Agenda - Executive Policy Committee - March 19, 2009

Report – Alternate Service Delivery Committee – March 6, 2009

Item No. 2 Winnipeg Golf Services Special Operating Agency - 2009 Business Plan (Selection Report) and Operating Charter amendments eFile GL-5.6.1

COMMITTEE ECOMMENDATION:

On March 6, 2009, the Alternate Service Delivery Committee concurred in recommendation of the Winnipeg Public Service, and submits the following to Council:

1. That the 2009 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency (SOA) including the 2009 budget as tabled in Appendix 1 to the report of the Chief Operating Officer, Winnipeg Golf Services SOA, dated February 27, 2009, be approved.

2. That an operating line of credit increase from $3.0 million to $3.5 million to support the Winnipeg Golf Services Special Operating Agency, 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 Winnipeg Golf Services, be approved.

3. 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 Winnipeg Golf Services SOA.

4 That the Winnipeg Golf 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.

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

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.

Agenda - Executive Policy Committee - March 19, 2009

Report – Alternate Service Delivery Committee – March 6, 2009

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On March 6, 2009, the Alternate Serve Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

RE: 2009 Business Plan (Selection Report) – Winnipeg Golf Services Special Operating Agency

FOR SUBMISSION TO Alternate Service Delivery Committee

ORIGINAL REPORT SIGNED BY: Chief Operating Officer, Winnipeg Golf Services

REPORT DATE: February 27, 2009

RECOMMENDATIONS:

1. That the 2009 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2009 budget be approved as tabled in Appendix 1.

2. That an operating line of credit increase from $3.0 million to $3.5 million to support the Winnipeg Golf Services Special Operating Agency, 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 Winnipeg Golf Services.

REPORT SUMMARY

Key Issues:

- The business plan proposes a 2009 budget but does not include future year projections. Given the current uncertain economic climate, strategic options for the golf operations will be reviewed in 2009.
- The Agency exceeded its line of credit in 2008 due to shortfalls in revenues from green fees. An increase in the line of credit from the current $3,000,000 to the recommended $3,500,000 will provide the Agency with adequate operating funds for 2009.
- The audited financial statements for 2007 are attached for information in Appendix 5.

Implications of the 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

( ) Involves a multi-year contract

Comment(s):

Policy Implications

(x) No

( ) Yes

Comment(s):

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(x) No

( ) Yes

Comment(s):

Human Resources Implications

(x) No

() Yes

Comment(s):

Financial Implications

(x) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

REPORT

REASON FOR THE REPORT:
The Winnipeg Golf Services Operating Charter stipulates that a business plan be submitted to Council each year.

The Winnipeg Golf Services operating charter requires that an operational review be undertaken and subsequent report brought forward for consideration.

HISTORY:
Winnipeg Golf Services was designated as a Special Operating Agency effective January 1, 2002.

On July 22, 2005 Winnipeg Golf Services engaged the services of a consulting firm to carry out an independent strategic review of the City's golf course operation and provide recommendations on the administrative and operational structure that would provide for the best financial return to the City over the long term.

DISCUSSION:
This report outlines a 2009 budget and operating plan for Winnipeg Golf Services Special Operating Agency. In addition it discusses a go forward strategy for the future operation of the City of Winnipeg's golf course assets.

The year 2008 was the seventh year of operation for Winnipeg Golf Services. The Agency encompasses the operation and contract management of 12 golf course properties in Winnipeg generally categorized as follows:

City Operated and Maintained
Kildonan Park Golf Course
Windsor Park Golf Course
Crescent Drive Golf Course

Leased Properties
Rossmere Golf Course
St. Boniface Golf Course
Transcona Golf Course
Wildewood Club Golf Course
Assiniboine Golf Course

Contracted Courses
John Blumberg Golf Course
Canoe Club Golf Course
Tuxedo Golf Course

Joint City/Contractor
Harbour View Golf Course and Recreation Complex (contractor operated; City maintained)

Strategic Direction
Winnipeg Golf Services continues to compete in the Winnipeg golf market. Recent emphasis on physical asset improvements, improved customer service, and marketing initiatives has demonstrated the Agency's commitment to providing a quality golf experience. The 2009 business plan calls for continued work in the aforementioned areas as well as the implementation of an automated tee time booking system.

The Agency will continue to manage golf courses as valuable City assets with a focus on maximizing the financial return to the City.

SOA Financial Return
The 2008 golf season is forecasted to generate financial returns comparable to 2007. Weather conditions in 2008 were not generally favorable for golf. Wet conditions prevailed throughout the season which resulted in reduced rounds and lower associated revenues (e.g. auto cart rentals; merchandise sales).

The 2009 operating revenues and expenditures have been projected to reflect a realistic return based on 2007 and 2008 experience while still remaining moderately optimistic about the future of the Winnipeg golf market.

Fees for the 2009 golf season
Proposed fees for the 2009 golf season are contained in Appendix 3. For comparative purposes, fees dating back to 2002 are illustrated. The Winnipeg golf market has long been considered to be under priced. A 2008 survey of western Canadian cities supports this. The average price for an adult prime time round of golf at municipal courses in Calgary, Edmonton, Saskatoon and Regina is $37.66 (range of $29.75 to $49.00) as compared to Winnipeg's current price of $27.00. Course rating, amenities and condition of play factor into pricing. In that regard the Winnipeg municipal courses, although having undergone modest improvements in recent years are still in need of a significant capital investment. However, recent history has proven that the current rates are, at best, keeping up with increased expenses leaving nothing for improvements.

The increase from $27.00 to $30.00 for an adult round (and proportionate increases for juniors and seniors) is not expected to affect the number of rounds played at the municipal courses in 2009. Appendix 4 provides an historic account of the rounds played at Windsor Pak, Kildonan Park, Crescent Drive and Harbour View golf courses. Other public golf course operators are expected to follow suit and increase their fees thus allowing the City's courses to retain their market share.

Overall, green fee rates have increased by approximately 28.5% over the 7 years that the SOA has operated the City's golf courses. This represents an average increase of 4% per year. This

rate of increase has been generally acceptable to users. The proposed increase for 2009 represents an 11% hike. Although this may be regarded as a large increase in one year it still keeps Winnipeg's fees among the lowest in western Canada.

Winnipeg Golf Services surveys the fee structure of other public and semi public courses periodically to determine market pricing trends. The proposed fees are expected to remain competitive in the Winnipeg market.

Service Goals and Strategies

The following summarizes goals and key strategies the Agency employs in its business operations:

GOAL	STRATEGIES	STATUS
Maximize green fee revenues	1. Increase green fees in accordance with market demand	Assessed annually and changes made as market allows
	2. Target market to highest revenue consumers	Promotion targeted to adult regulars
	3. Gradually increase proportionate amount of seniors fees	Senior fees increased 39% compared to adult fee increase of 28.5% over 6 years
	4. Establish Municipal courses as user friendly	Promotion depicts fun, inviting atmosphere for women, juniors and new golfers
Improve golf course playability	1. Engage golf course architect to prepare improvement master plan	Master Plan complete; improvements ongoing
	2. Assess maintenance practices, methods and schedules to optimize playing conditions	Continuously assessed and improvements implemented. New equipment purchased to improve playability
	3. Make immediate maintenance improvements to demonstrate intent	Greens covers purchased to improve spring playability; greens cut prior to the start of daily play; 5 new tees built in 2005; drainage improvement projects completed in 2006 and 2007.
Provide high quality customer service	1. Develop customer service strategy	Manitoba Best customer service program adopted
	2. Customer service training	Manitoba Best training for clubhouse and maintenance staff is ongoing. Managing Excellence attended by supervisory staff. .
	3. Customer feedback to evaluate effectiveness	E-mail marketing customer loyalty program in place at 3 courses.
	4. Standardize counter service techniques	Clubhouse staff and starters provide consistent service as per training

GOAL	STRATEGIES	STATUS
Sustainable environmental initiatives	1. Minimize use of harmful chemicals	Staff certified in pesticide application and integrated Pest Management in accordance with Provincial regulations; chemical application minimized.
	2. Naturalization strategies	Habitat assessment complete; European Buckthorn removed; wildflower and natural vegetation plantings initiated.
	3. Environmental assessment of golf courses	Manitoba Golf Superintendents Association Environmental Assessment complete and recommendations being implemented. Fuel storage improvements began in 2007.
Improve image of Municipal golf courses	1. Establish WGS visual identity and positioning statement	Design expertise to be contracted.
	2. Establish and implement etiquette and speed of play guidelines	Golfers are continuously educated on golf etiquette; the introduction of course marshals helped improve speed of play; pace of play study initiated in 2007.
	3. Establish a golf advisory board	Advisory board was established in 2006.
	4. Sponsor community events and charities	Donations and sponsorships given to charities and events that promote the golf courses
Corporate sponsorship	1. Sponsorship of WGS events and annual tournament	Major beverage sponsor has been secured. Various sponsors contribute to annual Municipal tournament
	2. Attain sponsorship for new programs	Sponsors solicited for special events and tournaments. Tee marker sign advertising is growing
	3. Review existing sponsor contracts	Contracts assessed annually
Improve merchandise sales	1. Introduce new items for sale	Clothing line introduced; new product lines continually assessed.
	2. Partner with other retailers for volume discounts	Not feasible at this time – will continue to investigate
	3. Redesign / redecorate pro shops	Pro shops modernized; displays changed regularly.
	4. Market to non golfers	Community flyers and mobile signs attract non golfers to courses and pro shops; golf lessons offered at all sites
	5. Major promotions	Fathers Day/Mothers Day, fall, Christmas, end of season clearance promotions.
Improve food and beverage sales	1. Assessment of food and beverage operation	Contract assessed annually.

	2. Monitor food and beverage service	Daily monitoring done by golf course staff; weekly reviews held with contractor during the season.
	3. Cross promotions	Golf / food cross promotions tested. Concession operator aggressive in promoting food specials for tournaments.
	4. Visual upgrade of concessions	General appearance improved with new signage and visual enhancements.
Increase auto cart revenues	1. Assess auto cart usage and financial return	Auto cart usage continues to grow. Fleet increased by 60% (25 units) over 5 years. Additional units purchased in 2008.
Administer golf course leases	1. Renegotiate leases as they expire	All expired leases have been renegotiated and executed.
Administer agreements for contracted courses	1. Review green fees in consultation with contractors	Consultation done annually and fees adjusted as market allows.
	2. Review Harbour View operation to streamline reporting relationships	Ongoing
	3. Issue proposal calls for contracts as they expire	Ongoing
Manage Cross Country Ski operations and trail grooming	1. Administer agreement with Cross Country Ski Association of Manitoba	Contractor adhering to all terms and conditions
	2. Assess future viability of trail grooming in parks	Trail grooming in parks turned over to Public Works.

Financial Performance

Financial statements including a projected balance sheet, statement of projected changes in financial position, and statement of projected revenues and expenses are attached as Appendix 1.

In 2008, the Agency is forecasting a shortfall of $259,903 as compared to budgeted net income. This shortfall is primarily due to green fee and concession revenue being less than projected Expense savings were realized but were insufficient to offset the revenue shortfall.

The 2009 business plan reflects revenue/expense projections based on recent years experience. The projection for 2009 is considered achievable given average golf weather and retention of current market share given the proposed fee increase. The projections for 2010 to 2013, in Appendix 2, reflect those for 2009 and are premised on market conditions and all other factors remaining constant and an annual inflation rate of 3%.

Human Resource

The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this compliment is anticipated for 2009.

Information Technology

The Planning, Property and Development Department provides Information Technology services to the Agency through a service arrangement. Recent technology upgrades saw the golf courses automate financial/statistical reporting and daily timekeeping as well as gain access to the City network for communication and information purposes. In addition, the computerized golf handicapping system and the Shoot for the Green e-mail marketing program were improved. Systems and equipment will continue to be upgraded through existing resources.

Winnipeg Golf Services has purchased an automated tee time booking system. It will be fully operational for the start of the 2009 golf season.

Physical Asset Management

The Agency manages a variety of material assets in overseeing the operation of 12 sites. These assets are categorized as follows:

- Land;
- Buildings and other physical structures;
- Turf maintenance equipment;
- Furnishings, tools and other miscellaneous small equipment.

Winnipeg Golf Services is responsible for the servicing and administration of its turf maintenance equipment. Equipment servicing is done by a combination of internal (Golf Services maintenance worker) and external (equipment service contractor) methods. Mowing equipment is nearing the end of its life expectancy. New equipment (lease or purchase) will need to be acquired in order to ensure a reasonable level of maintenance.

In the fall of 2006 and spring of 2007 drainage projects were carried out at Kildonan and Windsor golf courses. These changes have improved drainage, enhanced playability and altered the visual appeal of six golf holes.

In 2008 an unexpected capital cost was incurred at Harbour View Golf Course. The septic holding tank required replacement at a cost of $160,000. The project was cost shared with the Public Works Department. No capital improvements are planned for 2009.

Performance Measurement

The following summarizes performance indicators and measures of success the Agency will strive to achieve in 2009:

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	• Meet the forecasted financial return to the City as contained in the business plan. • Meet or exceed the net income targets for the Agency
Customer Service Continually improve the image that we portray to customers.	• Respond promptly to customer complaints and enquiries, take appropriate action and provide timely feedback. • Improved staff appearance through adherence to uniform

Indicator	Measure of Success
	guidelines. Assessed through observation and independent checks. • Consistent use of appropriate greetings over the counter and on the telephone measured through observation, independent assessment and customer feedback. • Positive customer survey results • Aesthetic and amenity improvements that meet with customer satisfaction as determined through survey results.
Associated Services Improved service and image through provision of golf related services.	• Introduction of Corporate Sponsorship in selected areas. • Increased merchandise sales. • Increased sales of food and beverage in clubhouses and on courses. • Increased auto cart rentals.
Environment Reduce harmful affects of maintenance practices and contribute to the long-term viability of golf courses.	• Reduced use of harmful chemicals. • Increased native vegetation and wildlife on golf course properties. • Recognition as an environmentally friendly golf course operation.

Issues and Challenges

Competition

Winnipeg Golf Services actively competes in the golf market. Green fees are reflective of market pricing and additional sources of revenue are continually explored. New public courses coming into the market impact on the rounds played at municipal courses. Marketing and promotion initiatives as well as playability and aesthetic improvements are planned in order to retain the current customer base and make the municipal courses an attractive choice for new golfers.

Merchandise Sales

The ongoing presence of a major golf merchandise retailer in the Winnipeg market has had an impact on the sales strategy at the municipal courses. A shift away from big ticket items (e.g. club sets) to impulse purchases has helped to maintain a reasonable level of merchandise sales.

Capital Improvements

The municipal courses had limited capital improvements done prior to the establishment of the Winnipeg Golf Services SOA. As a result, the condition of the courses and clubhouses has fallen below the standard generally acceptable for public courses. A capital master plan is complete and an improvement program was initiated in 2004 to bring the courses and clubhouses up to a reasonable standard. This program has started the process of catching up with improvements that have been deferred over the years.

Acceptance of Change Initiatives

A number of operational changes have been implemented since the inception of the SOA. Staff will continue to be challenged to be innovative and energetic in carrying out their functions. Staff are becoming more accustomed to and accepting of the businesslike approach to the operation.

Legislative Changes

- Recent changes to the Workplace Safety and Health Act have resulted in additional training and reporting requirements. It is hoped that safer work practices will result in fewer injuries and a resulting reduction in work time lost.
- The Province of Manitoba Nutrient Management Regulation takes effect in 2009. Winnipeg Golf Services has initiated work on a nutrient management plan that will meet the regulatory requirement. Additional costs may be incurred in order to meet the new standards.
- Integrated Pest Management (IPM) Certification for golf course maintenance personnel became a requirement in 2008. Appropriate golf course staff have been certified. This new Provincial regulation is viewed positively from an environmental perspective, however, it comes at a cost.

Financial Impact Statement

Date: February 27, 2009

Project Name:

2009 Business Plan - Winnipeg Golf 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	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The projected financial impact of the recommendations contained in this report are reflected in the attached appendices.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Corporate Support Services Department

External Consultation With:
N/A

THIS REPORT SUBMITTED BY:

Department Chief Financial Office
Division Winnipeg Golf Services Special Operating Agency
Prepared by: Iain Day, Acting Chief Operating Officer

APPENDIX 1: 2009 FINANCIAL PROJECTIONS

Golf Services - Special Operating Agency
Projected Statement of Financial Position
December 31

	2007 Actual (Audited)	2008 $	2009 $
ASSETS (Note 7)			
Current			
Cash	-	-	-
Accounts Receivable	66,846	66,846	66,846
Inventory (Note 2)	50,581	50,581	50,581
Prepaid Expenses	4,583	4,583	4,583
	122,010	122,010	122,010
Land, buildings and equipment: (Schedule 1)			
Land (Note 2)	20,376,565	20,376,565	20,376,565
Buildings (Note 2)	2,539,823	2,539,823	2,539,823
Golf Course Improvements (Note 2)	517,594	622,717	647,717
Furniture and Other Equipment (Note 2)	1,388,772	1,488,651	1,513,651
	24,822,754	25,027,756	25,077,756
Less: accumulated depreciation	1,344,104	1,618,077	1,901,547
	23,478,650	23,409,679	23,176,209
	23,600,660	23,531,689	23,298,219
LIABILITIES (Note 7)			
Current			
Due to City of Winnipeg	2,058,623	2,805,026	2,906,017
Accounts payable and accrued liabilities	81,322	81,322	81,322
Vacation Liability	43,313	38,981	35,083
Current portion of long-term debt (Schedule 2)	88,063	94,336	115,550
	2,271,320	3,019,665	3,137,972
Long Term			
Retirement allowance	161,000	144,900	130,410
Long-term debt	3,772,869	3,883,535	3,817,985
	3,933,869	4,028,435	3,948,395
RETAINED EARNINGS			
Contributed Surplus	20,574,658	20,574,658	20,574,658
Operating Surplus/(Deficit)	(3,179,187)	(4,091,069)	(4,362,806)
	17,395,471	16,483,589	16,211,852
	23,600,660	23,531,689	23,298,219

Golf Services - Special Operating Agency
Projected Statement of Operations & Deficit
For the Years Ended December 31

	2007 Actual (Audited)	Council Adopted 2008	2008 Projected Actual	2009
Revenues: (Note 4)				
Green Fees (Schedule 3)	1,984,971	2,163,018	1,885,000	2,204,153
Equipment Rentals (Schedule 4)	246,581	276,430	256,500	350,016
Concessions (Schedule 5)	100,865	96,000	45,000	42,000
Merchandise Sales (Schedule 6)	107,339	110,000	112,000	117,000
Other (Schedule 7)	28,456	52,723	45,241	27,723
Miniature Golf (Schedule 8)	-	-	-	-
Net Revenue-Leasing Operations (Schedule 9)	120,824	120,030	121,000	134,601
Total Revenues	2,589,035	2,818,201	2,464,741	2,875,493
Expenses: (Note 5)				
Salaries & Employee Benefits (Schedule 10)	1,358,923	1,356,049	1,315,515	1,324,026
Services (Schedule 11)	500,728	467,818	454,612	474,265
Materials,Parts,Supplies (Schedule 12)	276,870	277,157	255,754	278,360
Interest on Short Term Debt (Schedule 13)	61,355	83,175	85,707	104,183
Interest on Long Term Debt - Capital Plan	46,979	60,915	51,060	54,714
Total Expenses	2,244,855	2,245,114	2,162,648	2,235,547
Net Revenue	344,180	573,087	302,093	639,946
Allocated to the City: (Note 6)				
Property Tax Equivalents (Schedule 14)	219,682	226,272	226,272	233,060
Departmental Support Costs (Schedule 15)	46,612	118,010	118,010	49,451
Office Accommodation Costs	17,300	17,330	17,500	17,389
Provision for Payroll Taxes	25,307	25,703	25,792	26,474
Provision for Business Taxes	27,426	28,249	28,249	28,249
Interest on Long Term Debt - Acquired Assets	187,961	186,747	186,747	185,459
City's Return on Investment	365,844	327,844	327,844	78,254
Total allocated to the City	890,132	930,155	930,414	618,336
Other:				
Depreciation, Fixed Assets (Schedule 1B)	265,738	283,656	273,973	283,470
Annual Audit Fee	9,309	11,255	9,588	9,876
Total Other and Allocated to the City	1,165,179	1,225,066	1,213,975	911,682
Net Income/(Loss)	(821,000)	(651,979)	(911,882)	(271,737)

Golf Services - Special Operating Agency
Projected Statement of Cash Flow
For the Years Ended December 31

	2007 Actual (Audited)	2008	2009
Net inflow (outflow) of cash related to the following activities:			
OPERATING			
Net earnings (loss) for the year	(515,962)	(584,038)	(193,483)
Non-cash items relating to operations:			
Amortization	265,738	273,973	283,470
Increase in Retirement Allowance	9,000	(16,100)	(14,490)
Working capital from operations	(241,224)	(326,165)	75,497
Changes in non-cash operating working capital items:			
Accounts receivable	(11,629)	(0)	-
Inventory	513	-	-
Prepaid Expenses	-	-	-
Accounts payable and accrued liabilites	(3,738)	-	-
Vacation Liab	128	(4,332)	(3,898)
	(255,950)	(330,497)	71,599
FINANCING			
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	622,231	746,403	100,991
Incr in Long-term debt - Required for Capital Plan	(48,198)	116,939	(44,336)
Transfer to City of Winnipeg - General Revenue Fund	(305,038)	(327,844)	(78,254)
	268,995	535,498	(21,599)
INVESTING			
Purchase of Land	-	-	-
Purchase of Buildings	-	-	-
Purchase of Golf Course Improvements	(4,274)	(105,123)	(25,000)
Purchase of Furniture and Other Equipment	(8,772)	(99,879)	(25,000)
Proceeds from disposal of equipment			
	(13,046)	(205,002)	(50,000)
NET CASH INFLOW (OUTFLOW)	0	0	0
CASH POSITION, BEGINNING OF YEAR	0	0	0
CASH POSITION, END OF YEAR	0	0	0

Golf Services - Special Operating A
Projected Statement of Equity
December 31

	2007 $	2008 $	2009 $
Contributed Surplus	20,574,658	20,574,658	20,574,658
Net Income (Loss) for year (Cumulative)	(3,179,187)	(4,091,069)	(4,362,806)
	17,395,471	16,483,589	16,211,852

Golf Services - Special Operating Agency
Notes to the Financial Projection
For One Year ending December 31, 2009

1 DESCRIPTION OF BUSINESS

The SOA manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

2 ACCOUNTING POLICIES

The projected financial statements are prepared on the basis of generally accepted accounting principles.

The projections include the following significant accounting policies:

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

Land
Land is recorded at values as determined by the City of Winnipeg Property Assessment Department as of January 1, 2002.

Buildings
Buildings are recorded at January 1, 2002 assessed values and projected additions are valued at estimated construction or acquisition cost. Buildings are depreciated on a straight-line basis at 4% annually.

Golf Course Improvements
Improvements are recorded at estimated total cost of construction. Improvements are depreciated on a straight line basis at the rate of 5%.

Furniture and other Equipment
These assets are being depreciated on a straight line basis at the rate of 10%.

3 HYPOTHESES

The financial projections have been based on the following hypothesis:

Green Fees
Green fees represent approximately 80% of total revenues. Projections included assume that time available for play on all courses will remain constant in each of the five years. Weather variables, over which management has no control, represents the largest risk to attaining projected revenues.

4 ASSUMPTIONS - REVENUE

a) Green Fees

Green fee rates are projected to increase by an average of 11%. The number of rounds is projected to remain constant.

b) Equipment Rentals

The auto cart fleet consists of 82 units (all owned). The fee per use will increase to $28.00. Other rental equipment includes individual clubs, club sets and pull carts. Rates are assessed annually and adjusted to be competitive within the local market.

c) Merchandise Gross Profits

Golf Services will be aggressive in merchandise sales. Pro shops at the 18 hole facilities have been expanded and clothing lines have been introduced. Gross sales are projected to increase by 5% and the average profit margin will remain constant at approximately 33%. WGS will continue to focus on the beginner and recreational golfer market with high-end sales being accommodated through selective purchasing and special orders. The effects of new major golf merchandise retailers in the Winnipeg market continue to challenge the SOA to achieve sales targets.

d) Concessions

Lower than projected rounds in recent years have affected concession revenues. The concession operation will continue to be scrutinized in an effort to increase sales.

e) Miniature Golf

The construction of a mini golf course at Crescent Drive GC has been suspended pending implementation of the Golf Strategic Review, availability of funding and its relative priority in comparison to other capital projects.

f) Other

Other revenues include the City's share of sport activity sales at Harbour View complex and miscellaneous income from promotions and special events. Revenues in this category are flat over the term of the plan.

g) Leasing Operations

Revenues from leased and privately contracted courses (net of property taxes and leasing support costs) are returned to the golf operation.

5 ASSUMPTIONS - EXPENSES

a) Salaries and employee benefits

The SOA operates with the following staff compliment over the 5 year period assuming that the mix of leased / contracted courses versus City operated courses does not change:

1 Chief Operating Officer (full time) WAPSO Exempt

1 Operations Assistant (full time) CUPE

1 Foreman (full time) CUPE

51 seasonal CUPE Utility, Maintenance and Clerk positions (may vary due to operational requirements)

Salaries are based on existing grades with provision for increments. Projections include a 3% inflation factor. Employee benefits are estimated at 17%.

b) Professional & Consultative Services

The SOA is responsible for the Manager's retainer fee for Harbour View Golf Course and Recreation Complex.

c) Special Services - Non-Professional

Provision for cash pick up and security services as well as the Harbour View Golf Course and Recreation Complex Manager's retainer fee.

d) Allocated Departmental Costs

The SOA receives building maintenance services from the Public Works Department. Funds are budgeted for routine and preventative maintenance, equipment repairs and replacements and special projects that are required to maintain current code, health and occupancy regulations and standards. The Agency will continually assess the cost of Public Works providing building maintenance service against that of alternative methods of service delivery and will make adjustments based on cost effectiveness and service quality over the term of the business plan.

e) Auto Allowance

Auto allowance is paid as per provisions in the collective agreement.

f) Utilities

Heat, power and water charges are paid by Golf Services for all clubhouse and maintenance buildings.

g) Telephone

Telephone, cellular phone and alarm system charges are expected to remain constant. An inflationary increase has been projected.

h) Advertising

Advertising costs are budgeted to promote the Agency's activities and programs.

l) Rentals

Rental of auto carts, mobile concession carts, portable toilets and various maintenance equipment is required in situations where it is not practical or cost effective to purchase the equipment.

j) Training

Employees are trained in pesticide application, turf maintenance, customer service, supervisory skills and other programs that contribute to a more effective operation.

k) Other Parts and Accessories

Parts for aging equipment and irrigation systems.

6) ASSUMPTIONS - AMOUNTS ALLOCATED TO CITY

a) Property tax Equivalents and Departmental Support Costs

Property tax equivalents have been estimated based on existing assessments and mill rates that would apply to Golf Course operations. Support Costs from the Planning, Property and Development Department consist of estimated variable costs of providing Financial, Human Resources/Payroll and Information Technology Services.

b) Office Accommodation Costs

The costs are as allocated by the Civic Accommodations Utility and apply to the office space allocated to Golf Services at 65 Garry Street.

c) Provisions for Payroll and Business Taxes

These imputed costs have been estimated based on the prevailing rates of taxation.

d) City's Return on Investment

The Return on Investment is in accordance with Council's transfer policy for SOAs.

7) ASSUMPTIONS - ASSETS AND LIABILITIES

a) Accounts Receivable

Since the Agency's year end normally occurs 1.5 to two months after the completion of the golf season, there are no trade receivables outstanding as at December 31.

b) Accounts payable and accrued liabilities

Normal trade accounts payable and accruals are projected to be nil based on the year end timing referred to in a) above.

c) Due To/Due From the City of Winnipeg

The City extends an operating line of credit through the General Revenue Due To/Due From account at prevailing rates of interest, and pays interest to the Agency at prevailing rates at such times in which the City owes money on current account to the Agency. The limit of this line of credit will be $3M

d) Retirement allowance and vacation liability

The initial liability of $155,661 is based on the estimated monetary value of unused sick time and accrued vacation time at December 31, 2001. It is assumed that further vacation time will be taken as earned. An expense estimate of sick time payouts has been projected for that portion of possible payouts that have not been accrued as at December 31, 2001.

e) Long Term Debt

The City provides funds for golf course capital improvements using the Golf Course Reserve as the source of funds. Interest is scheduled at the rate of 6% and principle repayment is scheduled over ten years commencing in two years after borrowing. A long-term loan has been provided by the City to finance the depreciable assets listed in Schedule 1. This loan, in the amount of $3,975,690 will generate interest at the rate of 6%, and will be repayable commencing in 2007.

8) FINANCIAL PROJECTIONS

These projections have been prepared using assumptions that reflect Golf Service's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgment.

The reader should be cautioned that the actual results achieved for the period covered will vary from the information presented and that the variations may be material.

APPENDIX 2: 2010 – 2013 PROJECTED STATEMENT OF OPERATIONS AND DEFICIT (with 3% Inflation)

Golf Services - Special Operating Agency
Projected Statement of Operations & Deficit
For the Years Ended December 31

	2007 Actual (Audited)	Council Adopted 2008	2008 Projected Actual	Variance	2009	2010	2011	2012	2013
Revenues: (Note 4)									
Green Fees (Schedule 3)	1,984,971	2,163,018	1,885,000	(278,018)	2,204,153	2,270,278	2,338,386	2,408,537	2,480,794
Equipment Rentals (Schedule 4)	246,581	276,430	256,500	(19,930)	350,016	360,516	371,332	382,472	393,946
Concessions (Schedule 5)	100,865	96,000	45,000	(51,000)	42,000	43,260	44,558	45,895	47,271
Merchandise Sales (Schedule 6)	107,339	110,000	112,000	2,000	117,000	120,510	124,125	127,849	131,685
Other (Schedule 7)	28,456	52,723	45,241	(7,482)	27,723	28,555	29,411	30,293	31,202
Miniature Golf (Schedule 8)	-	-	-	-	-	-	-	-	-
Net Revenue-Leasing Operations (Schedule 9)	120,824	120,030	121,000	970	134,601	138,639	142,798	147,082	151,495
Total Revenues	2,589,035	2,818,201	2,464,741	(353,460)	2,875,493	2,961,758	3,050,610	3,142,129	3,236,393
Expenses: (Note 5)									
Salaries & Employee Benefits (Schedule 10)	1,358,923	1,356,049	1,315,515	(40,534)	1,324,026	1,363,747	1,404,659	1,446,799	1,490,203
Services (Schedule 11)	500,728	467,818	454,612	(13,206)	474,265	488,493	503,147	518,242	533,789
Materials,Parts,Supplies (Schedule 12)	276,870	277,157	255,754	(21,403)	278,360	286,710	295,312	304,171	313,296
Interest on Short Term Debt (Schedule 13)	61,355	83,175	85,707	2,532	104,183	107,308	110,528	113,844	117,259
Interest on Long Term Debt - Capital Plan	46,979	60,915	51,060	(9,855)	54,714	56,355	58,046	59,787	61,581
Total Expenses	2,244,855	2,245,114	2,162,648	(82,466)	2,235,547	2,302,614	2,371,692	2,442,843	2,516,128
Net Revenue	344,180	573,087	302,093	(270,994)	639,946	659,144	678,918	699,286	720,265
Allocated to the City: (Note 6)									
Property Tax Equivalents (Schedule 14)	219,682	226,272	226,272	-	233,060	240,052	247,253	254,671	262,311
Departmental Support Costs (Schedule 15)	46,612	118,010	118,010	-	49,451	50,935	52,463	54,036	55,658
Office Accommodation Costs	17,300	17,330	17,500	170	17,389	17,911	18,448	19,001	19,571
Provision for Payroll Taxes	25,307	25,703	25,792	89	26,474	27,268	28,086	28,929	29,797
Provision for Business Taxes	27,426	28,249	28,249	-	28,249	29,096	29,969	30,868	31,794
Interest on Long Term Debt - Acquired Assets	187,961	186,747	186,747	0	185,459	191,023	196,754	202,657	208,736
Contribution to 311					78,254	80,602	83,020	85,510	88,076
City's Return on Investment	365,844	327,844	327,844	-	-	-	-	-	-
Total allocated to the City	890,132	930,155	930,414	259	618,336	636,887	655,993	675,673	695,943
Other:									
Depreciation, Fixed Assets (Schedule 1B)	265,738	283,656	273,973	(9,683)	283,470	291,974	300,733	309,755	319,048
Annual Audit Fee	9,309	11,255	9,588	(1,667)	9,876	10,172	10,477	10,792	11,115
Total Other and Allocated to the City	1,165,179	1,225,066	1,213,975	(11,091)	911,682	939,033	967,204	996,220	1,026,107
Net Income/(Loss)	(821,000)	(651,979)	(911,882)	(259,903)	(271,737)	(279,889)	(288,285)	(296,934)	(305,842)

APPENDIX 3: 2009 PROPOSED GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008	2009
Kildonan/Windsor								
Adult	21.00	22.00	23.00	24.00	25.00	26.00	27.00	30.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50	22.00
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00
Twilite adult/senior	13.00	14.00	15.00	15.00	15.00	16.00	17.00	19.00
Twilite junior	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00
Sunrise	12.00	12.00	13.00	13.00	13.00	13.00	13.50	15.00
John Blumberg (18)								
Adult	23.00	24.00	25.00	26.00	27.00	28.00	29.00	N/A
Senior*	16.00	17.00	17.50	18.50	19.50	20.50	21.50	N/A
Junior*	13.00	14.00	14.50	15.00	16.00	16.50	17.00	N/A
Twilite adult/senior	14.00	15.00	16.00	16.00	16.00	17.00	18.00	N/A
Twilite junior	13.00	14.00	14.50	15.00	16.00	16.50	17.00	N/A
Sunrise	13.00	13.00	14.00	14.00	14.00	14.00	14.50	N/A
John Blumberg (9)								
Adult	12.50	12.50	12.50	13.00	13.50	14.00	14.50	N/A
2nd round	10.00	10.00	10.50	11.00	11.00	11.00	11.00	N/A
Senior	9.50	9.50	9.50	10.00	10.00	10.50	11.00	N/A
2nd round	5.50	5.50	6.00	6.50	6.50	6.50	6.50	N/A
Junior	9.50	9.50	9.50	10.00	10.00	10.50	11.00	N/A
2nd round	4.50	4.50	5.00	5.50	5.50	5.50	5.50	N/A
Crescent Drive/Harbour View								
Adult	10.50	11.00	11.00	11.50	12.00	12.50	13.00	14.00
2nd round	9.00	9.00	9.50	10.00	10.00	10.00	10.00	11.00
Senior	8.50	8.50	8.50	9.00	9.00	9.50	10.00	11.00
2nd round	5.50	5.50	6.00	6.00	6.00	6.00	6.00	7.00
Junior	8.00	8.00	8.00	8.50	8.50	9.00	9.50	10.00
2nd round	3.50	4.00	4.00	4.50	4.50	4.50	4.50	5.00
Sunrise	8.50	8.50	8.50	9.00	9.00	9.00	9.50	11.00
Miscellaneous Services (Windsor/Kildonan/Crescent Drive)								
Auto cart 18 hole	24.00	24.00	25.00	25.00	25.00	25.00	26.00	28.00
Auto cart 9 hole	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00
Trail fee private auto cart (18)	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00
Trail fee private auto cart (9)	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Rental clubs 7 piece (18)	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00
Rental Clubs 7 piece (9)	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00
Rental Clubs 11 piece (18)	11.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00
Pull cart (18)	4.50	3.95	4.50	4.50	4.50	5.00	5.00	5.00
Pull cart (9)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

APPENDIX 4: HISTORIC ROUNDS PLAYED

Historic Rounds Played Annually on the Four Winnipeg Municipal Golf Courses								
	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Kildonan	40,023	45,896	43,306	42,624	39,416	48,100	48,332	49,180
Windsor	32,571	41,544	41,966	36,570	35,112	44,470	46,892	45,929
Crescent Drive	36,185	44,414	44,364	39,317	33,575	45,589	41,961	40,877
Harbour View	34,749	38,560	39,206	35,864	38,880	42,386	35821	37,457
Annual Totals	**143,528**	**170,414**	**168,842**	**154,375**	**146,983**	**180,545**	**173,006**	**173,443**
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Kildonan	48,278	41,336	45,203	37,378	34,875	38,021	34,718	30,407
Windsor	42,462	37,327	42,596	33,621	26,150	32,018	30,500	30,953
Crescent Drive	37,862	31,527	33,719	26,622	19,910	28,585	23,936	21,733
Harbour View	35,492	28,118	29,987	24,419	26,454	26,749	21,221	19,487
Annual Totals	**164,094**	**138,308**	**151,505**	**122,040**	**107,389**	**125,373**	**110,375**	**102,580**

APPENDIX 5: 2007 AUDITOR'S REPORT AND FINANCIAL STATEMENTS



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Financial Statements
[Expressed in thousands of dollars]

The City of Winnipeg – Golf Services – Special Operating Agency

December 31, 2007

AUDITORS' REPORT

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

We have audited the statement of financial position of **The City of Winnipeg - Golf Services - Special Operating Agency** as at December 31, 2007 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
March 7, 2008.

Chartered Accountants

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007	2006
ASSETS		
Current		
Accounts receivable	$ 67	$ 56
Inventory	51	51
Prepaid expenses	5	5
	123	112
Capital assets (Note 5)	23,479	23,732
	$ 23,602	$ 23,844
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund (Note 6)	$ 2,008	$ 1,436
Accounts payable and accrued liabilities	82	83
Deferred revenue	43	2
Vacation payable	49	43
Current portion of long-term debt (Note 7)	87	61
	2,269	1,625
Retirement allowance (Note 8a)	161	152
Long-term debt - The City of Winnipeg (Note 7)	3,774	3,848
	6,204	5,625
SURPLUS		
Contributed surplus	20,574	20,574
Deficit	(3,176)	(2,355)
	17,398	18,219
	$ 23,602	$ 23,844

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

For the years ended December 31
(in thousands of dollars)

	2007	2006
REVENUES		
Green fees	**$ 1,985**	$ 2,037
Equipment rentals	**247**	230
Net revenue from leasing operations	**121**	117
Merchandise sales	**107**	94
Concessions	**101**	102
Other	**27**	137
Total Revenues	**2,588**	2,717
EXPENSES		
Salaries and employee benefits (Note 8)	**1,359**	1,318
Services (Note 9)	**569**	534
Debt, finance charges and interest (Notes 6 and 7)	**308**	296
Material, parts and supplies	**278**	264
Municipal tax equivalency charge (Note 10)	**272**	265
Amortization	**265**	257
Provision for doubtful accounts	**36**	62
Rent (Note 9b)	**17**	17
Total Expenses	**3,104**	3,013
Net loss and comprehensive loss for the year from operations	**(516)**	(296)
DEFICIT, BEGINNING OF YEAR	**(2,355)**	(1,747)
Transfer to The City of Winnipeg - General Revenue Fund	**(305)**	(312)
DEFICIT, END OF YEAR	**$ (3,176)**	$ (2,355)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2007	2006
OPERATING		
Net loss for the year	**$ (516)**	$ (296)
Non-cash items related to operations		
Increase in retirement allowance	**9**	6
Amortization	**265**	257
Working capital from operations	**(242)**	(33)
Net change in working capital	**35**	62
	(207)	29
FINANCING		
Increase in due to The City of Winnipeg - General Revenue Fund	**572**	276
(Decrease) increase in long-term debt - The City of Winnipeg	**(48)**	283
Transfer to The City of Winnipeg - General Revenue Fund	**(305)**	(312)
	219	247
INVESTING		
Purchase of capital assets	**(12)**	(276)
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(in thousands of dollars)

1. *Description of Business*

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency (the "Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by the City of Winnipeg and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to The City of Winnipeg on golf operations and ensure the long-term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

2. *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 the significant accounting policies summarized below.

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

Inventory

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

Capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Property and Assessment Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002 is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over their estimated useful lives using the following rates and methods:

Building	4%	Straight-line
Equipment	10%	Straight-line
Golf course improvements	5%	Straight-line

Revenue recognition

Green fees and equipment rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product. Income from prepaid passes is recognized in the year in which the rounds are played. Any sales of prepaid passes that have not yet been redeemed are included in deferred revenue.

2. *Significant Accounting Policies (continued)*

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 accounts receivable are classified as loans and receivables. Due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable and long-term debt have been classified as other liabilities. 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-for-trading, held-to-maturity or available-for-sale. The adoption of the new standard had no impact on the Agency's financial position or on the results of its operations.

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the deficit 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 the deficit 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 deficit 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. *Capital Assets*

	Cost	Accumulated Amortization	Net Book Value 2007	2006
Land	$ 20,376	$ -	$ 20,376	$ 20,376
Building	2,540	609	1,931	2,033
Equipment	1,389	675	714	843
Golf course improvements	518	60	458	480
	$ 24,823	$ 1,344	$ 23,479	$ 23,732

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, 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 credited or charged based on The City of Winnipeg's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is $1,650 thousand at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2007, the rate was 4.2%. The interest paid in 2007 was $61 thousand (2006 - $57 thousand).

7. *Long-Term Debt - The City of Winnipeg*

	2007	2006
Golf Course Reserve		
Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	$ 50	$ 57
- 2005	57	63
- 2006	97	106
- 2007	226	245
- 2008	305	305
- 2009	13	-
	748	776
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	3,113	3,133
	3,861	3,909
Current portion of long-term debt	(87)	(61)
	$ 3,774	$ 3,848

a) Principal repayments due within the next five years and thereafter are as follows:

2008	$ 87
2009	92
2010	98
2011	104
2012	110
Thereafter	3,370
	$ 3,861

7. *Long-Term Debt - The City of Winnipeg (continued)*

b) Interest on the golf course improvement loans during the year was $47 thousand (2006 - $39 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $188 thousand (2006 - $188 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $235 thousand (2006 - $227 thousand).

8. *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 11.2 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	**$ 134**	$ 126
Current service cost	**5**	4
Interest cost	**6**	6
Benefit payments	**-**	(2)
Net actuarial gain	**(3)**	-
Balance, end of year	**142**	134
Unamortized net actuarial gain	**19**	18
Retirement allowance - accrued liability	**$ 161**	$ 152

Retirement allowance expense consists of the following:

	2007	2006
Current service cost	**$ 5**	$ 4
Interest cost	**6**	6
Amortization of net actuarial gain	**(2)**	(2)
	$ 9	$ 8

8. *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) 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 $57 thousand (2006 - $53 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, 2006 and has an actuarial surplus.

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 to the Agency's revenues/expenses are as follows:

a) In Services, an amount of $61 thousand (2006 - $62 thousand) for general government charges has been included and paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;

b) An amount of $17 thousand (2006 - $17 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space;

c) An amount of $48 thousand (2006 - $45 thousand) has been charged by The City of Winnipeg General Revenue Fund for various supporting services provided by The City of Winnipeg Planning, Property and Development Department;

d) An amount of $91 thousand (2006 - $78 thousand) has been charged by the City of Winnipeg Building Services Fund for services provided at the various golf courses; and

e) An amount of $20 thousand (2006 - $26 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by the Agency.

10. *Municipal Tax Equivalency Charge*

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by The City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses. The municipal tax equivalency charge also includes payroll tax of $25 thousand (2006 - $25 thousand).