$ 109,573	$ 203,895	$ 90,790	$ (113,105)	$ 158,849	$ 135,246	$ 110,644

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		Acutal 2007	Adopted Budget 2008	Actual 2008	*Variance*	Proposed Budget 2009	Projected Budget 2010	Projected Budget 2011
Revenues	*Note 5*	$ 975,855	$ 1,315,608	$ 989,044	*($326,564)*	$ 1,299,949	$ 1,549,123	$ 1,727,761
Expenses								
	Note 6							
Salaries and Benefits		1,253,781	1,348,341	1,240,232	*($108,109)*	1,297,489	1,371,418	1,419,581
Services		542,082	586,866	596,014	*$9,148*	771,566	797,331	818,692
Material, parts and supplies		31,337	33,338	22,556	*($10,782)*	40,732	33,363	33,497
Civic Accommodations		169,338	208,536	208,532	*($4)*	210,084	214,286	218,571
Other								
Depreciation		8,349	11,985	9,480	*($2,505)*	16,996	24,602	24,602
Administrative services		177,592	157,000	152,353	*($4,647)*	176,082	176,082	176,082
Interest/financing		1,648	3,269	7,826	*$4,557*	9,221	3,710	-
		2,184,127	2,349,335	2,236,992	*($112,343)*	2,522,170	2,620,792	2,691,024
Loss from operations		(1,208,273)	(1,033,727)	(1,247,947)	*($214,220)*	(1,222,220)	(1,071,669)	(963,263)
Other								
Grant from the Province of Manitoba		21,769	24,666	21,964	*($2,702)*	24,033	25,052	25,955
Grant from the City of Winnipeg	*Note 5*	1,018,850	1,004,276	1,004,276	*$0*	1,154,276	1,154,276	1,154,276
Net Income (Loss)		(167,654)	(4,786)	(221,707)	*($216,922)*	(43,911)	107,658	216,967
Deficit, beginning of year *		(897,504)	(1,065,158)	(1,119,095)	*($53,937)*	(1,340,802)	(1,384,713)	(1,277,055)
Surplus(deficit)		$ (1,065,158)	$ (1,069,944)	$ (1,340,802)	*($270,858)*	$ (1,384,713)	$ (1,277,055)	$ (1,060,088)

**** 2007 equity ending balance has been restated due a under accrued vacation liability of $55,000 for periods before 2008***

Projected Statement Change in Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Adopted Budget 2008	Actual 2008	*Variance*	Proposed Budget 2009	Projected Budget 2010	Projected Budget 2011
Net inflow (outflow) of cash related to the following activities						
Operating						
Net earnings (loss) for the year	$ (4,786)	$ (221,707)	*$ (216,922)*	$ (43,911)	$ 107,658	$ 216,967
Non-cash items related to operations						
Depreciation	11,985	9,480	*(2,505)*	16,996	24,602	24,602
Increase(decrease)Retirement Allowance	15,000	17,500	*2,500*	27,500	15,000	23,000
Working capital from operations	22,199	(194,727)	*(216,927)*	585	147,260	264,569
Net change in working capital other than cash assets	79,250	39,895	*(39,355)*	58,815	109,112	77,900
	101,449	(154,832)	*(256,282)*	59,400	256,373	342,469
Financing						
Due to Line of Credit						
Due to/from the City of Winnipeg	88,101	159,428	*71,327*	(3,909)	(256,374)	(342,469)
	88,101	159,428	*71,327*	(3,909)	(256,374)	(342,469)
Investing						
Purchase of equipment	(15,000)	(2,420)	*12,580*	(65,000)	-	-
Proceeds from disposal of equipment						
	(15,000)	(2,420)	*12,580*	(65,000)	-	-
Increase (decrease in cash assets)	174,550	2,175	*(172,375)*	(9,509)	(1)	0
Cash position, beginning of year	-	7,334	*7,334*	9,509	0	(0)
Cash position, end of year	$ 174,550	$ 9,509	*$ (165,041)*	$ 0	$ (0)	$ (0)

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL PROJECTION
THREE YEARS ENDING DECEMBER 31, 2011

1. DESCRIPTION OF BUSINESS

Animal Services, Special Operating Agency commenced operations on January 1, 2000. Effective Jan 1, 2009 the Agency will be entering its tenth 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 Marketing Campaigns
- Revamped fines schedule
- 3 per page invoice printing for paper/printing economies and bar-coding for new technology
- Automatic electronic payments through Banking Institutions

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%

Budget Column

The 2008 adopted budget information, from the Council approved 2008-2010 Selection Report Animal Services Special Operating Agency, has been added to the financial statement to facilitate effective analysis and comparison. However, 2007 Surplus (Deficit) is updated with 2007 actual figures.

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 three years ending December 31, 2011. 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 $1,154,276 for 2009, 2010 and 2011.
(b) That the City of Winnipeg will extend a line of credit as detailed in the Financial Statements contained within the Council approved annual Selection Report prepared by the Agency, 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) Consumer Price Index are assumed at 2.2% for 2009; 2.0% for 2010 and 2.0% for 2011 provided by Corporate Finance.
(e) That the City of Winnipeg re-negotiates a new service agreement with the Winnipeg Humane Society as the past agreement expired on December 31, 2008.

5. ASSUMPTIONS – REVENUE

(a) Pound Fees

The basic fees for running at large are: first offence - $50, second offence - $150 and third offence - $225. Pound revenues are based on 338 -1st offences, 25 - 2nd offences and two - 3rd offences per year.

(b) Kenneling Fees

Kenneling fees were set at $21 per day effective 2009 and will increase annually by $1 per day to $23 by 2011. 2009 volumes are based on servicing 365 dogs annually with an average stay of 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
2009	$36.60	37,000
2010	$37.60	40,000
2011	$38.60	43,000

Dog license fees for 2008 applicable to intact dogs are $60 annually. A 50% discount is offered for sterilized dogs bringing this fee to $30 annually. Dog license fees are set to increase annually by $1 to $62 by 2011, while sterilized dogs license fees will increase annually by $1 to $32 by 2011. Dangerous dog license fees are set at $75 annually. There is no charge for service dog licenses and for the first license period for dogs adopted through the Humane Society.

(d) Excess Animal Permit

2009 permit revenue is based on 9 renewals and 12 new applications with a modest annual increase to follow.

(e) Surrendered Animals

Projected revenue are based on 62 turnovers at a fee of $68.78 net tax effective July 1, 2008. Surrendered fee will be adjusted annually according to CPI as follows:

	2009	**2010**	**2011**
Surrendered Fee	$70.29	$71.69	$73.12

(f) Trap Rentals/Set Ups

A fee of $61.14 is charged on skunk trap rentals and an administration fee of $10 on cat trap rentals. Additional traps in 2008 were purchased and reflected in the income. Skunk Trap rental price are to be factor in CPI as followed:

	2009	**2010**	**2011**
Skunk trap rental prices	$62.48	$63.72	$64.99

(g) Dog Adoptions

Adoption fees are $185 for dogs less than four months, $155 for dogs over four months, $124 for sterilized dogs and $113 for senior intact dogs and $62 for 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. With some exception, adoption fees will be adjusted to reflect inflation according to CPI as follow:

	2008	2009	2010	2011
Less than four months Old	$185	$189	$193	$197
Over four months	$155	$158	$161	$165
Sterilized dogs	$124	$127	$129	$132
Senior intact dogs	$113	$115	$118	$120
Senior sterilized dogs	$ 62	$ 63	$ 65	$ 66

(h) Grant from the City of Winnipeg

The Agency has requested an annual operating grant from the City of Winnipeg in the amount of $1,154,276 for 2009, 2010 and 2011. This grant represents the mill rate support of operating costs.

YEAR	FUNDING AMOUNT
2000	$1,250,000
2001	$1,250,000
2002	$1,250,000
2003	$1,100,000
2004	$950,000
2005	$895,877
2006	$1,020,101
2007	$1,018,850
2008	$1,004,276
2009	$1,154,276
2010	$1,154,276
2011	$1,154,276

6. ASSUMPTIONS – EXPENSES

(a) Salaries and Employee Benefits

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

	2009	2010	2011
WAPSO	2	2	2
CUPE	19.2	19.2	19.2

The 2009 CUPE staff complement will consist of an Office Administrator, one Adoption/Community Education Coordinator, one Clerk C, two Clerk A, one part-time Clerk A, ten ASO I's, two ASO II's and two Kennel Attendants, The WAPSO/WAPSO exempt positions include a Chief Operating Officer and a Field Operations/Court Coordinator. Projections also include an adjustment of 2.2% for 2009; 3% for 2010 and 2% for 2011 for CUPE staff. Projections for WAPSO/WAPSO exempt staff include an adjustment of 2% for 2009-2011. Employee benefits are estimated to be 18.50% of total gross salaries. Retirement Allowance is accumulated provision for sick time severance payable.

(b) Professional and Consulting Services

The Agency has begun negotiations with the Winnipeg Humane Society for a new service agreement for the period 2009-2011which will require approvals from Council and the Winnipeg Humane Society Executive Board. The City also pays approximately $55,000 for a service contract with Scotia Enterprises for the provision of animal control services in the Charleswood/Tuxedo area.

(c) Audit Fee

The Agency expects to pay approximately $10,000 annually for audit fees in 2009 through 2011.

(d) Auto Allowances

In 2009, one staff member is provided with "required" auto allowance.

(e) Office Equipment Maintenance

The Agency expects to pay $2,500 annually in office equipment repairs and maintenance.

(f) Telephone

The Agency expects to pay $12,500 annually for land and mobile phone services in 2009 – 2011. However, due to the implementation of 311 city-wide call centre, no additional cost on telephone call service anticipated for 2009 - 2011.

(g) Advertising

The Agency uses extensive advertising to help build its revenue base. Methods of advertising include billboards, bus posters, newspaper ads and brochures, Royal Ad mail-outs, etc.

(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 2% per year.

(i) Training/Workshops/Tuition

The Agency expects to incur costs of $2,700 annually to provide training to staff.

(j) Civic Accommodations

The Agency will continue to occupy 1057 Logan Avenue, first level of the building (12,296 square feet) only. Effective 2008, the tax supported Bicycle Recovery Program (lower level of 1057 Logan Avenue) civic accommodate charge has been reduced. Thus the Agency accommodation rate has been increased by an equivalent amount ($37,801) by Civic Accommodation. This increase is reflected in the transfer to civic accommodations.

(k) Depreciation

Depreciation is based on rates identified in note 2.

(l) Interest on Operating Line of Credit

The Agency 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. It is anticipated that the Agency's share of these costs will amount to/or approximate $80,000 yearly.

(n) Corporate Services 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/or approximate $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 $300 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 2007 the Agency reviewed its technology needs and upgraded equipment as needed. The Agency has budgeted $5,000 for 2008 and 2009 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

Animal 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 2005 a new two-year licensing option was offered to dog owners. This has resulted in a slightly higher deferral of unearned revenue.

8. SPECIAL NOTE

(a) Deficit Balance Restated

The closing balance of accumulated deficit of the agency for period ending December 31, 2007 has been restated. This is cause by an under accrual of vacation liability of an amount approximately $55,000 that is corrected in 2008.

APPENDIX C: 2007 Financials and Notes

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2007	2006
ASSETS		
Current		
Cash	$ **7,334**	$ 2,082
Accounts receivable (Note 5)	**32,136**	45,074
Inventory	**9,363**	7,115
Prepaid expenses	**25,835**	28,178
	74,668	82,449
Equipment		
Computer	**78,946**	76,126
Furniture and other	**111,353**	107,786
	190,299	183,912
Less: accumulated depreciation	**(155,394)**	(147,045)
	34,905	36,867
	$ **109,573**	$ 119,316
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ **106,040**	$ 52,147
Vacation and overtime payable	**52,790**	45,785
Deferred revenue	**525,681**	514,700
Due to The City of Winnipeg - General Revenue Fund (Note 6)	**361,218**	275,188
	1,045,729	887,820
Long-term		
Retirement allowance (Note 7a)	**129,000**	129,000
	1,174,729	1,016,820
Commitments (Note 8)		
CAPITAL DEFICIENCY		
Deficit	**(1,065,156)**	(897,504)
	$ **109,573**	$ 119,316

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

	2007 Actual	2006 Actual
REVENUES	$ 975,855	$ 983,609
EXPENSES		
Salaries and benefits	**1,253,781**	1,197,199
Services (Note 9)	**542,082**	596,472
Rent (Note 9)	**169,338**	169,952
Material, parts and supplies	**31,337**	31,226
Other		
Administrative expenses (Note 9)	**177,592**	165,036
Depreciation	**8,349**	1,275
Interest	**1,647**	914
	2,184,126	2,162,074
Loss from operations	**(1,208,271)**	(1,178,465)
Other		
Grant from the Province of Manitoba	**21,769**	21,779
Grant from The City of Winnipeg (Note 10)	**1,018,850**	1,020,101
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(167,652)**	(136,585)
DEFICIT, BEGINNING OF YEAR	**(897,504)**	(760,919)
DEFICIT, END OF THE YEAR	$ **(1,065,156)**	$ (897,504)

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

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	$ **(167,652)**	$ (136,585)
Non-cash items related to operations		
Depreciation	**8,349**	1,275
Increase in retirement allowance	**12,000**	12,000
Working capital from operations	**(147,303)**	(123,310)
Net change in working capital other than cash assets	**72,912**	76,137
	(74,391)	(47,173)
FINANCING		
Increase in Due to The City of Winnipeg - General Revenue Fund	**86,030**	77,732
INVESTING		
Purchase of equipment	**(6,387)**	(35,370)
Increase (decrease) in cash	**5,252**	(4,811)
CASH, BEGINNING OF YEAR	**2,082**	6,893
CASH, END OF YEAR	$ **7,334**	$ 2,082

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. *Description of Business*

Animal Services - Special Operating Agency (the "Agency") commenced operations on January 1, 2000. 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. *Significant Accounting Policies*

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). 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%

Deferred revenue

Included in deferred revenue is $32,130 (2006 - $40,163) received from the City of Winnipeg for the purchase of communication equipment. This amount is recognized as income at the same rate that the related assets are being depreciated.

Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. *Changes in Accounting Policies*

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 - Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's cash is classified as held-for-trading and the accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, vacation and overtime payable, and due to The City of Winnipeg - General Revenue Fund have been classified as other liabilities. Financial assets classified as held-for-trading are reported at fair value with changes in fair value recognized in the Statement of Loss and Deficit and transaction costs related to this classification of financial instruments are expensed as incurred. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-to-maturity or as available-for-sale. The book value of the Agency's financial assets and liabilities approximates their fair value, therefore there was no impact on the Agency's financial position or on the results of its operations related to the adoption of these standards.

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the capital deficiency of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in capital deficiency during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive loss, but are excluded from net loss. The adoption of this standard had no impact on the Agency's capital deficiency as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. *Financial Instruments*

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. *Accounts Receivable*

	2007	2006
Trade accounts receivable	$ **45,482**	$ 41,505
Allowance for doubtful accounts	**(36,021)**	(19,105)
	9,461	22,400
Provincial grant	**22,675**	22,674
	$ **32,136**	$ 45,074

6. *Due to The 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" account when they are processed through the bank. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%). City Council approved, in the Agency's 2007 budget, an operating line of credit up to $520,000 from The City of Winnipeg.

During the year, the Agency paid $1,647 (2006 - $914) in interest costs.

7. *Employee Benefits*

a) 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 10.0 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. An actuarial valuation report of the obligation was prepared effective December 31, 2005. The results of this valuation were extrapolated to December 31, 2007.

Information about the Agency's retirement allowance benefit plan is as follows:

	2007	2006
Retirement allowance - accrued obligation:		
Balance, beginning of year	$ **139,000**	$ 128,000
Current service cost	**5,000**	5,000
Interest cost	**6,000**	6,000
Net actuarial gain	**(3,000)**	-
Benefit payments	**(12,000)**	-
Balance, end of year	**135,000**	139,000
Unamortized net actuarial loss	**(6,000)**	(10,000)
Retirement allowance - accrued liability	$ **129,000**	$ 129,000

Retirement allowance expense consists of the following:

	2007	2006
Current service cost	$ **5,000**	$ 5,000
Interest cost	**6,000**	6,000
Amortization of net actuarial loss	**1,000**	1,000
	$ **12,000**	$ 12,000

7. Employee Benefits (continued)

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2007	2006
Valuation interest rate	**4.70%**	4.50%
General increases in pay	**3.00%**	3.00%

b) 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, $63,973 (2006 - $63,382) of pension costs were allocated to Animal Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has an actuarial surplus.

8. Commitments

The Agency and the Winnipeg Humane Society have entered into a contract that is in force from January 1, 2006 to December 31, 2008. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agrees to pay the Winnipeg Humane Society the sum of $200,000 per year, payable in quarterly installments of $50,000. In addition, the Agency agrees to pay $20.00 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of $50,000.

9. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Civic Accommodations Fund for rent of $169,338 (2006 - $169,952) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $88,026 (2006 - $80,396). Also included are lease costs of $85,336 (2006 - $79,739) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2006 - $69,582) for general government charges that has been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

10. Grant from The City of Winnipeg

This year, the general grant from The City of Winnipeg decreased by 0.12% or $1,251 to $1,018,850 This follows an increase in 2006 of 13.9%.

2003	$ 1,100,000
2004	950,000
2005	895,877
2006	1,020,101
2007	1,018,850