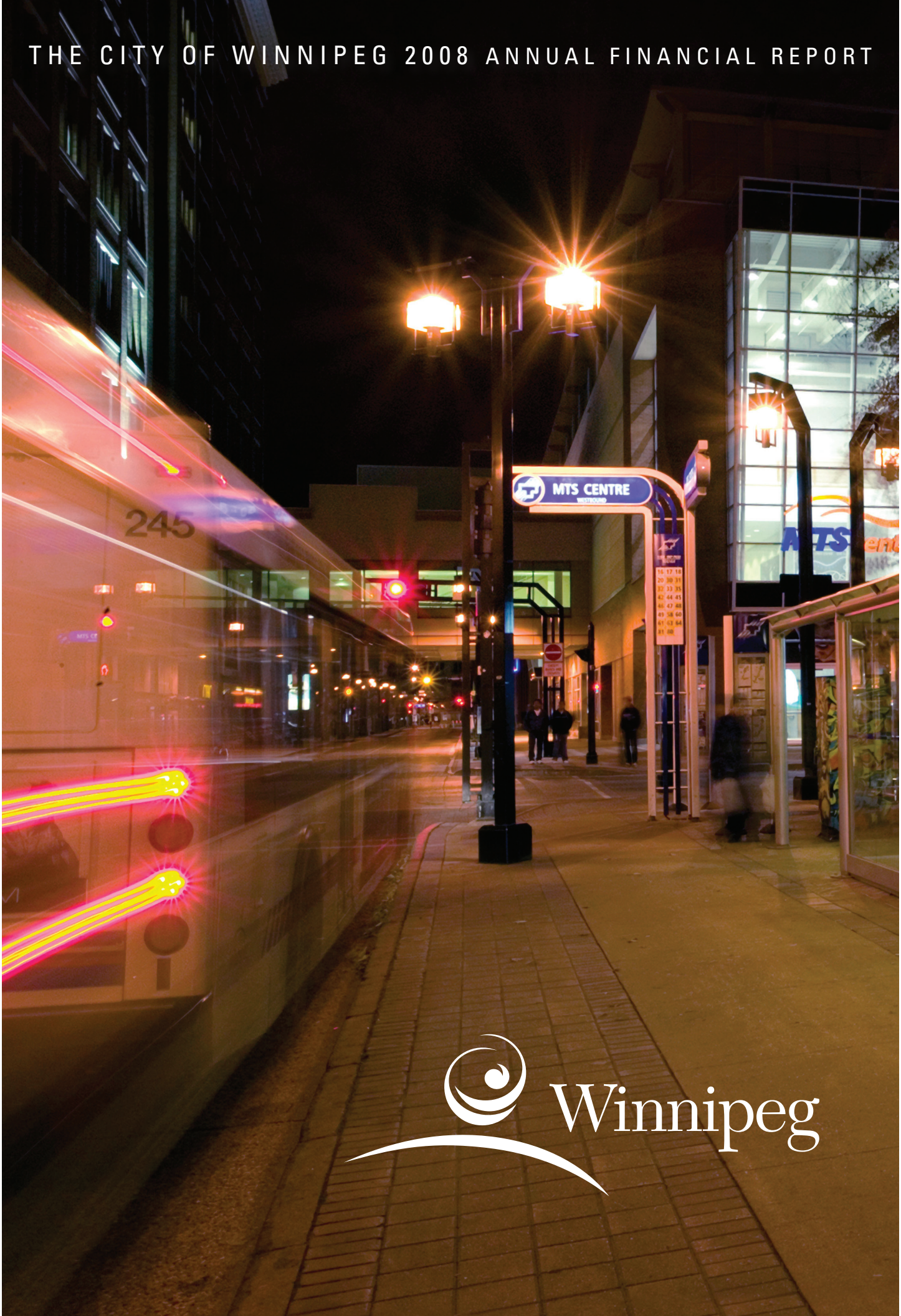
# THE CITY OF WINNIPEG 2008 ANNUAL FINANCIAL REPORT




Winnipeg

Winnipeg





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City of Winnipeg funding assisted in the construction of the Winnipeg Soccer Complex in 2008

Winnipeg

# Winnipeg is a city full of confidence and optimism









Mayor Katz at The Forks National Historical Parks



# MESSAGE from the MAYOR

Winnipeg is a City full of confidence and optimism. As Mayor, it encourages me to see us collectively seize our momentum and grow our city of opportunity. City Hall remains focused on the priorities of Winnipeggers and have worked to continually invest in the priorities of our citizens.

Winnipeg has remained competitive with other cities in Canada and has worked diligently to keep property taxes frozen for the 11th year in a row in 2008. This is an accomplishment unparalleled by any other municipality in our nation.

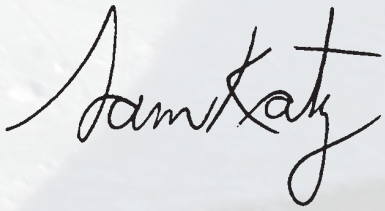
In order to accomplish this feat, our public service has strived to implement efficiencies and measures never achieved before. As we move forward, we will continue to meet challenges head on and seek out innovative ways to keep Winnipeg sustainable and competitive.

Public safety remains a top priority of investment. Neighbourhood safety and crime prevention strategies are key components in making Winnipeg a safer city. In 2008 we saw more police "feet on the streets" and walking the streets in the areas of highest need. By working with the senior levels of government, we will continue to focus on this key priority and keep our citizens safe.

Once again, our focus has been on front-line services in order to ensure the best value for taxpayer's dollars. Investments in our infrastructure have also continued to increase.

In spite of fiscal pressures that every city in Canada is facing, our City's core services have continued to be preserved. Our 311 initiative has taken steps to improve customer service and provide greater accountability to citizens. We as an organization will continue to evolve and meet the expectations of our citizens on the services we deliver.

I want to thank all our City Councillors and members of the Public Service for their input and hard work in making Winnipeg truly a city of opportunity. As we continue to plan for the future, I remain positive on our city's outlook for the future, and look forward to harnessing our potential as we keep Winnipeg a competitive city to work, live and invest in.



Sam Katz, Mayor of the City of Winnipeg

## 2006 - 2010 12TH COUNCIL OF THE CITY OF WINNIPEG MEMBERS AND APPOINTMENTS

**Mayor Sam Katz**
Chairperson, Executive Policy Committee
Secretary of Urban Aboriginal Opportunities (commencing November 5, 2008)

**Jeff Browaty**, North Kildonan Ward
Youth Ambassador
Councillor responsible for the Kansas City Economic Partnership (commencing November 5, 2008)

**Bill Clement**, Charleswood – Tuxedo Ward
Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works

**Scott Fielding**, St. James – Brooklands Ward
Chairperson, Standing Policy Committee on Property and Development (commencing November 5, 2008)
Chairperson, Mayor's Economic Opportunity Commission

**Jenny Gerbasi**, Fort Rouge – East Fort Garry Ward
Chairperson, Mayor's Environmental Advisory Committee

**Harry Lazarenko**, Mynarski Ward
Speaker of Council
Chairperson, Secretariat Committee
Chairperson, Riverbank Management Committee

**Brenda Leipsic**, River Heights – Fort Garry Ward
Deputy Mayor (until November 5, 2008)

**Grant Nordman**, St. Charles Ward
Chairperson, Seniors Advisory Committee
Councillor responsible for Assiniboine Park Governance (commencing November 5, 2008)
Councillor responsible for Corporate Sponsorship (commencing November 5, 2008)

**Mike O'Shaughnessy**, Old Kildonan Ward
Chairperson, Standing Policy Committee on Finance (until November 5, 2008)
Deputy Speaker (commencing November 5, 2008)

**Michael Pagtakhan**, Point Douglas Ward
Chairperson, Standing Policy Committee on Downtown Development (commencing November 5, 2008)
Deputy Speaker (until November 5, 2008)
Chairperson, Winnipeg Housing Steering Committee

**Harvey Smith**, Daniel McIntyre Ward

**Gord Steeves**, St. Vital Ward
Acting Deputy Mayor
Chairperson, Standing Policy Committee on Protection and Community Services
Secretary of Intergovernmental Affairs (commencing November 5, 2008)

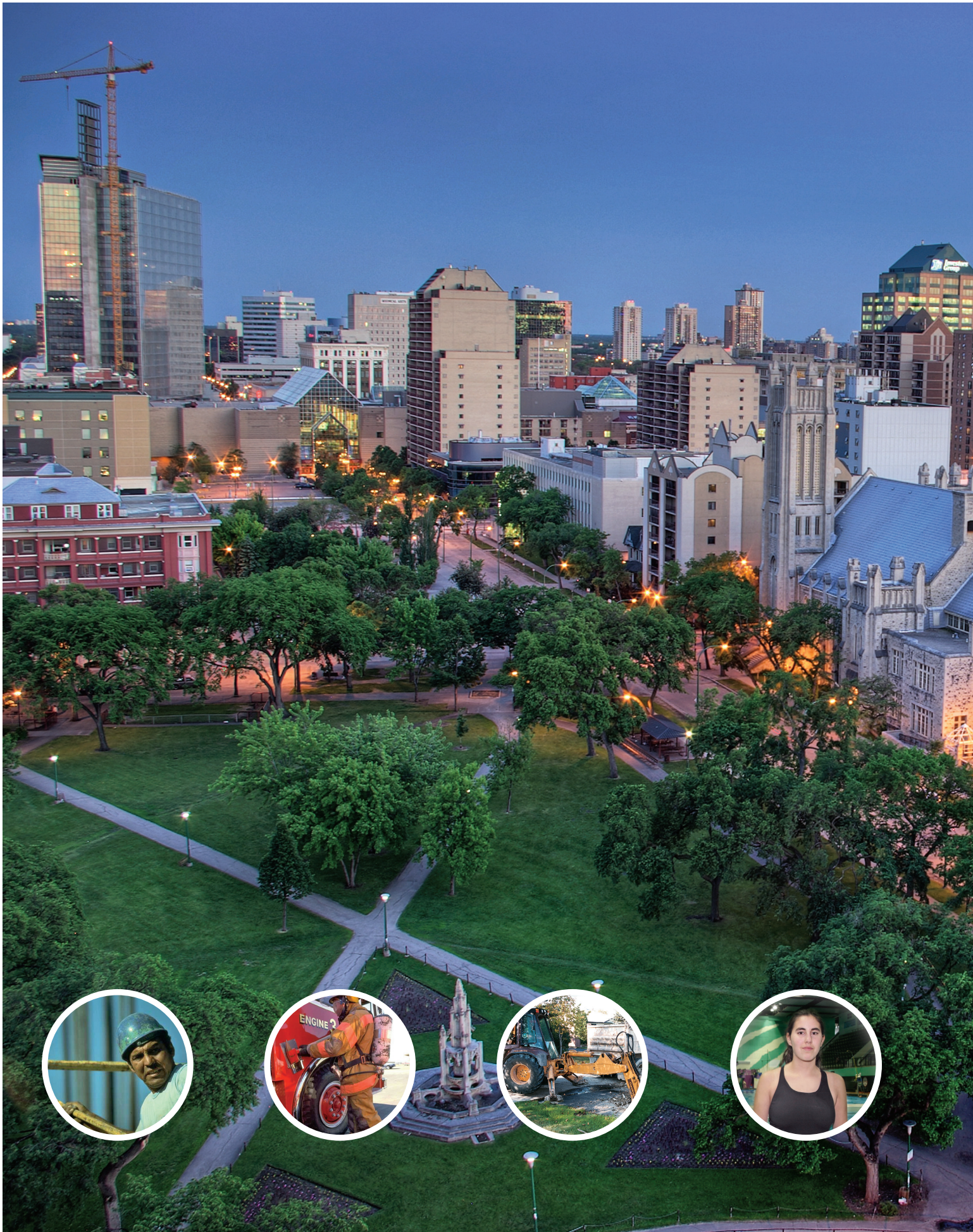
**Justin Swandel**, St. Norbert Ward
Deputy Mayor (commencing November 5, 2008)
Chairperson, Standing Policy Committee on Finance (commencing November 5, 2008)
Chairperson, Alternate Service Delivery (ASD) Committee
Chairperson, Standing Policy Committee on Property and Development (until November 5, 2008)

**Lillian Thomas**, Elmwood – East Kildonan Ward

**Daniel Vandal**, St. Boniface Ward
Secretary of Urban Aboriginal Opportunities (until November 5, 2008)

**Russ Wyatt**, Transcona Ward
Chairperson, Standing Policy Committee on Downtown Development (until November 5, 2008)
Chairperson, Red Tape Implementation Committee
Secretary, Strategic Infrastructure Renewal (commencing November 5, 2008)

Winnipeg




Central Park in Downtown Winnipeg will undergo a $5.6 million renewal

# MESSAGE from the CHIEF ADMINISTRATIVE OFFICER



Winnipeg's economic picture continued to be bright over the last 12 months, even in the midst of national and global economic uncertainty. The Conference Board of Canada's Metropolitan Outlook for Spring 2009 notes that Winnipeg's 2008 GDP growth was the third-highest for any major Canadian city, housing starts were brisk, and retail sales were strong.

The City of Winnipeg's Public Service is working to ensure our Mayor and Council, and the public, receive the best possible value for money. We have found economies, met our budgetary goals, and maintained services. Our ongoing program of continuous improvement is helping us provide services more effectively.

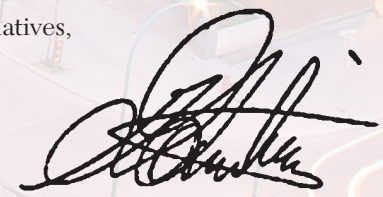
In November, 2008, Standard & Poor's and Moody's Investors Service reaffirmed Winnipeg's credit rating, at AA stable and Aa1 stable, respectively. We will continue the careful fiscal management cited by both agencies, in the year ahead. At the same time, we are working on a number of strategic initiatives to help the City take its place in the emerging global economy, become greener and more sustainable, and plan effectively for the future.

We are working with the federal and provincial governments, community partners, and the Board of CentrePort Canada, to establish Winnipeg as an inland port – a focal point for international shipping, value-added assembly and manufacturing, and related support services.

Construction is beginning this summer on the new Southwest Rapid Transit Corridor. The Corridor will make transit a more attractive option for commuters, by allowing buses faster access to Winnipeg's downtown. In 2008, we also added 70 kilometres of new Active Transportation routes throughout the city, providing more options for pedestrians and cyclists.

This spring, we began the most comprehensive planning process since the creation of Unicity in 1972, to develop a new civic plan – OurWinnipeg. Members of the public are getting involved in planning for our future, using every available avenue: interactive web tools, social media, and a street team who are meeting people face-to-face.

We look forward to advancing all these initiatives, and continuing to provide quality service, in the year ahead.



Glen Laubenstein, Chief Administrative Officer

## 2008 SENIOR ADMINISTRATORS

**Glen Laubenstein**
Chief Administrative Officer

**Alex Robinson**
Deputy Chief Administrative Officer

**Mike Ruta**
Deputy Chief Administrative Officer / Chief Financial Officer

**Phil Sheegl**
Deputy Chief Administrative Officer

**Linda Black**
Director, Corporate Support Services

**Jim Brennan**
Chief, Winnipeg Fire Paramedic Service

**Deepak Joshi**
Director, Planning, Property and Development

**Richard Kachur**
City Clerk

**Nelson Karpa**
City Assessor

**Bill Larkin**
Director, Public Works

**Barry MacBride**
Director, Water and Waste

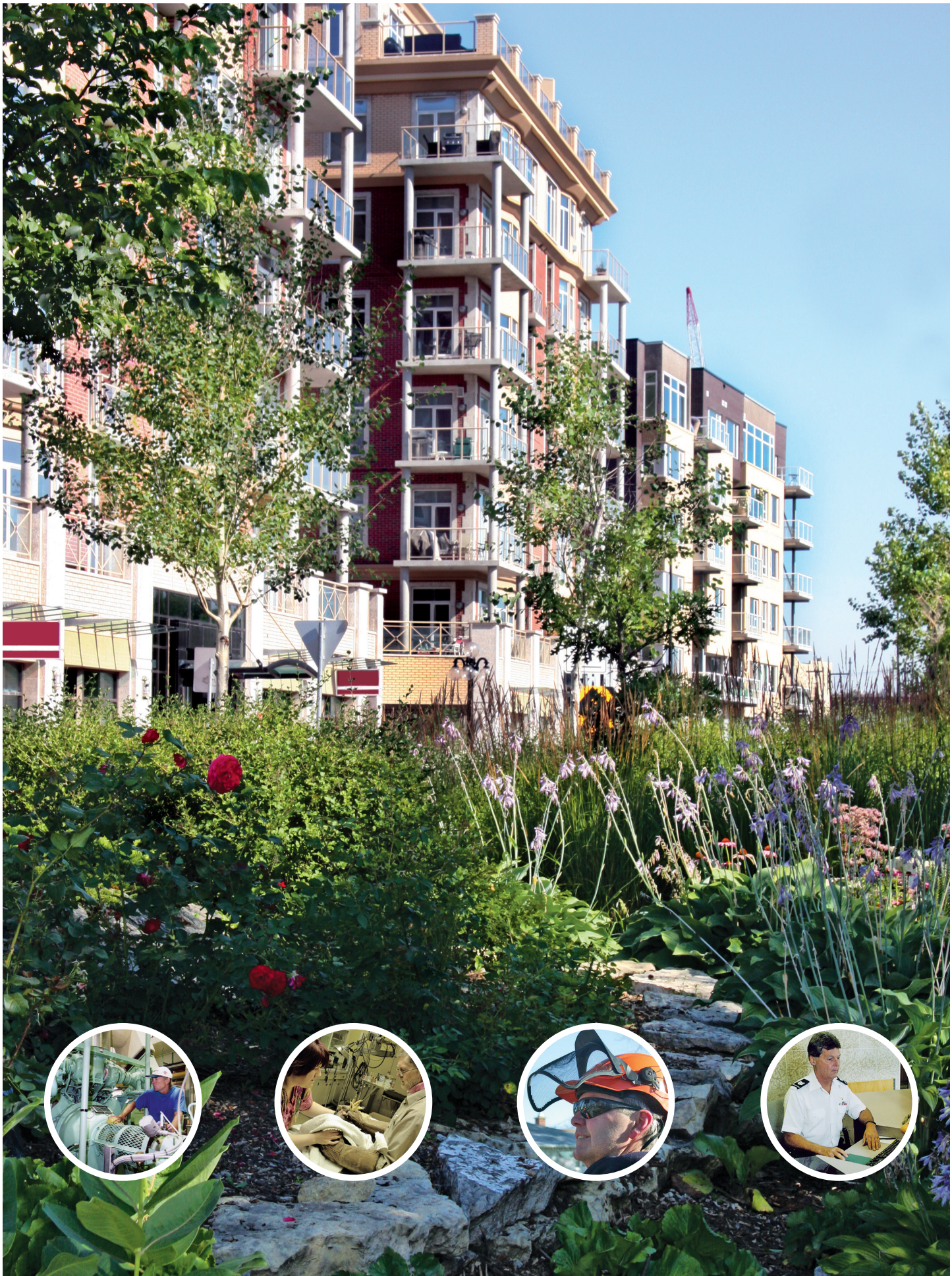
**Keith McCaskill**
Chief, Winnipeg Police Service

**Dave Wardrop**
Director, Winnipeg Transit

**Clive Wightman**
Director, Community Services

**Brian Whiteside**
A/City Auditor

Winnipeg



Condominium Living on Waterfront Drive, Downtown Winnipeg

# Winnipeg and its Economy

## A DIVERSE, VIBRANT CITY



Winnipeg lies at the geographic centre of Canada. As the economic engine and capital city of the province of **Manitoba, Winnipeg has a population of approximately 660,000, the seventh largest city municipality in Canada**.

Winnipeg's history is the tale of a prime meeting place at the junction of two rivers-the north-flowing Red and the east-flowing Assiniboine. Winnipeg is a welcoming gateway, a centre of commerce and trade, a centre for arts and culture, with a rich history and growing economic opportunity.

Winnipeg has one of the most diverse economies of major cities in Canada. Key industries include: transportation and distribution, aerospace, agribusiness, finance and insurance, life sciences and biotechnology, information and communications technology, media, electric power, apparel and furniture manufacturing.

In comparing the economic diversities of the largest cities in the country, the **Conference Board of Canada rates Winnipeg's index at 0.91 out of 1.00, with the average of major cities at 0.82**.

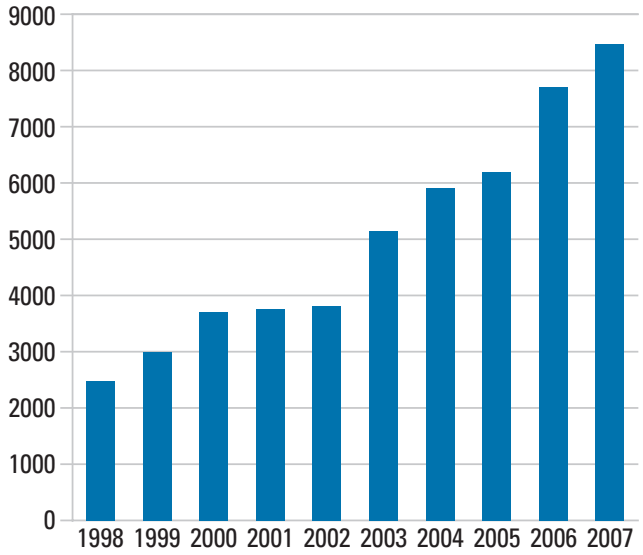
Its cultural richness, affordable housing, abundance of business office and industrial space, low unemployment rates, manageable traffic volumes, and a diverse economy, make Winnipeg an ideal place for people of all ages and of all nationalities.

## POPULATION GROWTH

Over the last nine years (1999-2008), Winnipeg's population has grown by over 35,000 or six per cent.

Winnipeg will continue to experience modest population growth relative to other large Canadian cities. The population growth is largely due to immigration. Total provincial immigration reached almost 11,000 people in 2007. Historically, Winnipeg is destination to about 80 per cent of immigrants to Manitoba.

### RECENT IMMIGRATION TO WINNIPEG




Source: Citizenship and Immigration Canada, Immigration Overview: Facts and Figures 2007

### IMMIGRATION, TOP SEVEN CITY REGIONS

Census Metropolitan Area (CMAs)

| | |
|---|---|
| Toronto | 87,136 |
| Montreal | 38,710 |
| Vancouver | 32,920 |
| Calgary | 11,239 |
| **Winnipeg** | **8,472** |
| Edmonton | 6,535 |
| Ottawa | 5,791 |
| 81% | 190,803 |
| **Total Canada** | **236,758** |

Source: Citizenship and Immigration Canada, Immigration Overview: Facts and Figures 2007

### MAJOR SOURCES OF IMMIGRATION TO WINNIPEG, 2007

| | |
|---|---|
| Philippines | 3,191 |
| India | 960 |
| China | 555 |
| Israel | 322 |
| Ethiopia | 253 |
| Korea | 247 |
| Nigeria | 151 |
| Ukraine | 145 |
| USA | 141 |
| Congo | 124 |

Source: Manitoba Immigration Facts 2007

## CONTINUED STRONG HOUSING DEMAND

**Housing construction stemming from Winnipeg's robust in-migration lifted housing starts above 2,600-3,300 dwelling units in the last three years.** Housing starts are expected to moderate to 2,100 units in 2009 but pick up in 2010 and then reach 3,000 units by 2012. With a forecasted population increase of close to approximately 200,000 people over the next 25 years, the demand for housing is anticipated to continue.

Winnipeg's average resale house price has increased 96% since 2000. In other words, the average house price has doubled in value over the last eight years.

## Winnipeg's Property Taxes are among the lowest of other Canadian Cities:

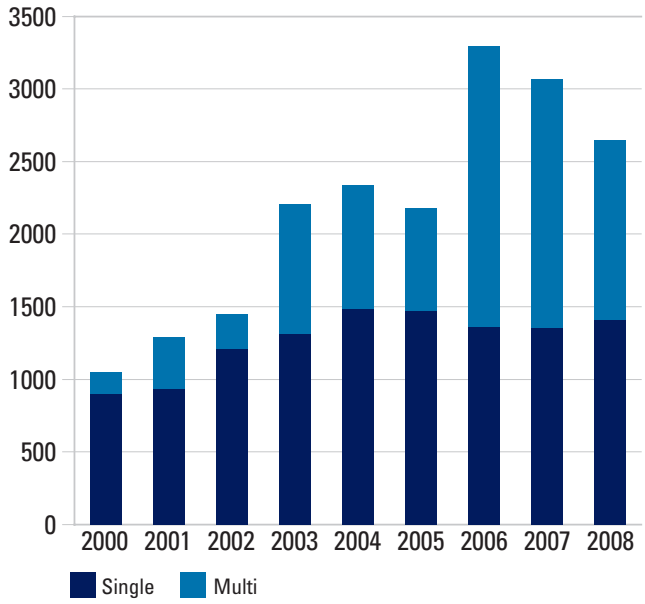
For the average single detached house, Winnipeg's property tax ranking out of 16 large cities (total owner costs include municipal taxes, school taxes, municipality charged utilities and other utilities):

**4th lowest for Municipal property taxes only**

**3rd lowest for total property tax bill and utilities**

Source: City of Edmonton 2007 residential property taxes and utility charges survey

### CONSTRUCTION OF DWELLING UNITS IN WINNIPEG




Source: City of Winnipeg, Planning, Property and Development Dept.

### VALUE OF BUILDING PERMITS ($ MILLIONS) CITY OF WINNIPEG

| | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| Residential | $337 | $445 | $449 | $511 |
| Non-Residential | $319 | $404 | $394 | $542 |
| **Total** | **$656** | **$849** | **$843** | **$1,053** |

Source: City of Winnipeg, Planning, Property and Development Dept.

**Over a billion dollars**

New housing market continues to be strong





Downtown Winnipeg

## ECONOMIC INDICATORS

**Winnipeg's GDP in 2008: $25.3 billion (2002 dollars)**

**Winnipeg has 60 per cent of Manitoba's population and generates 64 per cent of the provinces' total economic output.**

**Building permit values in 2008: $1.053 billion**

**Labour Force: 410,000**

## WINNIPEG'S MAJOR ECONOMIC STRENGTHS

Source: Conference Board of Canada

While less heralded than booming municipalities further west, **Winnipeg has been quietly amassing solid growth numbers. Last year's growth of 2.6 per cent for gross domestic product remained solid.**

**Overall, real GDP grew by 2.6 per cent in 2008**, and is forecast to show more modest growth of 1.1 per cent in 2009 and is expected to bounce back with a predicted 2.8 per cent gain in the years between 2010-2013.

### Labour Market

Winnipeg's mature and stable economy will serve as a foundation for steady population growth over the medium term (2009-11).

Employment growth in Winnipeg is expected to be stable in the next two years, coming in at an annual average rate of 0.9%. Winnipeg's labour force is expected to undergo major changes in the long term, partly because of the aging population. Fortunately, Manitoba's immigration policy has been quite successful the past few years. This is expected to continue over the long term, providing much needed support to labour force growth. **International immigration will keep growing over the next decade: by 2017, roughly 10,000 new international migrants are expected.**

Winnipeg's manufacturing sector is expected to keep generating high-paying quality jobs. **Manufacturing output is forecast to rise a modest 1.1 per cent in 2009 and accelerate to 3.3 per cent in 2010 and average 5.5 per cent annually from 2011 to 2013.**

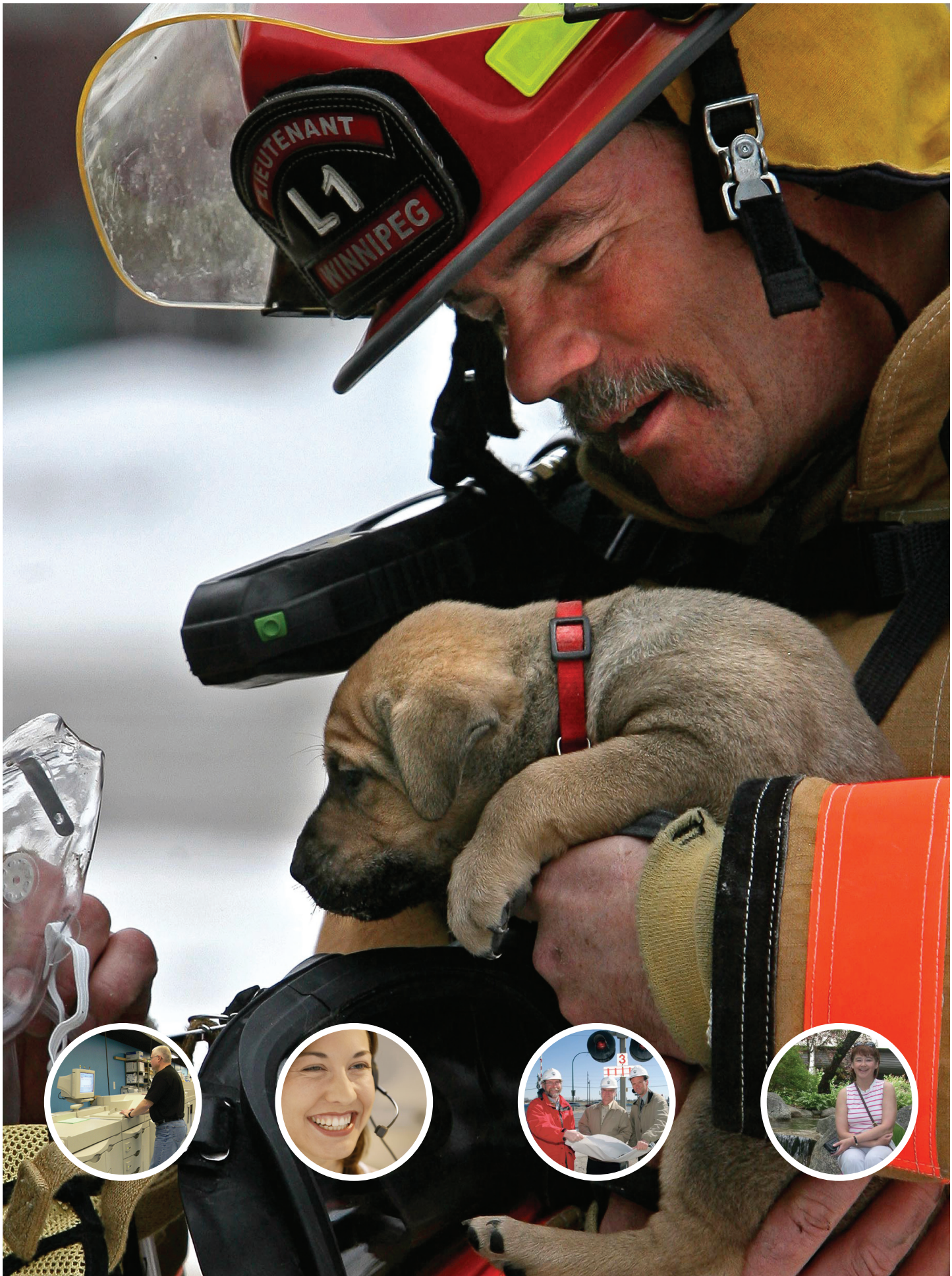
### Major Construction Projects and New Investment

Underpinned by healthy commercial and infrastructure projects and brisk housing starts, **construction GDP advanced 9.6 per cent in 2008** – just missing a third consecutive year of double-digit expansion.

**Growth is forecast to slow to 1.4 per cent in 2009 but is anticipated to rebound to 2.8 per cent in 2010 and average 2.4 per cent over 2011-13.**

A spring 2009 start is slated for construction of the $265 million **Canadian Museum for Human Rights**. Longer term, the City plans to spend $327 million on a **Transit Corridor connecting the Forks with the University of Manitoba**. Construction on the corridor's first 3.6 km segment will start this year. As well, a $400 million, 1.5 million-square-foot retail and commercial centre is planned for the corner of Kenaston Boulevard and Sterling Lyon Parkway in the City's south end. Furniture retailer **IKEA** will anchor this mall which is expected to be fully built out by 2018. **Construction of a new $135 million dollar football stadium**, located at the University of Manitoba, will also get underway in 2009.

Winnipeg




Winnipeg firefighter Lieutenant Mike Wilcox, administers oxygen to puppy rescued from house fire

# Service Highlights 2008

## INFRASTRUCTURE INVESTMENT



Plant director Tom Pearson oversees construction at the new Water Treatment plant

### Water Treatment Plant

Construction of Winnipeg's new $300 million, 400 million litre per day, water treatment plant is 90 per cent complete. One of the largest construction projects currently underway in Manitoba, the treatment plant will enhance the security, safety and quality of our drinking water and is expected to be completed in the fourth quarter of 2009.

### Water Main Cleaning

A six-year program was completed in which all of the city water mains were flushed clean in preparation to carry treated water from the City's new water treatment plant.

### Nutrient Reduction

A new $29 million treatment facility was constructed at the North End wastewater treatment plant and a new $35 million treatment process was added at the West End wastewater treatment plant. Both treatment plants are now removing the nutrients, nitrogen and phosphorus, in excess of the amounts required by the Provincial *Environment Act* Licences.

### Rapid Transit Corridor

On October 22, 2008, Council approved funding for construction of stage one of the Southwest Rapid Transit Corridor. This corridor will improve the speed and reliability of transit service by allowing transit vehicles to bypass traffic congestion. Construction is expected to begin in 2009 with completion by 2012 at an estimated cost of $138 million.

### Disraeli Bridges Project

In September 2008, City Council approved a plan for the design, construction, financing and maintenance of upgrades to the Disraeli overpass spanning the CPR mainline, the Disraeli bridge crossing the Red River, and the approach streets, all of which form a vital link between the downtown and northeast Winnipeg. The design concept at a minimum would feature four vehicular lanes that include two shared vehicle and cyclist curb lanes, one sidewalk (on the east side) and a separate cycling/pedestrian bridge at an estimated cost of $140 million. The Disraeli Bridges Project road system is approximately 2 kilometres in length.

### "Northeast Pioneers Greenway" Project

The Technology Services Branch in Public Works was recognized and honoured publicly for their successful completion of the "Northeast Pioneers Greenway" project, an active transportation infrastructure bicycle and pedestrian pathway on the former CP Marconi rail line. The award recognizes superior performance in the application of project management principles and techniques in Manitoba.

### Traffic Signal Enhancements

Newer traffic signal systems were deployed along Lagimodiere Boulevard, Main Street, and Pembina Highway.

- The City now has over 150 signalized intersections equipped with accessible pedestrian signals.
- Energy consumption is saved since 42 per cent of all traffic signals now use LED technology which uses one-tenth of the power compared to older systems.

## SAFETY AND EMERGENCY RESPONSE

### STEMI Program assists cardiac patients

In 2008 the Winnipeg Fire Paramedic Service (WFPS) introduced a new protocol for the treatment of patients with the most severe type of heart attack known as an **ST segment Elevation Myocardial Infarction** (STEMI). Under this protocol, paramedics assess a chest pain patient and conduct a 12-lead heart tracing (ECG) using a cardiac monitor/defibrillator. Based on this ECG and the patient's symptoms, the paramedics diagnose patients who are having a STEMI. They then transmit a copy of the ECG, via a wireless network to an on-call cardiologist, which is followed up with a call to the cardiologist to discuss the patient's case in real time. Based on this discussion and the ECG, the cardiologist will recommend

the best possible treatment option, which is often the administration of clot-busting medication. With this new process, the time from symptom onset to administration of the clot-busting medication has been reduced by 50%. This protocol, developed in conjunction with the Winnipeg Regional Health Authority and the St. Boniface Hospital, is an excellent example of medical progress and technological advancement coming together to improve care for the most seriously ill cardiac patients in Winnipeg.

### Paramedic Training Enhanced

In May 2008, WFPS received accreditation of its Primary Care Paramedic (PCP), Advanced Care Paramedic (ACP) and Fire Medic to PCP Bridging training programs. In June 2008 the first group of 14 Advanced Care Paramedics graduated from the training program. This innovative model provides Winnipeg with a medical response team that is second to none.

### New Self Contained Breathing Apparatus

In 2008, WFPS replaced all self-contained breathing apparatus with new "Firehawk M7" units. These units have several new features which enhance the safety of firefighters. The most exciting new component of the safety design systems is the two-way data communication system between an accountability officer and the firefighter in the hot zone. Accountability is of primary concern to every firefighter's safety on a fire scene and this new system revolutionizes the way incident safety is managed.

### New Major Incident Response Vehicle (MIRV)




Major Incident Response Vehicle

In June 2008, the Winnipeg Fire Paramedic Service took delivery of its new Major Incident Response Vehicle (MIRV). MIRV units are called upon where the potential or reality of a mass casualty situation exists. The bus is equipped with state-of-the-art technologies, and will be a central piece of equipment in the City's emergency preparedness plans. There is patient capacity for eight stretcher patients or ten ambulatory patients.

### Electronic Patient Care Reporting System



Paramedics send patient data to hospitals

An electronic patient care reporting system was fully deployed in the WFPS in 2008. Computers are provided in all ambulances and fire units responding to medical emergencies. Data from the Computer-Aided Dispatch (CAD) system is provided to units on their computers. Crews complete the patient data and send it wirelessly to the database servers where it is then automatically faxed to the hospitals.

### New pumpers aid fire fighting



New pumper trucks acquired in 2008

In September 2008, WFPS acquired 11 new pumper trucks and 1 new aerial ladder to add to the resources of the Winnipeg Fire Paramedic Service. Three of the pumpers are outfitted with auto extrication equipment and all of the engines

are equipped with diesel exhaust particulate filters to lessen the impact on the environment. The new aerial ladder, which is built on a 100-foot platform with a basket, operates as a Quint, which means that it can function as a pump as well as an aerial ladder.

### Community Policing

In May 2008, the Winnipeg Police Service (WPS) made changes to its structure to reflect its community support philosophy. A new Community Support Division encompasses units such as the Tactical Support Unit and Street Crime Unit, as well as other special operations units. Community Support units were established in General Patrol divisions to enhance relationship-building with citizens to help solve local crime problems. In addition, process improvements were introduced to enhance service to the public while reducing administrative burden on frontline officers.

### Police add Tactical Support Team




Members of the Tactical Support Team

WPS formed a full-time Tactical Support Team to support operations with tactical entry in higher-risk events, such as search warrants and responses to weapons, and related calls where there is increased risk of violence. This enhances the safety of responding officers and the public, while requiring fewer General Patrol units to attend such calls.

### East District Police Station opened

In October, the new East District police station opened at 1750 Dugald Road replacing the former Districts 4 and 5 stations. The new station has space for 200 police and civilian staff plus built-in capacity for an additional 40 personnel, to meet future needs. It also has enhanced safety features to protect officers and prisoners, and the latest in energy conservation technology including increased reliance on natural



East District Police Station

lighting. Approved by Council in 2003, the Four District policing model will eventually reduce the City's police districts from an original six to four, allowing for more efficient deployment of resources.

### Accreditation

In August 2008, the WPS successfully completed the process of re-accreditation by the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA). In addition, the Service received CALEA's Meritorious Award, recognizing 15 consecutive years as an accredited agency. For major police agencies such as the WPS, there are approximately 460 standards equating to best practices in operational and administrative areas.

## CUSTOMER SERVICE

### Transit adds new features for customers

During the 2007 Capital Budget process, the City of Winnipeg made the decision to only purchase air-conditioned buses. The first order of thirty-three air conditioned buses arrived in 2008. An additional sixty-three air-conditioned buses are expected to be delivered in 2009.

- Transit began the installation of automatic vehicle location and "on-board" next stop enunciators in transit buses. Approximately one-third of the transit fleet was equipped with this equipment by the end of 2008, with the remainder of the fleet expected to be complete by the fall of 2009.
- Approximately 30% of the transit fleet was equipped with on-board security cameras by the end of 2008, with the remainder of the fleet expected to be completed in 2009.
- The second phase of the bus stop upgrade program included the installation of 70 new transit shelters (28 of which




Air conditioned buses and security cameras add to customer comfort and safety

are heated), new signage and information kiosks, new benches, and sidewalk improvements.

- To improve the speed of bus service on busy streets, the department completed two phases of the On-Street Transit Priority Program. Changes included signal timing improvements, transit queue jumps, transit signal priority lights, and transit-only lanes.
- Transit also implemented a new TeleBus interactive voice response system for public telephone access to Transit schedules. Busy signals and customer wait times have virtually been eliminated by the new application. In conjunction with the advanced schedule adherence system being installed on all the buses, TeleBus now reports real time departure information based on actual locations of the vehicles equipped with this technology. At end of 2008, approximately one-third of all buses were linked to the system and the remainder of the fleet is expected to be equipped by the fall of 2009.

### Permits Online

In May 2008, the Development and Inspections Divisions introduced their online permit process. Residences wishing to make non-structural renovations to their basements are now able to make their application and receive their permit completely online.

### Brady Road Landfill

There is a new entranceway to the Brady Landfill which improves customer service and reduces transaction time. Improvements include three scales instead of one, automated lanes and additional payment options. The project has been nominated for a Consulting Engineer of Manitoba award.

### Snow Removal Award

Public Works Streets Maintenance Division was presented an Award of Excellence in Snow and Ice Control Award at the Mid Canada Snow Conference and Trade Show in October, 2008.

### Community By-law Enforcement Services

Various by-law enforcement activities from a number of Departments were consolidated into the new Community By-law Enforcement Services unit, a single point-of-access for citizens.

The new unit includes generalists and specialists. Specialists are fire prevention officers and public health inspectors. By-law Enforcement Officers enforce all or part of 30 previous by-laws, all but 13 of which were consolidated into the new Neighbourhood Liveability By-law, which came into effect on November 1, 2008. The By-law Enforcement Unit was created to provide:

- Better utilization of resources through a mix of generalists and specialists. Staff are trained to enforce multiple by-laws, thereby eliminating duplication and ensuring a more coordinated approach;
- Greater consistency in enforcement practices to meet current community standards;
- Greater accountability for a more timely and effective reporting process; and,
- An increased visual presence in the community.

## PARTNERSHIPS

### LiveSafe

In March 2008, Council approved 'LiveSAFE - an Interconnected Crime Prevention Strategy'. This strategy recognizes that successful crime prevention policies and interventions involve all sectors of the community, including government, the private and non-profit sectors, community groups and citizens. The intent of the policy is to find a balanced approach to crime prevention that includes policing as well as intervention programs, in order to address the root causes of crime in our community.

*Highlights of LiveSafe initiatives include:*

**PROJECT BREAKAWAY:**
Assists individuals in breaking away from the streets and moving on to healthier lifestyles by connecting them to community support services. It has been effective in reducing the number of calls to the Winnipeg Police Service and the Winnipeg Fire and Paramedic Service by linking street-involved individuals with the appropriate community support services; a Police Constable and a Community Services Department Social Worker work as a team on a full-time basis.

**SPIN: Sport Programming in Inner City Neighbourhoods**

**SPIN** is a free sports program, designed for children 6-14 years residing in inner-city neighbourhoods, which supports them to participate and learn basic skill development, sportsmanship, teamwork, leadership and fair play in a non-competitive environment.

**Summer Soccer League** – in partnership with 27 host organizations, over 600 inner-city children and youth ages 6-14 years participated in the program.

**Winter Mini Volley Ball / Table Tennis Programs** – in partnership with 17 host organizations in various inner-Winnipeg locations. Approximately 250 inner-Winnipeg children and youth participated.

### Major investment in downtown's Central Park

A collaborative partnership between the public and private sectors will contribute to the rebirth of Winnipeg's historic Central Park.

This $5.6 million project will preserve an important city park steeped in tradition and also revitalize the downtown area. The Central Park redevelopment will be funded by a $2.6 million contribution from the Winnipeg Partnership Agreement, and $1 million each from the CentreVenture Development Corporation, The Winnipeg Foundation and the Gray Family. The project will begin with the restoration of the park's historic Waddell Fountain and various site improvements including a new soccer field and water park.

### Aboriginal Youth Strategy

On April 23, 2008, City of Winnipeg Council adopted an Aboriginal Youth Strategy (AYS) which guides the City's urban Aboriginal Agenda during the current term of Council. Funding of $1 million was approved in support of the AYS. A Request for Proposals was issued to the community for projects that would help Aboriginal youth prepare for or obtain employment. Eleven proposals were approved, providing a total of $742,000 to community organizations in support of employment based Aboriginal Youth Initiatives. The funding of these employment initiatives was also supported by a contribution of $130,000 from the Federal Urban Aboriginal Strategy, and $100,000 from the Office of the Mayor.



Children's Book week at the Library

### Library's program partners

Winnipeg residents continued to benefit from the Library's many programming partnerships with local and national associations and institutions. These joint ventures made it possible for the Library to host Manitoba Book Week with the Association of Manitoba Book Publishers, the Winnipeg International Storytelling Festival with the Arthur V. Mauro Centre for Peace and Justice at the University of Manitoba, the Skywalk Concerts & Lectures Series with the University of Winnipeg and Virtuosi Concerts Inc., the In Motion Fridays lunch-hour sessions with Winnipeg In Motion, the THIN AIR series with the Winnipeg International Writers Festival, 100 Minutes with an Author with the Writers' Collective, and TD Canadian Children's Book Week with the Canadian Children's Book Centre. Focusing on the Library's literacy and information roles, these partnerships added significant value to the City's programming efforts.

## RECREATION AND LEISURE

Elmwood Kildonans Pool, located at 909 Concordia, had a brand new water slide installed. The $400,000 slide is 188 feet long with a 21.22 foot drop. A grand opening celebration was held on December 20, 2008. The first 3 months of operation provided some serious water sliding for 5,842 children.

### Cindy Klassen Recreation Complex

The newly renovated and expanded Cindy Klassen Recreation Complex opened in early 2009.

The project includes a 30,000 square-foot (3,000 square metres) addition including a new 133-metre indoor track on the second floor complete with fitness and weight room.

The facility also includes the new West End Library, with over 6,000 square feet (600 square metres) of space, a collection of 30,000 items and computer workstations.

Cost of the project was $8.8 million from the following sources:

- Canada-Manitoba Infrastructure Program - $2.348 million.
- Manitoba-Winnipeg Recreation and Leisure Infrastructure Program (RLIP) - $2.262 million.
- Winnipeg Partnership Agreement (WPA) - $1.6 million.
- Other City funds - $2.59 million.

### Spray Pads and Skate Parks



Hot days, cool kids at local spray park

New spray parks and spray pads were opened in city parks last year to help keep kids cool on hot summer days.

New fun spray parks opened in St. Norbert, River Heights, Provencher, Fort Rouge and Norquay at a cost of $1.64 million. The Fort Garry Skateboard Park was constructed in 2008 and is scheduled to open in spring 2009.

The source of funding for all of these projects was from the $43 million investment in Recreation and Leisure projects.

### Winnipeg Soccer Complex opens

Additional Recreation and Leisure Project funding of $6 million from the City of Winnipeg assisted in the construction of the indoor Winnipeg Soccer Complex which opened at the University of Manitoba in the fall of 2008.

### Community Centre Investment

Three community centres held sod-turning ceremonies in 2008 to kick off expansion and consolidation of their facilities. The City provided funding support through the Community Centre Investment Fund. Construction began at the following community centres with openings to occur in 2009.

- The Bronx Park/Good Neighbours Wellness Centre - $6.5 million project
- Valour Road Community Centre- $2.24 million
- Norberry Glenlee Community Centre - $2.395 million

### Website Enhancements

In 2008, the Library launched **Booked**, an interactive web site that represents a new direction in online services. Booked includes polls, book reviews, Top 10 lists, and other features for teens to create and upload their own content. Made possible in part by a donation from The Key to Giving™ program of Great-West Life, London Life and Canada Life, the new website was designed and built by local firm, Modern Earth Web Design. The Manitoba Library Association selected the Booked website as a winner of the 2008 Library Innovation of the Year Award.

## ENVIRONMENTAL INITIATIVES

Public Works Naturalist Services staff along with community volunteers planted a total of 5,580 trees in the City, along with 1,903 wildflower plugs. Over 21,000 mature trees were inventoried.

The **Adopt-a-Creek** program, involving schools and community groups, worked to clean up several creek beds through activities such as thistle removal, tree planting and garbage pickup.

Urban Forestry diverted up to 1,000 Dutch elm disease logs from the landfill through a wood waste recovery program in cooperation with a local milling company.

New pathways and trails were constructed in several parks throughout the East area of the City.

### New Bike routes added

The City added 70 km of **Active Transportation** (AT) routes, which is an increase of 58% through the 2008 AT Action Plan. Included in this were 20 km of multi-use pathways, 8 kms of Bike Lanes, 35 kms of shared bike/car lanes, and 7 kms of Bike Boulevards.

# Consolidated Financial Statements 2008



## REPORT FROM THE CHIEF FINANCIAL OFFICER FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

I am pleased to present the following Financial Statement Discussion and Analysis, which has been prepared by management. The following discussion and analysis of the financial performance of The City of Winnipeg ("City") should be read in conjunction with the audited consolidated financial statements ("Statements") and their accompanying notes and schedules. The Statements, as well as the accompanying materials, are prepared in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The Statements provide information about the economic resources, obligations and accumulated surplus of the City. They include departments of the City, special operating agencies, utilities, and corporations that are controlled by the City, as well as the City's investment in government businesses. A brief description of the major funds, entities and investments included in the Statements follows below.

## FUNDS, ENTITIES, AND INVESTMENT IN GOVERNMENT BUSINESSES

### Funds

A fund is a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The General Revenue Fund reports on property tax-supported operations, which includes services provided by the City to citizens such as police, fire, ambulance, library and street maintenance. The General Capital Fund was created to account for tax-supported capital projects. The tax-supported capital program is made up of, but is not limited to, the reporting on the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility operations are comprised of the Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal Funds, each accounting for its own operations and capital program.

There are four Special Operating Agency ("SOA") Funds established within the City's organization. Animal Services (2000), Winnipeg Golf Services (2002), Fleet Management (2003) and Winnipeg Parking Authority (2005) provide services as special units of the City.

SOAs have been given the authority to provide direct public services, internal services, or regulatory and enforcement programs. SOA status is granted when it is in the City's interest that they remain within the government but require greater freedom to operate in a more business-like manner. Each SOA is governed by its own operating charter and prepares an annual business plan for adoption by City Council.

City Council has approved the establishment of Reserve Funds, which can be categorized into three types. Capital Reserves were established to finance current and anticipated future capital projects thereby reducing or eliminating the need to issue debt. Special Purpose Reserves were established to provide designated revenue to fund the Reserves' authorized costs. Stabilization Reserves were created to assist in the funding of major unexpected expenses or deficits recorded in the General Revenue Fund.

### Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Winnipeg Public Library Board, The Convention Centre Corporation, Destination Winnipeg Inc., Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc., and CentreVenture Development Corporation. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions. North Portage Development Corporation ("NPDC") and Winnipeg Housing Rehabilitation Corporation ("WHRC") are included in the Statements as an investment in government businesses.

## RESULTS OF OPERATIONS

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2008, on a comparative basis. Since annual revenues exceeded expenses, the Statements indicate the City increased its accumulated surplus during the year.

During 2008, the City recorded consolidated revenues of $1.275 billion (2007 - $1.221 billion), which included government transfers and developer contributions-in-kind that related to the acquisition of tangible capital assets. Consolidated expenses totalled $1.065 billion (2007 - $1.034 billion). As a result, the City's accumulated surplus increased by $0.210 billion (2007 - $0.187 billion).

### CONSOLIDATED REVENUES

| For the years ended December 31 (in thousands of dollars) | 2008 | | 2007 | | Variance |
|---|---|---|---|---|---|
| Taxation | $ 521,684 | 41% | $ 515,197 | 42% | $ 6,487 |
| Sales of services and regulatory fees | 416,692 | 33% | 381,273 | 31% | 35,419 |
| Government transfers | | | | | |
| Operating | 122,722 | 10% | 117,195 | 10% | 5,527 |
| Capital | 90,588 | 7% | 71,368 | 6% | 19,220 |
| Investment, land sales and other revenues | 82,976 | 6% | 85,143 | 7% | (2,167) |
| Developer contributions-in-kind | 40,304 | 3% | 50,638 | 4% | (10,334) |
| | $ 1,274,966 | | $ 1,220,814 | | $ 54,152 |

Revenues improved in 2008 from 2007 by $54.2 million due to several factors. Sales of services and regulatory fees climbed by $35.4 million. Approximately $17.0 million of additional revenue was generated by sewer service rates that rose to $5.12 per 100 cubic feet from $4.46 per 100 cubic feet and an additional $6.0 million occurred because of increased water rates. Transit passenger revenue increased by almost $3.4 million due to revenue passengers that numbered over 42.6 million or a 3.5% increase from 2007. Also, effective January 1, 2008, regular cash transit fares increased by 25 cents to $2.25.

Government transfers related to the construction and acquisition of tangible capital assets increased by $19.2 million. The Province of Manitoba ("Province") contributed $23.9 million more in 2008, while there was a $4.7 million decline from the Government of Canada. The Provincial funds were used to partially finance significant projects like the Fort Garry Bridge rehabilitation - $10.0 million, and $12.4 million for regional street renewal and recreation and leisure infrastructure.

Government transfers related to operating activities increased by $5.5 million. This increase is primarily reported in the General Revenue Fund, which received increased funding of $4.0 million from the Province, including funding for 10 new police officers, Dutch Elm disease and mosquito control, and income tax sharing. The Transit System received additional funding based on the 50/50 funding formula between the Province and the City. The Transit System's costs increased from 2007, mainly because of salaries and benefits, and diesel fuel.

Developer contributions-in-kind revenue fell because of less infrastructure being completed during the year and turned over to the City by developers.

The major components of taxation revenues are property, business, electricity and natural gas taxes. Taxation revenues grew as the result of a 5% accommodation tax, which came into existence effective June 1, 2008. The accommodation tax is intended to generate revenue to support Destination Winnipeg Inc., The Convention Centre Corporation, and special events, including other organizations, projects, and events, that will encourage tourism to Winnipeg. During 2008, accommodation tax revenue raised by the City was $4.4 million, of which $2.6 million was transferred to the General Purpose Reserve. With the establishment of the Accommodation Tax Reserve in 2009, the funds will be subsequently transferred there and will be spent for the purposes already described.

## CONSOLIDATED EXPENSES

| For the years ended December 31 (in thousands of dollars) | 2008 | | 2007 | | Variance |
|---|---|---|---|---|---|
| Protection and community services | $ 349,966 | 33% | $ 336,743 | 33% | $ 13,223 |
| Utility operations | 258,788 | 24% | 242,797 | 23% | 15,991 |
| Public works | 250,534 | 23% | 249,323 | 24% | 1,211 |
| Property and development | 93,738 | 9% | 90,001 | 9% | 3,737 |
| Finance and administration | 65,490 | 6% | 63,825 | 6% | 1,665 |
| Civic corporations | 29,383 | 3% | 25,000 | 2% | 4,383 |
| General government | 17,283 | 2% | 25,840 | 3% | (8,557) |
| | $ 1,065,182 | | $ 1,033,529 | | $ 31,653 |

Consolidated expenses grew by $31.7 million from the previous year, due partially to a $13.2 million increase in protection and community services expenses. This expense category includes the Police Service, Fire Paramedic Service, Community Service and Museum departments, which incurred an additional $14.2 million in salaries and employee benefits. Expenses for utility operations rose by $16.0 million, which can be attributed to the Transit System - $6.5 million and the Waterworks System - $6.6 million. As previously indicated, the Transit System's costs rose primarily because of higher wage rates and fuel prices. Meanwhile, the Waterworks System's expenses increased due to interest on climbing debt levels primarily as a result of the ongoing construction of the water treatment plant as well as an increased number of staff positions and inflationary pressures on operating costs.

## CONSOLIDATED EXPENSES BY OBJECT

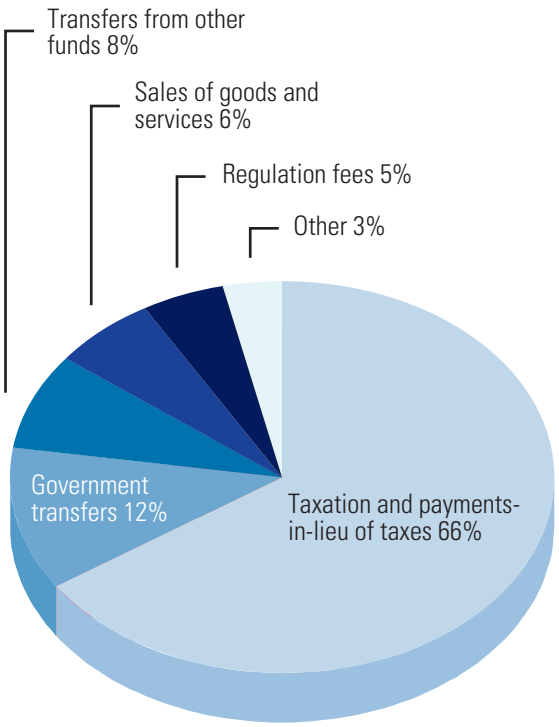
| For the years ended December 31 (in thousands of dollars) | 2008 | | 2007 | | Variance |
|---|---|---|---|---|---|
| Salaries and benefits | $ 565,071 | 53% | $ 539,405 | 52% | $ 25,666 |
| Goods and services | 295,940 | 28% | 291,032 | 28% | 4,908 |
| Amortization | 141,099 | 13% | 133,635 | 13% | 7,464 |
| Interest | 50,952 | 5% | 46,950 | 5% | 4,002 |
| Other expenses | 12,120 | 1% | 22,507 | 2% | (10,387) |
| | $ 1,065,182 | | $ 1,033,529 | | $ 31,653 |

Amortization of tangible capital assets has risen by $7.5 million from the previous year. This can be explained by the capital projects undertaken in the General Capital Fund and the Sewage Disposal System. The General Capital Fund's 2008 amortization expenses increased by $4.6 million from 2007, while the Sewage Disposal System incurred an additional $1.2 million of amortization costs.

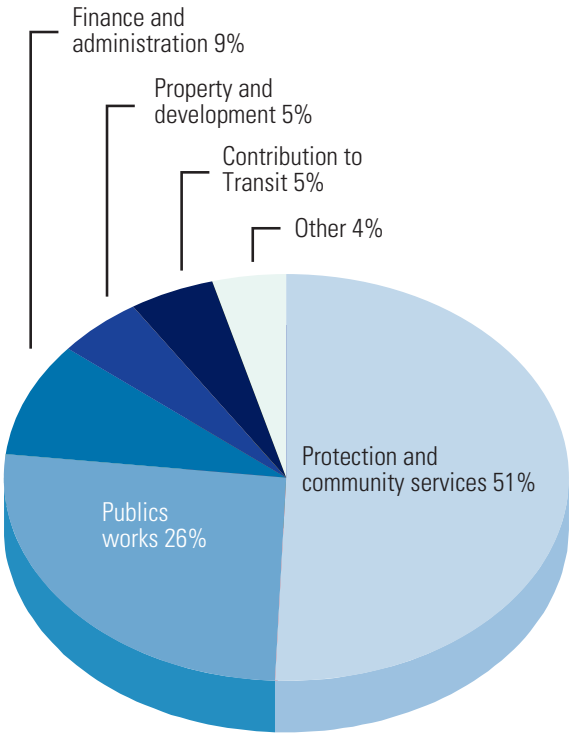
## General Revenue Fund

As mentioned previously, the Statements incorporate the revenues and services reported in the General Revenue Fund. The 2008 budget for property tax-supported operations was adopted by City Council on March 26, 2008. During the budget process, the City faced several challenges to produce a balanced budget, including maintaining core service levels, infrastructure maintenance and renewal, and general price increases, while maintaining its commitment to a competitive tax environment. The result was the eleventh consecutive approved budget without an increase to property tax rates. The focus of the budget is on public safety, infrastructure, clean and green programs, and efficiencies in operations.

### GENERAL REVENUE FUND 2008 ACTUAL REVENUES




### GENERAL REVENUE FUND 2008 ACTUAL EXPENSES

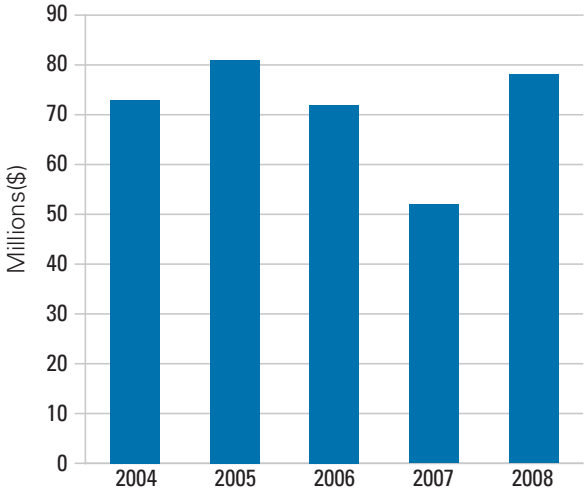



During 2008, the General Revenue Fund incurred revenues and expenses of $780.6 million (2007 - $756.3 million). Several unexpected positive events occurred that impacted the financial results of property tax-supported operations at the City, such as increased revenues from investments, regulation fees and government transfers. At the end of the year, the General Revenue Fund reported a net surplus of $12.8 million, which was transferred to the Mill Rate Stabilization Reserve. The purpose of the Mill Rate Stabilization Reserve is to fund potential deficits recorded in the General Revenue Fund; the last such deficit occurred in 1996.

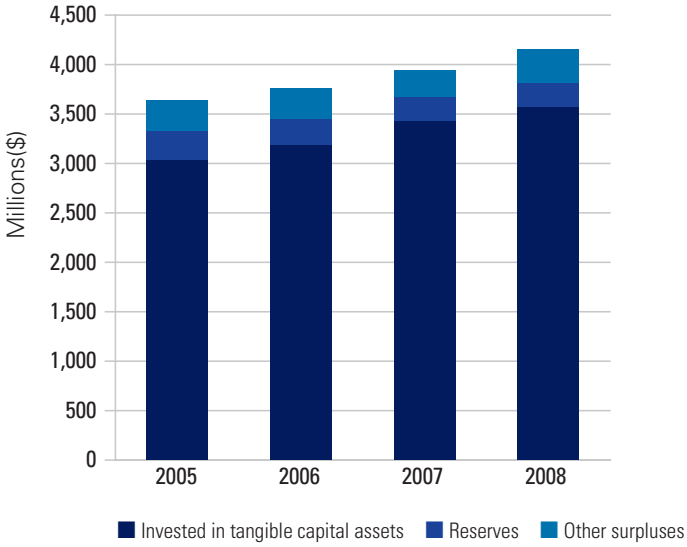
## FINANCIAL POSITION

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2008, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. The City's net financial assets is an important indicator on the Consolidated Statement of Financial Position.

### NET FINANCIAL ASSETS




### ACCUMULATED SURPLUS




Net financial assets is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2008, the City was in a net financial asset position of $77.9 million (2007 - $52.4 million). The change in net financial assets during the year resulted primarily from the excess of revenues over expenses of $209.8 million and amortization of tangible capital assets of $141.1 million, offset by the purchase of tangible capital assets, totalling $330.3 million.

Another important indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. The accumulated surplus represents the net assets of the City, and the yearly change in the accumulated surplus is equal to the annual excess of revenues over expenses for the year (results of operations). In 2008, the accumulated surplus increased primarily as a result of surpluses realized in the Utility operations and investments made in tangible capital assets.

The following is a discussion on some of the items that are included on the Consolidated Statement of Financial Position.

## Accounts Receivable

As at December 31, 2008, property, payments-in-lieu of taxes and business tax receivables, net of the estimated uncollectible amounts, represented 17% (2007 - 20%) of total receivables. Taxation revenue is 41% (2007 - 42%) of total consolidated revenues. Taxes receivable dropped as a result of increased collection, partly due to increased participation in the Tax Installment Payment Plan ("TIPP").

| As at December 31(in thousands of dollars) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Taxes receivable | $ 29,893 | $ 38,038 | $ 41,350 | $ 37,698 | $ 40,436 |
| Allowance for tax arrears | (3,657) | (6,228) | (6,326) | (6,364) | (6,394) |
| | $ 26,236 | $ 31,810 | $ 35,024 | $ 31,334 | $ 34,042 |

The City of Winnipeg Charter provides the Public Service with the authority to collect taxes due on real property in the city.

## Investments

In 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale includes payments of $20 million per annum for 2007 to 2010 and $16 million annually thereafter in perpetuity. The investment is determined based on the discounted sum of future cash flows that have been guaranteed by the Province.

Marketable securities are generally long-term in nature. These securities are being held to finance future anticipated costs such as perpetual maintenance at the three cemeteries maintained by the City. City Council has approved an Investment Policy to provide the Public Service with a framework for managing its investment program. An updated policy was approved by City Council on November 19, 2008. The update now provides for a medium-term portfolio strategy; a performance measurement section, including benchmarks and objectives; an enhanced reporting framework; and additional categories of investments that can be made. Safety of principal remains the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

| As at December 31 (in thousands of dollars) | 2008 | 2007 |
|---|---|---|
| Marketable securities | | |
| Government of Canada | $ 11,963 | $ 10,883 |
| Provincial | 20,343 | 7,317 |
| Municipal | 27,358 | 1,850 |
| | 59,664 | 20,050 |
| Manitoba Hydro long-term receivable | 232,679 | 238,376 |
| Other | 3,251 | 2,288 |
| | $ 295,594 | $ 260,714 |
| Market value of marketable securities | $ 61,143 | $ 21,545 |

## Debt

| As at December 31 (in thousands of dollars) | 2008 | 2007 |
|---|---|---|
| Net debt | | |
| Sinking fund debentures | $ 588,500 | $ 488,500 |
| Equity in The Sinking Fund | (276,158) | (248,686) |
| | 312,342 | 239,814 |
| Serial and installment debt | 84,833 | 98,539 |
| Province of Manitoba and bank loans | 47,873 | 38,113 |
| Capital lease obligations | 31,886 | 20,996 |
| | $ 476,934 | $ 397,462 |

The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter, the City is required to make annual payments towards the retirement of sinking fund debt. These annual payments are invested primarily in government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures. By investing in bonds and debentures of investees that are considered to be high quality, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

In 2008, the City issued a $100.0 million debenture with an interest rate of 5.2% for the new water treatment plant, which matures on July 17, 2036. Except for the $160.0 million in debt issued in 2006 and 2008 for the Waterworks System, which will mature in 2036, the remaining outstanding sinking fund debt will mature by 2017, including $135.5 million which will mature in 2009. The debt that matures in 2009, carries interest rates of 5.35% on $50.0 million and 10.0% on $85.5 million. Repayment of debt will be made in full from the sinking fund, except for the $50.0 million debenture, which will have a sinking fund shortfall of $31.0 million. It is anticipated the debenture will be refinanced in 2009.

### DEBT RETIRED OVER THE NEXT FIVE YEARS

| As at December 31 (in thousands of dollars) | 2009 | 2010 | 2011 | 2012 | 2013 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ 135,500 | $ - | $ - | $ - | $ 90,000 | $ 363,000 |
| Other debt | 32,752 | 21,622 | 22,223 | 24,395 | 22,405 | 41,195 |
| | $ 168,252 | $ 21,622 | $ 22,223 | $ 24,395 | $ 112,405 | $ 404,195 |

The City has also incurred serial and installment debt having varying maturities up to 2014, and carrying a weighted average interest rate of 4.6% (2007 - 4.6%). Annual interest and principal payments are made on the debt to the investors. Of the serial and installment debt that matured in 2007, there was a maturity shortfall of $17.5 million. It is anticipated this will also be refinanced in 2009. In addition, the City has guaranteed the payment of principal and interest on capital loans totalling $5.1 million (2007 - $5.6 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.

The City has funds held in escrow of $16.0 million with respect to the cash contribution for the Canadian Museum for Human Rights ("CMHR"). These funds are governed by an escrow agreement that provides the terms under which the funds will be released. Of the funds held in escrow, $11.1 million was financed by the Province of Manitoba in the form of an interest free-loan. The loan will be repaid based on future payments-in-lieu of taxes received by the City on the museum facility.

Further, the City has agreed to sell, transfer and convey to the Government of Canada, for the price of one dollar, land located at the Forks, which will form part of the site on which the CMHR would be constructed. The Government of Canada will hold the land so long as the land is used for the purpose of creation, operation and maintenance of the CMHR. The City will also return development and permit fees up to an estimated value of $1.3 million.

In 2008, Standard & Poor's ("S&P") advised the City that its credit rating would be maintained at AA/Stable/-. The rationale for the rating was attributed to "strong recent financial results, moderate and declining debt levels, robust and stable cash and investment holdings and a lengthy record of solid economic performance." However, S&P noted these strengths are offset to some degree by "substantial infrastructure deficiencies that the City will need to address, and the increase in debt levels resulting from Winnipeg's capital plan, particularly for the utility's capital plan."

## COMPARATIVE ANALYSIS

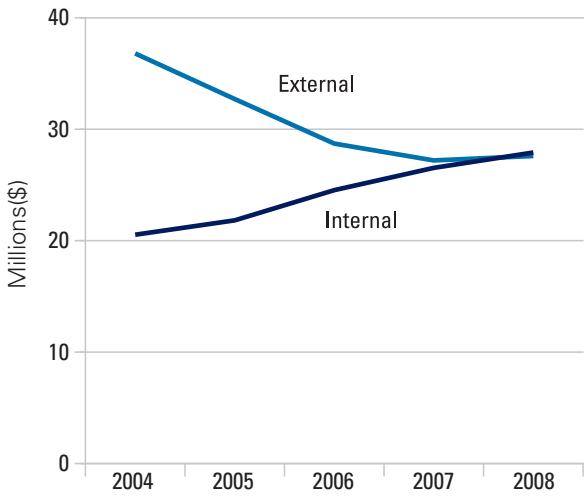
| | |
|---|---|
| Hamilton, Ontario | AA/Positive/– |
| Ottawa, Ontario | AA+/Stable/– |
| Regina, Saskatchewan | AA+/Stable/– |
| Vancouver, British Columbia | AA+/Stable |
| Windsor, Ontario | AA/Stable/– |
| Auckland, New Zealand | AA/Stable/A-1+ |
| Christchurch, New Zealand | AA+/Stable/– |
| Geneva, Switzerland | AA-/Stable/– |

Source: S&P RatingsDirect Publication Date Nov. 14, 2008

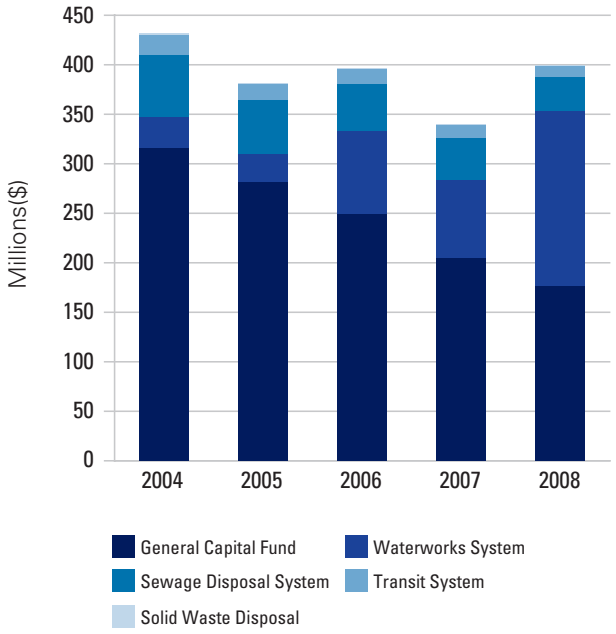
Moody's Investors Service also announced it would be maintaining the City's credit rating at Aa1. These debt ratings contribute to the City's ability to access capital markets and to obtain competitive and comparable borrowing terms to other cities.

Beginning in 1998, the City discontinued issuing new tax-supported debt in the General Capital Fund. Under its capital plan, all tax-supported projects are financed internally except for Public Private Partnership projects ("P3"), and local improvements. As a result, the level of tax-supported debt decreased by $300.0 million since 1999.

### GENERAL CAPITAL FUND INTEREST EXPENSE




### NET SINKING FUND DEBENTURES, SERIAL AND INSTALLMENT DEBT




In addition, the 2005 to 2009 utilities capital budget and the 2010 to 2014 capital forecast includes an additional $553.4 million of future debt to fund projects mandated by the Province of Manitoba through the Clean Environment Commission ("CEC"). During 2003, the CEC at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's wastewater collection and treatment improvement program. At the conclusion of this process, the CEC recommended that the City implement these improvements, which is estimated to cost $1.2 billion, over a 25-year period. Other major funding sources for these improvements will be provided by the Environmental Projects Reserve (which had a balance of $27.2 million at December 31, 2008), the Canada Strategic Infrastructure Fund ("CSIF"), and retained earnings.

## Tangible Capital Assets

The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment, and ensuring fiscal responsibility. The 2008 capital budget and the 2009 to 2013 five-year forecast was adopted by City Council on December 18, 2007. The capital investment plan detailed $2.1 billion in spending over the next six years with $421.1 million in 2008. Areas of major capital investment included in the six-year plan are $887.8 million for the sewage disposal projects; $534.6 million for roads and bridges; $112.0 million for the water system; $149.9 million for the transit system; $79.1 million for land drainage and flood control; and $78.3 million for public safety and infrastructure.

The capital investment plan incorporated P3 opportunities by way of $34.0 million for the Disraeli Bridge and Overpass facility, $60.0 million for the Chief Peguis Trail extension, and $32.9 million for Police Service's four-district model building replacement program. Also included in the capital investment plan is $50.9 million of funding from the senior levels of government through the CSIF, which was applied towards the Nutrient Removal/Expansion South End Water Pollution Control Centre - $39.0 million and the recreation and leisure facilities - $11.9 million. It is anticipated that $70.0 million will be provided under the Manitoba/Winnipeg Infrastructure Program, $225.7 million under the Federal Gas Tax Agreement, and $154.0 million from unallocated Provincial funding.

During 2008, the City spent $330.3 million on capital projects (2007 - $352.1 million), which included $150.8 million for tax-supported projects. Spending on tax-supported projects was primarily on roads and bridges, water and waste infrastructure, buildings and information technology.

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less estimated residual value, of the tangible capital assets is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 5 to 100 years.

During the year, there were no write-downs of tangible capital assets. Roads and underground networks contributed to the City totalled $40.3 million (2007 - $50.6 million), and were capitalized at their fair value at the time of receipt, along with $1.9 million (2007 - $1.8 million) of interest.

In 2006, the City early-adopted PSAB section PS 3150 - Tangible Capital Assets. This was an important step in the City's plan to develop its systems of managing capital assets. The City will be improving these systems in the future through enhanced reporting, including capturing information on asset condition. Information will include a physical condition rating assessment, and remaining average life expectancy of tangible capital assets. As well, the City has implemented processes that will result in better matching of approved capital budgets to the actual cash flows. Existing capital projects are reviewed annually to determine whether any surplus capital funds are available for other capital projects purposes, or will impact future capital program budgets.

## TANGIBLE CAPITAL ASSETS

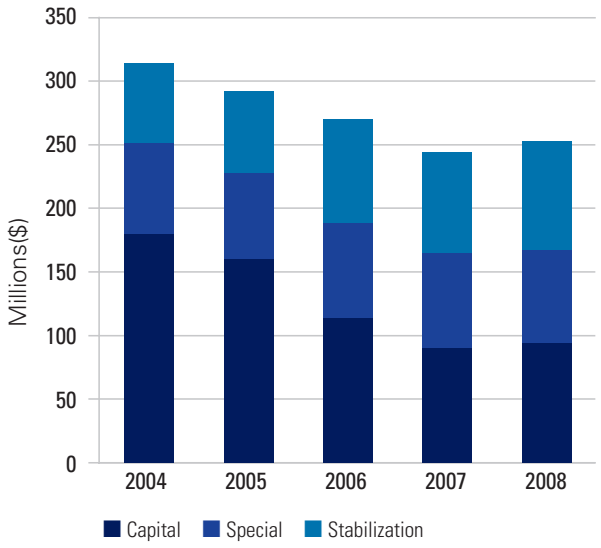
| As at December 31(in thousands of dollars) | 2008 | 2007 |
|---|---|---|
| General | | |
| Land | $ 169,529 | $ 173,030 |
| Buildings | 256,559 | 238,745 |
| Vehicles | 144,500 | 127,124 |
| Computer | 39,157 | 42,464 |
| Other | 63,830 | 40,170 |
| Infrastructure | | |
| Plants and facilities | 312,481 | 250,928 |
| Roads | 794,274 | 767,508 |
| Underground and other networks | 1,660,563 | 1,657,343 |
| Bridges and other structures | 308,620 | 307,211 |
| | 3,749,513 | 3,604,523 |
| Assets under construction | 308,806 | 272,667 |
| | $ 4,058,319 | $ 3,877,190 |

| As at December 31 (in thousands of dollars) | 2008 | | 2007 | |
|---|---|---|---|---|
| General Capital Fund | $ 2,312,744 | 57% | $ 2,261,115 | 58% |
| Waterworks System Fund | 788,176 | 19% | 715,307 | 18% |
| Sewage Disposal System Fund | 754,722 | 19% | 725,530 | 19% |
| Transit System Fund | 107,273 | 3% | 97,920 | 3% |
| Other Funds | 95,404 | 2% | 77,318 | 2% |
| | $ 4,058,319 | | $ 3,877,190 | |

## Reserves

Reserve balances have increased overall by $9.0 million (decreased 2007 - $26.8 million) from the prior year. The City's Capital Reserve balances have improved by $4.3 million, the Special Purpose Reserves declined by $1.3 million, while the Stabilization Reserves rose by $6.0 million.

The Stabilization Reserves' accumulated surpluses have exceeded their combined targeted level of 10% of the General Revenue Fund's adopted budget expenses. Individually, the Fiscal Stabilization Reserve is at 91% of the target level and the Mill Rate Stabilization Reserve has surpassed the 5% target.




## Financial Indicators

An analysis of the Consolidated Statement of Financial Position and the Consolidated Statement of Operations and Accumulated Surplus provides an overview of the City's financial condition. The financial condition of the City is assessed by its ability to meet its existing financial obligations to creditors, employees and others in a timely manner, while continuing to meet its service obligations to the public. Financial condition is measured by a City's sustainability, flexibility and vulnerability.

### GOVERNMENT SPECIFIC INDICATORS

| As at December 31 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| Sustainability indicators | | | | |
| Assets-to-liabilities | **5.88** | 5.89 | 5.61 | 5.98 |
| Financial assets-to-liabilities | **1.09** | 1.06 | 1.09 | 1.11 |
| Flexibility indicators | | | | |
| Public debt charges-to-revenues | **0.04** | 0.04 | 0.04 | 0.05 |
| Own-source revenues-to-taxable assessment | **0.03** | 0.03 | 0.03 | 0.04 |
| Vulnerability indicators | | | | |
| Operating government transfers-to-operating revenues | **0.11** | 0.11 | 0.10 | 0.10 |
| Total government transfers-to-total revenues | **0.17** | 0.15 | 0.14 | 0.12 |

Sustainability is the degree to which the City can maintain its existing service and financial commitments without increasing the relative debt or tax burden on the economy. Sustainability indicators include the City's assets-to-liabilities ratio, which has exceeded one in the current year and over the past four years. This positive ratio indicates the City has not been financing its operations by issuing debt. The financial assets-to-liabilities ratio has also exceeded one, indicating that financial resources are on hand that can finance future operations.

Flexibility is the degree to which the City can change its debt or tax burden on the economy to meet its existing financial and service commitments. The City's public debt charges (interest expense)-to revenues has remained constant over the past several years at 0.04 to 0.05. This trend indicates the City has not chosen borrowing over other sources of revenue or transfers from senior levels of government to meet its financial and service commitments. Another flexibility indicator is the ratio of own-source revenues-to-taxable assessment. This ratio has remained constant over the last few years, indicating the City has not reduced its flexibility to access own-source revenues in the future.

Vulnerability is the degree to which the City is dependent on sources of funding outside its control or influence, or is exposed to risks that could impair its ability to meet financial and service commitments. The government transfers-to-total revenues ratio indicates the proportion of revenues that the City receives from the senior levels of government. Over the past several years this ratio has risen mainly because of funding for tangible capital assets. If the ratio is recalculated to exclude funding related to tangible capital assets, the ratio has remained relatively constant. This indicates the City has not increased its dependence on other levels of government for operating revenue.

## ACCOUNTING POLICIES

The significant accounting policies used in preparing the City's consolidated financial statements are summarized in Note 2 to the Statements. The accounting policies section of the Statements sets out management's decisions concerning estimates that may significantly impact the City's financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. The following is a discussion of these critical accounting estimates.

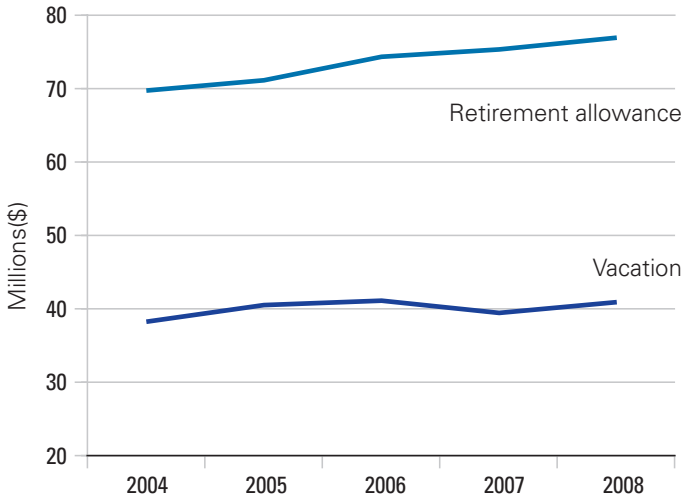
### Employee Benefits

The City provides pension, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions. The critical assumptions made by management are the long-term rate of investment return on plan assets, certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality, inflation, salary escalation and the discount rate used to value liabilities. Management applies judgment in the selection of these assumptions based on past experience and on forecasts of future economic and investment conditions. As these assumptions relate to factors that are long-term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension, sick leave and severance pay benefits expense in future years.

The City contributes to a number of pension plans. The two major plans are The Winnipeg Civic Employees' Pension Plan and the Winnipeg Police Pension Plan. Both plans have funded surpluses that allow the City to take advantage of decreased contributions to the plans. The Winnipeg Civic Employees' Pension Plan is similar to a defined contribution pension plan because it is a multi-unit pension plan governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. This structure eliminates the City's exposure to future unfunded liabilities.

The Manitoba Pension Benefits Act requires that an actuarial report be prepared at least every three years, and that this report contain the results of actuarial valuations carried out on both a going-concern basis and a solvency basis. Therefore an actuarial report based on an actuarial valuation as at December 31, 2008 must be filed with the Manitoba Pension Commission by September 2009.

**LIABILITY**




The Winnipeg Police Pension Plan is a defined benefit plan with the City being responsible for unfunded liabilities. As at December 31, 2008, the market value of the pension fund assets was $760.1 million, which is $95.1 million less than accrued pension obligation. The actuarially determined value of the pension fund assets exceeded the accrued pension obligation and the City's contribution to the plan each year is approximately equal to its pension expense.

A solvency valuation is an actuarial valuation that shows the hypothetical position of a pension plan as if it were terminated on the valuation date and all benefit obligations of the plan were settled on that date. The projected solvency position of the Police Pension Plan as at December 31, 2008 assumes a 2008 rate of investment return of approximately -15%. Any differences between the plan's actual investment income (on a market value basis) and expected investment income (based on the assumed rate of return) are averaged over a five-year period. Based on these projections and the ability to defer recognition of four-fifths of the 2008 investment loss (as permitted under clause 1.1(a) of the Pension Benefits Regulation) it is anticipated the Plan will not have a solvency deficiency as at December 31, 2008. As such, no special payments are expected to be required to be made by the City to fund deficiencies in 2009.

## Tangible Capital Assets

The City's management makes estimates about the expected useful lives, projected residual values and the potential for impairment of its tangible capital assets. In estimating the lives and expected residual values of assets, reliance is placed mainly on experience with the asset. Revisions to the estimates of the asset can be caused by maintenance and renewal expenditures that may result in a change in service levels, and can affect the life expectancy of the asset. Management evaluates these estimates and potential impairment on all tangible capital assets annually, and when events and circumstances indicate that the assets may be impaired. The effects of maintenance and renewal costs on estimated useful lives is not reported until the reduction in future economic benefits is expected to be permanent.

# BUSINESS RISKS

## Environmental Matters

The City is subject to environmental laws, including the regulation of water consumption and treatment by the CEC, that will result in significant future capital acquisitions. As well, The City of Winnipeg operates one landfill, the Brady Landfill Site, and is required to monitor and maintain several former landfill sites. The City is responsible for future landfill closure and post closure care requirements defined in accordance with the Environmental Act. In determining the City's environmental liability, management has estimated the total cost to cover and landscape the landfill along with site maintenance, available site capacity, and remaining life. The liability is measured on a discounted basis using the long-term cost of borrowing at year-end.

## Labour Negotiations

For the year ended December 31, 2008, 53% (2007 - 52%) of the City's expenses related to salaries and employee benefits. The City employed approximately 8,400 staff, the majority being represented by eight unions and associations. The City has labour agreements in place with its unions and associations as follows:

| Union/Association | Number of Staff | Agreement Expiry Date |
|---|---|---|
| ATU | 1,142 | January 15, 2011 |
| CUPE | 3,545 | December 31, 2010 |
| PPAW | 206 | February 13, 2010 |
| UFFW | 931 | December 26, 2009 |
| WAPSO | 589 | October 11, 2011 |
| WFPSOA | 38 | February 22, 2010 |
| WPA | 1,663 | December 23, 2008 |
| WPSOA | 23 | December 19, 2008 |

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; PPAW - Professional Paramedics Association of Winnipeg; UFFW - United Fire Fighters of Winnipeg Local 867; WAPSO - Winnipeg Association of Public Service Officers; WFPSOA - Winnipeg Fire Paramedic Senior Officers' Association; WPA - Winnipeg Police Association; and WPSOA - Winnipeg Police Senior Officers' Association

The collective agreements provide a process to revise wage and employee benefit levels through negotiations. In addition, collective bargaining disputes with certain of the bargaining units are resolved through compulsory arbitration at the request of either or both parties.

## ORGANIZATIONAL CHANGES

On April 25, 2007, City Council approved amendments to the City Organization By-law to support the implementation of the shared services model and administrative restructuring. Under the shared services model, the Corporate Services and Corporate Information Technology departments were consolidated into one department effective January 1, 2008.

On November 21, 2007, City Council approved the merger of the Property Assessment department and the Taxation and Revenue Branch of the Corporate Finance department into a single department named the Assessment and Taxation department, effective January 1, 2008. The citizens of Winnipeg received the benefits of the merger through a single service window for all matters related to assessment and taxation.

On January 23, 2008, City Council approved the consolidation of various by-law enforcement activities from Public Works, Water and Waste, Fire Paramedic Service, the Police Service, and Planning, Property and Development departments into a new unit - 'Community By-law Enforcement Services Unit' ("Unit") that will reside in the Community Services department. The Unit is being implemented in two phases. In its first phase, the Unit became operational on November 1, 2008, and enforced the new Neighbourhood Livability By-law, in addition to thirteen other existing by-laws. The ten-month implementation phase was required to harmonize the staff, review human resource issues, develop work flow methods, new forms and policy on enforcement methods, train staff, and will implement technology/communications systems. On March 31, 2009, phase two began to be implemented and will involve the integration of resources, development of by-law support programs, cross training of staff, and development of performance reporting measurements. The organizational change emphasizes the importance of making better customer service a feature of enforcement.

On September 24, 2008, City Council approved changes to the Winnipeg Public Service's organizational structure. The structure streamlines senior management decision-making and promotes integration of activity between business units. The model rationalizes administrative systems and allows the Chief Administrative Officer to focus on strategy and the long-term requirements of the City. The model also starts the movement to a flexible and agile management structure that allows the Public Service to be more responsive to City Council's needs but proactive in anticipating the future requirements of the community.

Under the new organizational model, the City Clerk's and Audit departments would report administratively to the Chief Administrative Officer. Both the EPC Secretariat and CAO Secretariat departments are eliminated under the model and the positions and associated staff re-assigned to other areas within the organization.

## CONTROLS AND PROCEDURES AND RECENT ACCOUNTING PRONOUNCEMENTS

Over the past year, a number of audit reports were presented by the City Auditor to City Council. Workforce planning, for example, is a critical element within an integrated human resources strategy, to ensure the workforce meets the challenges of today while preparing for the challenges of tomorrow. The Workforce Planning Audit evaluated the City's workforce planning program and its ability to maintain and improve the quality of services delivered to citizens. Audits were also completed on Information Security Awareness and Grants Administration. The Public Service considers all internal control recommendations seriously, and balances the cost of implementation against available resources and the extent of controls required to mitigate potential areas of concern. The City has a satisfactory level of controls required to ensure the accuracy of its financial statements.

During January 2008, PSAB issued an exposure draft concerning tax revenue, Section 3510. The exposure draft provides principles for the recognition, measurement and disclosure of tax revenue in government financial statements for fiscal years beginning on or after January 1, 2012. Currently the potential impact on the City's Statements is being reviewed. In November 2008, PSAB also issued a Statement of Recommended Practice on Assessment of Tangible Capital Assets. The City is planning to develop information systems that will allow city-wide reporting on the physical condition of the City's tangible capital assets. This will provide the City with additional information to aid its capital maintenance and planning processes.

PSAB recently released a re-exposure draft on government transfers. If adopted, the re-exposure draft will require capital transfers or transfers of tangible capital assets to be recognized as deferred capital contributions. Deferred capital contributions will be recognized as revenue over the same time period the related tangible capital asset is amortized, rather than immediately. Deferred capital contributions will be reported on the Statement of Financial Position separate from and below non-financial assets. The proposed standard, if approved, will apply to new transfers recognized on or after April 1, 2011.

The current accounting policy results in government transfers and developer contributions-in-kind related to capital acquisitions, to be recognized as revenue in the Statements in the period in which the tangible capital assets are acquired.

## LOOKING FORWARD

Section 284(2) of The City of Winnipeg Charter requires City Council to adopt the capital budget for that year, and a capital forecast for the next five fiscal years, before December 31 of each fiscal year. On December 16, 2008, City Council adopted the 2009 annual capital budget and the 2010 to 2014 five-year forecast. The capital budget focuses on investment in public transit, streets and bridges, sewer systems, public safety, and community infrastructure and amenities. The six-year plan authorizes $2.1 billion in City capital projects, with over $430.1 million earmarked for streets projects over the multi-year plan, with $96.7 million in 2009 alone.

As part of the City's ongoing approach to exploring new ways to deliver public infrastructure and related services, which could provide greater value for money to its citizens, a study of different approaches to delivering certain infrastructure projects for a range of City of Winnipeg services was carried out this past year.

Some of the City's largest upcoming projects can be found within the Water and Waste department's capital budget. The six-year capital plan includes $4.3 million in funding related to the business plan for a Municipal Corporate Utility and strategic partner development. Exploration of the concept of a City-owned Municipal Corporate Utility was approved by City Council on November 19, 2008. The Winnipeg Public Service was directed to conduct a due diligence process and identify legislative authorities required to establish and operate the Municipal Corporate Utility and report back to City Council.

On February 26, 2008, the Federal Budget included up to $500 million in the 2007 - 2008 fiscal year for public transit infrastructure. It is expected that this will amount to $17.5 million for the City. The Province will match the contribution of $17.5 million and will fund 50 percent of the net operating costs of the rapid transit system through its existing 50/50 transit funding agreement. Stage 1 of the Southwest Rapid Transit Corridor, at a cost of $138.0 million, is included in the capital plan, which will require borrowing of $89.8 million.

Section 284(1) of The City of Winnipeg Charter requires City Council to approve the tax-supported budget before March 31 of each fiscal year. On March 24, 2009, City Council approved the 2009 operating budget, which provides for the 12th consecutive year of property tax freezes or reductions. The budget plan also includes the implementation of a new small business tax credit program worth $2.5 million, to ensure that the smallest businesses in Winnipeg receive support and encouragement in 2009, during the economic downturn. The budget plan's priorities are investment in public safety, infrastructure and transit.

The Public Service will continue to closely monitor its approved capital projects with a view of insuring financial resources are being utilized for priorities. An annual review (to be conducted quarterly beginning in 2009) of open capital projects has identified unutilized resources that can be redirected to other priorities.

## GENERAL REVENUE FUND - BUDGET

| For the years ended December 31 (in thousands of dollars) | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Property tax | $ 428,692 | $ 424,422 | $ 419,035 | $ 404,828 | $ 399,507 |
| Government transfers | 101,663 | 90,237 | 81,172 | 87,991 | 77,617 |
| Sale of goods and services | 73,772 | 66,810 | 63,312 | 65,720 | 69,900 |
| Business tax | 57,584 | 57,584 | 57,584 | 62,240 | 62,273 |
| Other taxation | 46,107 | 25,253 | 22,943 | 22,158 | 22,423 |
| Regulation fees | 37,272 | 30,349 | 26,948 | 23,573 | 31,678 |
| Transfer from other funds | 32,940 | 62,361 | 59,918 | 45,557 | 31,450 |
| Interest | 9,328 | 9,326 | 9,310 | 7,796 | 11,344 |
| Other | 1,372 | 1,280 | 1,020 | 1,096 | 807 |
| | 788,730 | 767,622 | 741,242 | 720,959 | 706,999 |
| **Expenses** | | | | | |
| Police service | 178,997 | 169,936 | 160,223 | 153,312 | 146,695 |
| Public works | 166,132 | 165,502 | 161,890 | 153,567 | 149,798 |
| Fire paramedic service | 129,452 | 123,613 | 113,899 | 108,753 | 103,785 |
| Community services | 98,869 | 97,150 | 97,228 | 88,588 | 85,814 |
| Corporate | 60,367 | 60,492 | 61,435 | 71,203 | 66,229 |
| Planning, property and development | 39,104 | 37,120 | 37,186 | 35,146 | 38,730 |
| Corporate support services | 30,541 | 27,053 | 26,049 | - | - |
| Water and waste | 30,093 | 29,373 | 30,674 | 32,140 | 33,433 |
| Assessment and taxation | 17,987 | 19,229 | 14,139 | - | - |
| City clerks | 12,475 | 12,133 | 11,847 | 11,256 | 11,356 |
| Street lighting | 10,520 | 10,533 | 10,492 | 10,128 | 9,522 |
| Corporate finance | 7,288 | 6,642 | 6,831 | 9,832 | 12,883 |
| Other departments | 6,905 | 8,846 | 9,349 | 9,432 | 9,396 |
| Corporate information technology | - | - | - | 16,918 | 16,519 |
| Property assessment | - | - | - | 11,413 | 12,418 |
| Corporate services | - | - | - | 9,271 | 10,421 |
| | 788,730 | 767,622 | 741,242 | 720,959 | 706,999 |
| | $ - | $ - | $ - | $ - | $ - |

The 2009 to 2007 figures include department restructuring and reallocation of financing charges. The 2006 and 2005 expense figures have not been restated.

## REQUEST FOR INFORMATION

The Financial Statement Discussion and Analysis and the Statements are designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances, and to show accountability for the funding it receives. Both the Annual Financial Report and the Detailed Financial Statements Document are available on-line at www.winnipeg.ca. Questions concerning the information provided in these reports should be addressed to the Corporate Controller's Office, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.



Michael P. Ruta, FCA
Deputy Chief Administrative Officer/Chief Financial Officer

# Responsibility for Financial Reporting

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee - the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.



Michael P. Ruta, FCA
Deputy Chief Administrative Officer/Chief Financial Officer

# Auditors' Report

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

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2008 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the City'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 consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2008 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,
April 3, 2009.

Chartered Accountants

Winnipeg

# Consolidated Statement of Financial Position

| As at December 31 (in thousands of dollars) | 2008 | 2007 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents (Note 3) | $ 424,593 | $ 404,742 |
| Accounts receivable (Note 4) | 157,985 | 160,796 |
| Land held for resale | 12,351 | 10,627 |
| Investments (Note 5) | 295,594 | 260,714 |
| Deposits (Note 6) | 16,000 | - |
| Investment in government businesses (Note 7) | 23,525 | 22,609 |
| | 930,048 | 859,488 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Note 8) | 159,891 | 185,130 |
| Deferred revenue (Note 9) | 42,535 | 43,637 |
| Debt (Note 10) | 476,934 | 397,462 |
| Other liabilities (Note 11) | 32,104 | 37,665 |
| Retirement allowance, vacation, compensated absences and other (Note 12) | 140,734 | 143,154 |
| | 852,198 | 807,048 |
| **Net Financial Assets** | 77,850 | 52,440 |
| **Non-financial Assets** | | |
| Tangible capital assets (Note 14) | 4,058,319 | 3,877,190 |
| Inventories | 14,707 | 13,937 |
| Prepaid expenses and deferred charges | 5,405 | 2,930 |
| | 4,078,431 | 3,894,057 |
| **Accumulated Surplus** (Note 15) | $ 4,156,281 | $ 3,946,497 |
| Commitments and contingencies (Notes 11, 16 and 17) | | |

*See accompanying notes and schedules to the consolidated financial statements*

Approved on behalf of the Audit Committee:

**Sam Katz** – Mayor

**Justin Swandel** – Chairperson,
Standing Policy Committee on Finance

# Consolidated Statement of Operations and Accumulated Surplus

| For the years ended December 31 (in thousands of dollars) | 2008 | 2007 |
|---|---|---|
| **Revenues** | | |
| Taxation (Note 17) | $ 521,684 | $ 515,197 |
| Sales of services and regulatory fees (Note 18) | 416,692 | 381,273 |
| Government transfers (Note 19) | 122,722 | 117,195 |
| Investment income | 48,139 | 50,118 |
| Land sales and other revenue (Note 7) | 34,837 | 35,025 |
| **Total Revenues** | 1,144,074 | 1,098,808 |
| **Expenses** (Note 20) | | |
| Protection and community services | 349,966 | 336,743 |
| Utility operations | 258,788 | 242,797 |
| Public works | 250,534 | 249,323 |
| Property and development | 93,738 | 90,001 |
| Finance and administration | 65,490 | 63,825 |
| Civic corporations | 29,383 | 25,000 |
| General government | 17,283 | 25,840 |
| **Total Expenses** | 1,065,182 | 1,033,529 |
| **Excess Revenues Over Expenses Before Other** | 78,892 | 65,279 |
| **Other** | | |
| Government transfers related to capital (Note 19) | 90,588 | 71,368 |
| Developer contributions-in-kind related to capital | 40,304 | 50,638 |
| | 130,892 | 122,006 |
| **Excess Revenues Over Expenses** | 209,784 | 187,285 |
| **Accumulated Surplus, Beginning Of Year** | 3,946,497 | 3,759,212 |
| **Accumulated Surplus, End Of Year** | $ 4,156,281 | $ 3,946,497 |

*See accompanying notes and schedules to the consolidated financial statements*

Winnipeg

# Consolidated Statement of Cash Flows

| For the years ended December 31 (in thousands of dollars) | 2008 | 2007 |
|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:** | | |
| **Operating** | | |
| Excess Revenues Over Expenses | $ 209,784 | $ 187,285 |
| Non-cash charges to operations | | |
| Amortization | 141,099 | 133,635 |
| Other | (6,431) | (7,867) |
| | 344,452 | 313,053 |
| Net change in non-cash working capital balances related to operations | (23,768) | 29,116 |
| Cash provided by operating transactions | 320,684 | 342,169 |
| **Capital** | | |
| Acquisition of tangible capital assets | (330,344) | (352,149) |
| Proceeds on disposal of tangible capital assets | 4,912 | 12,544 |
| Cash used in capital transactions | (325,432) | (339,605) |
| **Financing** | | |
| Increase in sinking fund investments | (27,472) | (25,963) |
| Debenture and serial debt retired | (13,706) | (32,316) |
| Sinking fund debenture issued | 97,411 | - |
| Other | 18,519 | 8,622 |
| Cash provided by (used in) financing activities | 74,752 | (49,657) |
| **Investing** | | |
| (Increase) decrease of investments | (50,153) | 6,786 |
| Cash (used in) provided by investing activities | (50,153) | 6,786 |
| **Increase (decrease) in cash and cash equivalents** | 19,851 | (40,307) |
| **Cash and Cash Equivalents, Beginning Of Year** | 404,742 | 445,049 |
| **Cash and Cash Equivalents, End Of Year** | $ 424,593 | $ 404,742 |

*See accompanying notes and schedules to the consolidated financial statements*

# Consolidated Statement of Change in Net Financial Assets

| For the years ended December 31 (in thousands of dollars) | 2008 | 2007 |
|---|---|---|
| **Excess Revenues Over Expenses** | **$ 209,784** | $ 187,285 |
| Amortization of tangible capital assets | **141,099** | 133,635 |
| Proceeds on disposal of tangible capital assets | **4,912** | 12,544 |
| Change in inventories, prepaid expenses and deferred charges | **(3,245)** | 833 |
| Loss (gain) on sale of tangible capital assets | **604** | (6,425) |
| Acquisition of tangible capital assets | **(330,344)** | (352,149) |
| Other | **2,600** | 4,950 |
| **Increase (Decrease) In Net Financial Assets** | **25,410** | (19,327) |
| **Net Financial Assets, Beginning Of Year** | **52,440** | 71,767 |
| **Net Financial Assets, End Of Year** | **$ 77,850** | $ 52,440 |

*See accompanying notes and schedules to the consolidated financial statements*

Winnipeg

# Notes to the Consolidated Financial Statements

December 31, 2008 (all tabular amounts are in thousands of dollars, unless otherwise noted)

## 1. STATUS OF THE CITY OF WINNIPEG

The City of Winnipeg (the "City") is a municipality that was created on January 1, 1972 pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has designated reserves and provides funding support for other entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

### a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City except for the City's government businesses which are accounted for on the modified equity basis of accounting. Inter-fund and inter-corporate balances and transactions have been eliminated.

#### i) Consolidated entities

The organizations included in the consolidated financial statements are as follows:

| | | |
|---|---|---|
| CentreVenture Development Corporation | Winnipeg Arts Council Inc. | Destination Winnipeg Inc. |
| Winnipeg Enterprises Corporation | The Convention Centre Corporation | Winnipeg Public Library Board |

#### ii) Government businesses

The investment in North Portage Development Corporation is reported as a government business partnership and Winnipeg Housing Rehabilitation Corporation as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the City and inter-corporate transactions are not eliminated (Note 7).

#### iii) Other organizations

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements.

### b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

### c) School taxes

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

**d) Cash equivalents**

Cash equivalents consist of Government of Canada treasury bills and crown corporation bonds; provincial government bonds, floating rate notes and promissory notes; City of Winnipeg municipal bond; schedule A bankers acceptances; floating rate notes; bearer deposit notes; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

**e) Land held for resale**

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

**f) Investments**

Bonds and debentures are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

**g) Assessment appeal costs**

Assessment appeal costs are estimated at the beginning of the four-year assessment cycle and are amortized over the cycle. The liability is net of the unamortized costs.

**h) Solid waste landfills**

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

**i) Environmental provisions**

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

**j) Deferred revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

**k) Employee benefit plans**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other pensions and other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefit method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

**l) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

2. Significant Accounting Policies (continued)

**i) Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

| | | | |
|---|---|---|---|
| **Buildings** | 10 to 50 years | **Water and waste plants and networks** | |
| **Vehicles** | | Underground networks | 50 to 100 years |
| Transit buses | 18 years | Sewage treatment plants and lift stations | 50 to 75 years |
| Vehicles | 5 to 10 years | Water pumping stations and reservoirs | 50 to 75 years |
| **Computer hardware and software** | 5 to 10 years | Flood stations and other infrastructure | 50 to 75 years |
| **Other** | | **Transportation** | |
| Machinery and equipment | 10 years | Roads | 10 to 50 years |
| Land improvements | 15 years | Bridges and structures | 25 to 75 years |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii) Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

**iii) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**iv) Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

**m) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

**n) Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

## 3. CASH AND CASH EQUIVALENTS

| | 2008 | 2007 |
|---|---|---|
| Cash | $ 7,020 | $ 4,917 |
| Cash equivalents | 417,573 | 399,825 |
| | $ 424,593 | $ 404,742 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Cash and Cash Equivalents (continued)

Cash equivalents have an effective average interest rate of 3.0% (2007 - 4.4%).

Cash and cash equivalents are net of $198.1 million (2007 - $203.6 million) which has been received from various entities including the Board of Trustees of the Winnipeg Civic Employees' Benefits Program. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $46.3 million (2007 - $49.7 million).

## 4. ACCOUNTS RECEIVABLE

| | 2008 | 2007 |
|---|---|---|
| Property, payments-in-lieu and business taxes receivable | $ 29,893 | $ 38,038 |
| Allowance for property, payments-in-lieu and business tax arrears | (3,657) | (6,228) |
| | 26,236 | 31,810 |
| Trade accounts and other receivables | 91,833 | 80,960 |
| Province of Manitoba | 34,668 | 35,017 |
| Government of Canada | 11,751 | 19,001 |
| Allowance for doubtful accounts | (6,503) | (5,992) |
| | 131,749 | 128,986 |
| | $ 157,985 | $ 160,796 |

## 5. INVESTMENTS

| | 2008 | 2007 |
|---|---|---|
| Marketable securities | | |
| Government of Canada bonds | $ 11,963 | $ 10,883 |
| Provincial bonds and coupons | 20,343 | 7,317 |
| Municipal bonds | 27,358 | 1,850 |
| | 59,664 | 20,050 |
| Manitoba Hydro long-term receivable | 232,679 | 238,376 |
| Other investments | 3,251 | 2,288 |
| | $ 295,594 | $ 260,714 |

The aggregate market value of marketable securities at December 31, 2008 is $61.1 million (2007 - $21.5 million).

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six through nine; and $16 million per annum for years ten in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's 2002 average long-term borrowing rate of 6%.

## 6. DEPOSITS

The City has funds held in escrow of $16.0 million (2007 - $nil) with respect to the cash contribution for the Canadian Museum for Human Rights ("CMHR"). The funds are governed by an escrow agreement that provides the terms under which the funds will be released. Of the funds held in escrow, $11.1 million was financed by the Province in the form of an interest-free loan. The loan will be repaid based on future payments-in-lieu of taxes received by the City on the museum facility.

Further, the City has agreed to sell, transfer and convey to the Government of Canada, for the price of one dollar, land located at the Forks, which will form part of the site on which the CMHR would be constructed. The Government of Canada will hold the land so long as the land is used for the purpose of creation, operation and maintenance of the CMHR. The City will also contribute development and permit fee revenues up to an estimated value of $1.3 million.

## 7. INVESTMENT IN GOVERNMENT BUSINESSES

**a) North Portage Development Corporation**

North Portage Development Corporation ("NPDC") is a government partnership that is owned equally by the Government of Canada, the Province of Manitoba and The City of Winnipeg. The mission of NPDC is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. NPDC is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks. NPDC is involved in certain business and core activities regarding the ownership, development and management of its two sites that include land investment properties and public amenities.

The condensed supplementary financial information of NPDC is as follows:

| | 2008 | 2007 |
|---|---|---|
| Financial position | | |
| Capital assets and investment in properties and infrastructure enhancements | $ 78,711 | $ 79,584 |
| Investments | 19,040 | 9,042 |
| Other assets | 2,456 | 2,124 |
| | $ 100,207 | $ 90,750 |
| Deferred contributions | $ 23,033 | $ 24,780 |
| Long-term debt | 12,940 | - |
| Current and other liabilities | 5,577 | 6,788 |
| | 41,550 | 31,568 |
| Net assets | 58,657 | 59,182 |
| | $ 100,207 | $ 90,750 |
| Results of operations | | |
| Revenues | $ 10,110 | $ 9,431 |
| Expenditures | 9,174 | 8,626 |
| | 936 | 805 |
| Depreciation | (1,393) | (1,626) |
| Unrealized losses | (129) | - |
| Gain on disposal of assets | - | 777 |
| Deficiency of revenues over expenditures for the year | $ (586) | $ (44) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. Investment in Government Businesses (continued)

| | 2008 | 2007 |
|---|---|---|
| Statement of net assets | | |
| As previously reported | $ 59,182 | $ 59,226 |
| Adjustment of investments to fair value | 61 | - |
| As restated | 59,243 | 59,226 |
| Deficiency of revenues over expenditures for the year | (586) | (44) |
| | $ 58,657 | $ 59,182 |

**b) Winnipeg Housing Rehabilitation Corporation**

Winnipeg Housing Rehabilitation Corporation ("WHRC") is a non-profit developer and manager of affordable housing in Winnipeg. WHRC was founded by the City. Pursuant to operating agreements, WHRC receives subsidies from Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

The condensed supplementary financial information of WHRC is as follows:

| | 2008 | 2007 |
|---|---|---|
| Financial position | | |
| Capital assets | $ 31,779 | $ 30,197 |
| Current and other assets | 5,688 | 6,573 |
| | $ 37,467 | $ 36,770 |
| Long-term debt | $ 29,345 | $ 29,852 |
| Current and other liabilities | 4,148 | 4,036 |
| | 33,493 | 33,888 |
| Replacement Reserves | 3,487 | 3,103 |
| WHRC Building and Acquisition Reserve | 312 | - |
| Net assets | 175 | (221) |
| | 3,974 | 2,882 |
| | $ 37,467 | $ 36,770 |
| Results of operations | | |
| Revenues | $ 6,991 | $ 6,950 |
| Expenditures | 7,163 | 6,902 |
| (Deficiency) excess of revenues over expenditures for the year | (172) | 48 |
| Gain on sale of capital assets | 568 | 235 |
| Change to Replacement Reserves during the year | 384 | 245 |
| Change to WHRC Building and Acquisition Reserve during the year | 312 | - |
| | $ 1,092 | $ 528 |

7. Investment in Government Businesses (continued)

During the year, the City paid WHRC an operating grant of $200 thousand (2007 - $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2007 - $2.0 million).

**Summary of investment in government businesses**

| | 2008 | 2007 |
|---|---|---|
| North Portage Development Corporation (1/3 share) | $ 19,551 | $ 19,727 |
| Winnipeg Housing Rehabilitation Corporation | 3,974 | 2,882 |
| | $ 23,525 | $ 22,609 |

**Summary of results of operations**

| | 2008 | 2007 |
|---|---|---|
| North Portage Development Corporation (1/3 share) | $ (176) | $ (15) |
| Winnipeg Housing Rehabilitation Corporation | 1,092 | 528 |
| | $ 916 | $ 513 |

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue. These organizations report their activities based on a March 31 year-end.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2008 | 2007 |
|---|---|---|
| Accrued liabilities | $ 83,500 | $ 97,357 |
| Trade accounts payable | 61,795 | 75,335 |
| Accrued interest payable | 14,596 | 12,438 |
| | $ 159,891 | $ 185,130 |

## 9. DEFERRED REVENUE

| | 2008 | 2007 |
|---|---|---|
| Federal public transit transfer | $ 29,616 | $ 35,766 |
| Federal gas tax transfer | 2,158 | 1,141 |
| Other | 10,761 | 6,730 |
| | $ 42,535 | $ 43,637 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. DEBT

### Sinking fund debentures outstanding

| TERM | MATURITY DATE | RATE OF INTEREST | SERIES | BY-LAW NO. | AMOUNT OF DEBT 2008 | 2007 |
|---|---|---|---|---|---|---|
| 1999-2009 | Feb. 2 | 5.350 | VV | 7368/99 | $ 50,000 | $ 50,000 |
| 1989-2009 | Dec. 14 | 10.000 | VH | 5286/89 | 85,500 | 85,500 |
| 1993-2013 | Feb. 11 | 9.375 | VN | 6090/93 | 90,000 | 90,000 |
| 1994-2014 | Jan. 20 | 8.000 | VQ | 6300/94 | 85,000 | 85,000 |
| 1995-2015 | May 12 | 9.125 | VR | 6620/95 | 88,000 | 88,000 |
| 1997-2017 | Nov. 17 | 6.250 | VU | 7000/97 | 30,000 | 30,000 |
| 2006-2036 | July 17 | 5.200 | VZ | 183/2004 and 72/2006 | 60,000 | 60,000 |
| 2008-2036 | July 17 | 5.200 | VZ | 72/2006B | 100,000 | - |
| | | | | | 588,500 | 488,500 |
| Equity in The Sinking Fund | | | | | (276,158) | (248,686) |
| Net sinking fund debentures outstanding | | | | | 312,342 | 239,814 |
| **Other debt outstanding** | | | | | | |
| Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.56% (2007 - 4.56%) | | | | | 84,833 | 98,539 |
| The Province and bank loans with varying maturities up to 2019 and a weighted average interest rate of 3.92% (2007 - 5.17%) | | | | | 47,873 | 38,113 |
| Capital lease obligations (Note 10c) | | | | | 31,886 | 20,996 |
| | | | | | $ 476,934 | $ 397,462 |

### Debt segregated by fund/organization:

| | 2008 | 2007 |
|---|---|---|
| General Capital Fund | $ 208,806 | $ 226,028 |
| Waterworks System | 175,761 | 79,410 |
| Sewage Disposal System | 38,232 | 45,053 |
| Solid Waste Disposal | 591 | 788 |
| Special operating agencies and other (Note 6) | 42,718 | 33,496 |
| Transit System | 10,826 | 12,687 |
| | $ 476,934 | $ 397,462 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. Debt (continued)

Debt to be retired over the next five years:

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014+ |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ 135,500 | $ - | $ - | $ - | $ 90,000 | $ 363,000 |
| Other debt | 32,752 | 21,622 | 22,223 | 24,395 | 22,405 | 41,195 |
| | $ 168,252 | $ 21,622 | $ 22,223 | $ 24,395 | $ 112,405 | $ 404,195 |

a) Sinking fund assets have a market value of $289.8 million (2007 - $254.6 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $40.6 million (2007 - $37.4 million) and a market value of $41.3 million (2007 - $38.3 million).

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

Sinking fund debenture issues provide for full sinking fund at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, will have a sinking fund deficiency requiring the issue to be refinanced at maturity.

| Year of Maturity | Debenture By-Law | Issued Amount | Maturity Shortfall |
|---|---|---|---|
| 2009 | 7368/99 | $ 50,000 | $ 30,981 |

c) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

| | Capital Leases |
|---|---|
| 2009 | $ 4,117 |
| 2010 | 4,117 |
| 2011 | 4,117 |
| 2012 | 3,018 |
| 2013 | 3,095 |
| Thereafter | 44,572 |
| Total future minimum lease payments | 63,036 |
| Amount representing interest at a weighted average rate of 8.42% | (31,150) |
| Capital lease liability | $ 31,886 |

d) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2008 is $51.0 million (2007 - $46.9 million).

e) Cash paid for interest during the year is $48.8 million (2007 - $47.2 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. OTHER LIABILITIES

| | 2008 | 2007 |
|---|---|---|
| Developer deposits | $ 8,861 | $ 6,767 |
| Other liabilities | 7,243 | 9,898 |
| | 16,104 | 16,665 |
| Environmental liabilities | 16,000 | 21,000 |
| | $ 32,104 | $ 37,665 |

In 2008, the City has accrued an overall liability for environmental matters in the amount of $16.0 million (2007 - $21.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Included in environmental liabilities is $14.1 million (2007 - $16.3 million) of the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 6.0% (2007 - 5.3%).

Landfill closure and post-closure care requirements have been defined in accordance with the Environmental Act and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated capacity of the City's one remaining landfill, the Brady Landfill Site, is 96% of its total capacity and its remaining life is approximately 100 years, after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2008, the reserve had a balance of $2.9 million (2007 - $2.6 million).

## 12. RETIREMENT ALLOWANCE, VACATION, COMPENSATED ABSENCES AND OTHER

| | 2008 | 2007 |
|---|---|---|
| Retirement allowance - accrued obligation | $ 83,380 | $ 82,299 |
| Unamortized net actuarial loss | (6,805) | (6,886) |
| Retirement allowance - accrued liability | 76,575 | 75,413 |
| Vacation | 41,210 | 39,522 |
| Compensated absences | 7,602 | 7,502 |
| Other | 15,347 | 20,717 |
| | $ 140,734 | $ 143,154 |

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). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.8 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 City 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, 2008.

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

| | 2008 | 2007 |
|---|---|---|
| Retirement allowance - accrued liability | | |
| Balance, beginning of year | $ 75,413 | $ 74,398 |
| Current service cost | 4,120 | 4,117 |
| Interest cost | 3,784 | 3,669 |
| Amortization of net actuarial loss | 936 | 1,035 |
| Benefit payments | (7,678) | (7,806) |
| Balance, end of year | $ 76,575 | $ 75,413 |

Retirement allowance expense consists of the following:

| | 2008 | 2007 |
|---|---|---|
| Current service cost | $ 4,120 | $ 4,117 |
| Interest cost | 3,784 | 3,669 |
| Amortization of net actuarial loss | 936 | 1,035 |
| | $ 8,840 | $ 8,821 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. Retirement Allowance, Vacation, Compensated Absences and Other (continued)

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

| | 2008 | 2007 |
|---|---|---|
| Discount rate on liability | 4.70% | 4.70% |
| General increases in pay | 3.00% | 3.00% |

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

## 13. PENSION COSTS AND OBLIGATIONS

**a) Winnipeg Civic Employees' Benefits Pension Plan**

The Winnipeg Civic Employees' Benefits Pension Plan is similar to a defined contribution pension plan because it is a multi-unit pension plan governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. The Plan provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. Members are currently required to make contributions of 6.5% of Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, members' and employers' contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the plan was prepared on December 31, 2007, which indicated an excess of actuarial value of program assets over actuarial liabilities of $421.7 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employers. However, a portion of the excess of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions.

The balance of the City Account at December 31, 2008 was $87.2 million, before any surplus distribution from the 2007 acturial valuation (2007 - $119.3 million). Total contributions by the City to the program in 2008 were $11.5 million (2007 - $13.0 million), which were expensed as incurred.

**b) Winnipeg Police Pension Plan**

The Winnipeg Police Pension Plan is a contributory defined benefit plan, providing pension benefits to police officers. Members are required to make contributions at the rate of 8% of pensionable earnings. The City is required to finance the cost of the plan's benefits other than cost-of-living adjustments and to contribute 1% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City's contribution rate at 8% of pensionable earnings. The plan incorporates a risk-sharing arrangement under which acturial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve and thereafter are shared equally between the City and plan members. Funding deficiencies are resolved through reductions in the contribution stabilization reserve and the rate of cost-of-living adjustment to pensions.

13. Pension Costs and Obligations (continued)

An actuarial valuation of the plan was prepared as of December 31, 2006 and the results were extrapolated to December 31, 2008. The principal long-term assumptions on which the valuation was based were: discount rate of 6.00% per year; inflation rate of 2.25% per year; and general pay increases of 3.75% per year. The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the plan is as follows:

| | 2008 | 2007 |
|---|---|---|
| Pension fund assets, at fair value | $ 760,147 | $ 916,138 |
| Actuarial adjustment | 123,833 | (22,944) |
| Pension fund assets, at actuarial value | $ 883,980 | $ 893,194 |
| Accrued pension obligations | $ 855,245 | $ 828,911 |

The pension fund assets, at acturial value, include an amount designated for the contribution stabilization reserve of $28.7 million at December 31, 2008 (2007 - $52.4 million).

The market value of the pension fund assets as at December 31, 2008 was $760.1 million (2007 - $916.1 million).

The acturial value of the plan's assets is determined by averaging over five years differences between the pension fund's net investment income and expected investment income based on the expected rate of return. The City's contributions to the plan each year are approximately equal to its pension expense.

Total contributions made by the City to the plan in 2008 were $8.6 million (2007 - $7.6 million). Total employee contributions to the plan in 2008 were $8.8 million (2007 - $7.8 million). Benefits paid from the plan in 2008 were $34.7 million (2007 - $32.5 million).

The expected rate of return on plan assets in 2008 was 6.00% (2007 - 6.00%). The actual rate of return, net of investment expenses, on plan assets in 2008 was -15.28% (2007 - 2.05%).

**c) Councillors' Pension Plan**

**i) Pension Plan Established Under By-Law 3553/83**

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2008, the City paid out $0.3 million (2007 - $0.3 million).

**ii) Pension Plan Established Under By-Law 7869/01**

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

**d) Group Life Insurance Plan**

Employees of the City who are members of the Civic Employees' Benefits Pension Plan and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan, respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. Pension Costs and Obligations (continued)

An actuarial valuation of the plan was prepared as of December 31, 2004 and the results were extrapolated to December 31, 2008. The principal long-term assumptions on which the valuation was based were: discount rate of 5.5% per year; and general pay increases of 3.75% per year. The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the plan is as follows:

| | 2008 | 2007 |
|---|---|---|
| Group life insurance plan assets, at actuarial value | $ 125,231 | $ 124,386 |
| Accrued post-retirement life insurance obligations | $ 81,573 | $ 76,736 |

## 14. TANGIBLE CAPITAL ASSETS

| | NET BOOK VALUE | |
|---|---|---|
| | 2008 | 2007 |
| General | | |
| Land | $ 169,529 | $ 173,030 |
| Buildings | 256,559 | 238,745 |
| Vehicles | 144,500 | 127,124 |
| Computer | 39,157 | 42,464 |
| Other | 63,830 | 40,170 |
| Infrastructure | | |
| Plants and facilities | 312,481 | 250,928 |
| Roads | 794,274 | 767,508 |
| Underground and other networks | 1,660,563 | 1,657,343 |
| Bridges and other structures | 308,620 | 307,211 |
| | 3,749,513 | 3,604,523 |
| Assets under construction | 308,806 | 272,667 |
| | $ 4,058,319 | $ 3,877,190 |

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

During the year there were no write-downs of assets (2007 - $nil). Interest capitalized during 2008 was $1.9 million (2007 - $1.8 million). In addition, roads and underground networks contributed to the City totalled $40.3 million in 2008 (2007 - $50.6 million) and were capitalized at their fair value at the time of receipt.

## 15. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

| | 2008 | 2007 |
|---|---|---|
| **Surplus** | | |
| Invested in tangible capital assets | $ 3,568,485 | $ 3,434,876 |
| Unamortized gain on Winnipeg Hydro sale | 232,679 | 238,376 |
| Waterworks System | 109,947 | 61,400 |
| Sewage Disposal System | 71,234 | 55,234 |
| North Portage Development Corporation | 19,552 | 19,727 |
| Fleet Management - Special Operating Agency | 12,637 | 14,884 |
| Equipment and Material Services | 11,403 | 11,119 |
| CentreVenture Development Corporation | 11,225 | 9,645 |
| Solid Waste Disposal | 5,620 | 7,865 |
| Other | 18,864 | 13,881 |
| Winnipeg Parking Authority - Special Operating Agency | (7,257) | (6,212) |
| Unfunded | | |
| Environmental liabilities | (15,550) | (20,280) |
| Retirement allowance, vacation, compensated absences and other | (134,968) | (137,444) |
| Total Surplus | 3,903,871 | 3,703,071 |
| **Reserves** | | |
| Capital Reserves | | |
| Sewer System Rehabilitation Reserve | 36,318 | 28,711 |
| Environmental Projects Reserve | 27,224 | 37,471 |
| Transit Bus Replacement Reserve | 16,885 | 11,732 |
| Other | 13,729 | 11,973 |
| | 94,156 | 89,887 |
| Stabilization Reserves | | |
| Mill Rate Stabilization Reserve | 49,932 | 37,062 |
| Fiscal Stabilization Reserve | 34,748 | 41,557 |
| | 84,680 | 78,619 |
| Special Purpose Reserves | | |
| Land Operating Reserve | 16,106 | 11,059 |
| Perpetual Maintenance Fund - Brookside Cemetery | 11,653 | 10,418 |
| Heritage Investment Reserve | 8,654 | 8,408 |
| General Purpose Reserve | 7,707 | 11,367 |
| Snow Clearing Reserve | 4,364 | - |
| Workers Compensation Reserve | 3,500 | 4,971 |
| Insurance Reserve (Note 21) | 1,769 | 7,985 |
| Other | 19,821 | 20,712 |
| | 73,574 | 74,920 |
| Total Reserves | 252,410 | 243,426 |
| | $ 4,156,281 | $ 3,946,497 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies that existed at December 31, 2008 are as follows:

a) The City had entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments are as follows:

| | Operating Leases |
|---|---|
| 2009 | $ 4,614 |
| 2010 | 3,194 |
| 2011 | 3,877 |
| 2012 | 3,459 |
| 2013 and thereafter | 10,512 |
| | $ 25,656 |

b) The City is not a defendant in any significant lawsuits as at December 31, 2008. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2008 is $5.1 million (2007 - $5.6 million).

## 17. TAXATION

| | 2008 | 2007 |
|---|---|---|
| Municipal and school property taxes | $ 833,802 | $ 820,635 |
| Payments-in-lieu of property (municipal and school) and business taxes | 39,210 | 39,376 |
| | 873,012 | 860,011 |
| Payments to Province and school divisions | (465,001) | (452,937) |
| Net property taxes and payments-in-lieu of property taxes available for municipal purposes | 408,011 | 407,074 |
| Business tax and license-in-lieu of business taxes | 56,284 | 56,057 |
| Local improvement and frontage levies | 28,745 | 28,695 |
| Electricity and natural gas sales taxes | 17,762 | 17,125 |
| Amusement and accommodation taxes and mobile home license | 10,882 | 6,246 |
| | $ 521,684 | $ 515,197 |

The property tax roll includes school taxes of $442.2 million (2007 - $430.1 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2008 totalled $22.8 million (2007 - $22.8 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

## 18. SALES OF SERVICES AND REGULATORY FEES

| | 2008 | 2007 |
|---|---|---|
| Water sales and sewage services | $ 209,249 | $ 186,559 |
| Other sales of goods and services | 96,660 | 90,828 |
| Transit fares | 61,493 | 58,132 |
| Regulatory fees | 49,290 | 45,754 |
| | $ 416,692 | $ 381,273 |

## 19. GOVERNMENT TRANSFERS

| | 2008 | 2007 |
|---|---|---|
| **Operating** | | |
| Province of Manitoba | | |
| Building Manitoba Fund | $ 55,404 | $ 53,204 |
| Ambulance, libraries and other | 35,547 | 34,034 |
| Transit | 25,130 | 23,795 |
| Unconditional | 19,888 | 19,888 |
| Support | 10,226 | 9,895 |
| Support for provincial programs | (23,650) | (23,650) |
| | 122,545 | 117,166 |
| Government of Canada | | |
| Dutch elm disease program and other | 177 | 29 |
| Total Operating | 122,722 | 117,195 |
| **Capital** | | |
| Province of Manitoba | 63,950 | 40,052 |
| Government of Canada | | |
| Federal gas tax revenue | 19,516 | 19,935 |
| Public transit | 6,150 | 2,682 |
| Other capital funding | 972 | 8,699 |
| | 26,638 | 31,316 |
| Total Capital | 90,588 | 71,368 |
| | $ 213,310 | $ 188,563 |

In accordance with the recommendations of PSAB, government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. EXPENSES BY OBJECT

| | 2008 | 2007 |
|---|---|---|
| Salaries and benefits | $ 565,071 | $ 539,405 |
| Goods and services | 295,940 | 291,032 |
| Amortization | 141,099 | 133,635 |
| Interest | 50,952 | 46,950 |
| Other expenses | 12,120 | 22,507 |
| | $ 1,065,182 | $ 1,033,529 |

## 21. PROPERTY AND LIABILITY INSURANCE

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund (Note 15) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2008 is $1.8 million (2007 - $8.0 million).

## 22. SEGMENTED INFORMATION

The City of Winnipeg is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance, public transit and water. For management reporting purposes the City's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

**Protection**

Protection is comprised of the Police Service and Fire Paramedic Service departments. The mandate of the Police Service department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire Paramedic Service department is responsible for providing fire suppression service; fire prevention programs; and training and education related to prevention, detection or extinguishment of fires. It is also responsible for pre-hospital emergency paramedical care and the transport of sick and injured; for handling hazardous materials incidents; for the mitigation of calamitous incidents; and for the evacuation of people when in charge at an incident.

**Community Services**

The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement such as insect control and the regulation of food service establishments. The department also contributes towards the information needs of the City's citizens through the provision of library services.

22. Segmented Information (continued)

**Planning**
The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, heritage matters, local neighourhoods and the downtown through city planning, community development, parks and riverbank planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, and building standards. It facilitates economic development by providing services for the approval of all land development plans, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery services to citizens.

**Public Works and Water**
The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting.

**Transit System Fund**
The Transit department is responsible for providing local public transportation service.

**Water and Waste Funds**
The Water and Waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Winnipeg, collecting and treating wastewater, and providing collection, disposal and waste minimization programs and facilities for solid waste. Their land drainage and garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Water segment.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information see the Consolidated Schedule of Segment Disclosure - Service (Schedule 2) and Schedule of Segment Disclosure with Budget Information (Schedule 3).

## 23. FUNDS HELD IN TRUST

Trust funds administered by the City for the benefit of external parties of $0.6 million (2007 - $0.3 million) are not included in the consolidated financial statements.

## 24. COMPARATIVE FIGURES

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

# Consolidated Schedule of Tangible Capital Assets - SCHEDULE 1

As at December 31 (in thousands of dollars)

| | General | | | | | Infrastructure | | | | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings | Vehicles | Computer | Other | Plants and Facilities | Roads | Underground and Other Networks | Bridges and Other Structures | Assets Under Construction | 2008 | 2007 |
| **Cost** | | | | | | | | | | | | |
| Balance, beginning of year | $ 173,030 | $ 449,028 | $ 250,623 | $ 104,492 | $ 85,454 | $ 419,713 | $ 1,533,257 | $ 2,435,144 | $ 483,050 | $ 272,667 | **$ 6,206,458** | $ 5,896,524 |
| Add: Additions during the year | 1,651 | 33,872 | 34,737 | 6,512 | 30,624 | 70,042 | 67,165 | 38,274 | 11,328 | 36,139 | **330,344** | 352,149 |
| Less: Disposals during the year | 2,552 | 3,306 | 10,050 | 1,752 | 2,342 | - | 24,048 | 4,037 | - | - | **48,087** | 37,265 |
| Other | (2,600) | - | - | - | - | - | - | - | - | - | **(2,600)** | (4,950) |
| Balance, end of year | 169,529 | 479,594 | 275,310 | 109,252 | 113,736 | 489,755 | 1,576,374 | 2,469,381 | 494,378 | 308,806 | **6,486,115** | 6,206,458 |
| **Accumulated amortization** | | | | | | | | | | | | |
| Balance, beginning of year | - | 210,283 | 123,499 | 62,028 | 45,284 | 168,785 | 765,749 | 777,801 | 175,839 | - | **2,329,268** | 2,226,779 |
| Add: Amortization | - | 14,876 | 16,792 | 9,819 | 6,836 | 8,489 | 40,240 | 34,128 | 9,919 | - | **141,099** | 133,635 |
| Less: Accumulated amortization on disposals | - | 2,124 | 9,481 | 1,752 | 2,214 | - | 23,889 | 3,111 | - | - | **42,571** | 31,146 |
| Balance, end of year | - | 223,035 | 130,810 | 70,095 | 49,906 | 177,274 | 782,100 | 808,818 | 185,758 | - | **2,427,796** | 2,329,268 |
| **Net Book Value of Tangible Capital Assets** | $ 169,529 | $ 256,559 | $ 144,500 | $ 39,157 | $ 63,830 | $ 312,481 | $ 794,274 | $ 1,660,563 | $ 308,620 | $ 308,806 | **$ 4,058,319** | $ 3,877,190 |

# Consolidated Schedule of Segment Disclosure - Service - SCHEDULE 2

For the year ended December 31, 2008 (in thousands of dollars)

| | General Revenue Fund | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Protection | Community Services | Planning | Public Works and Water | Finance and Administration | Transit System Fund | Water and Waste Funds | Other Funds and Corporations | Eliminations | Consolidated |
| **Revenues** | | | | | | | | | | |
| Taxation | $ 187,205 | $ 61,160 | $ 10,096 | $ 152,151 | $ 101,367 | $ - | $ - | $ 25,885 | $ (16,180) | $ 521,684 |
| Sales of services and regulatory fees | 40,780 | 15,115 | 15,511 | 3,782 | 11,548 | 63,509 | 230,588 | 77,315 | (41,456) | 416,692 |
| Government transfers (Note 19) | 45,226 | 11,342 | 3,107 | 18,228 | 14,306 | 30,720 | 8,079 | 90,992 | (8,690) | 213,310 |
| Transfer from other funds | 16,935 | 6,218 | 8,510 | 24,446 | 6,080 | 49,081 | 38,084 | 262,098 | (411,452) | - |
| Other | 7,740 | 2,650 | 1,244 | 5,887 | 9,994 | 664 | 22,625 | 108,401 | (35,925) | 123,280 |
| | 297,886 | 96,485 | 38,468 | 204,494 | 143,295 | 143,974 | 299,376 | 564,691 | (513,703) | 1,274,966 |
| **Expenses** (Note 20) | | | | | | | | | | |
| Salaries and benefits | 248,798 | 43,472 | 19,192 | 56,057 | 32,947 | 74,651 | 48,949 | 36,175 | 4,830 | 565,071 |
| Goods and services | 34,162 | 12,423 | 2,782 | 86,266 | 12,081 | 38,898 | 64,190 | 84,068 | (38,930) | 295,940 |
| Interest | 1,774 | 328 | 2,405 | 37,635 | 6,477 | 2,920 | 18,571 | 58,670 | (77,828) | 50,952 |
| Transfer to other funds | 6,196 | 34,498 | 9,517 | 7,274 | 65,112 | 10,273 | 63,847 | 109,575 | (306,292) | - |
| Other | 6,956 | 5,764 | 4,572 | 17,262 | 26,678 | 8,577 | 26,666 | 154,327 | (97,583) | 153,219 |
| | 297,886 | 96,485 | 38,468 | 204,494 | 143,295 | 135,319 | 222,223 | 442,815 | (515,803) | 1,065,182 |
| **Net surplus** | $ - | $ - | $ - | $ - | $ - | $ 8,655 | $ 77,153 | $ 121,876 | $ 2,100 | $ 209,784 |

# Consolidated Schedule of Segment Disclosure - Service - SCHEDULE 2

For the year ended December 31, 2007 (in thousands of dollars)

| | General Revenue Fund | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Protection | Community Services | Planning | Public Works and Water | Finance and Administration | Transit System Fund | Water and Waste Funds | Other Funds and Corporations | Eliminations | Consolidated |
| **Revenues** | | | | | | | | | | |
| Taxation | $ 181,522 | $ 59,154 | $ 14,382 | $ 154,730 | $ 91,480 | $ - | $ - | $ 30,120 | $ (16,191) | $ 515,197 |
| Sales of services and regulatory fees | 36,508 | 15,803 | 14,767 | 3,678 | 10,188 | 59,988 | 206,612 | 70,767 | (37,038) | 381,273 |
| Government transfers (Note 19) | 42,302 | 11,107 | 3,097 | 17,850 | 13,793 | 34,096 | 17,864 | 57,817 | (9,363) | 188,563 |
| Transfer from other funds | 17,045 | 4,899 | 6,067 | 25,561 | 6,532 | 38,782 | 68,681 | 263,447 | (431,014) | - |
| Other | 8,720 | 2,837 | 1,303 | 5,780 | 7,187 | 818 | 29,597 | 114,385 | (34,846) | 135,781 |
| | 286,097 | 93,800 | 39,616 | 207,599 | 129,180 | 133,684 | 322,754 | 536,536 | (528,452) | 1,220,814 |
| **Expenses** (Note 20) | | | | | | | | | | |
| Salaries and benefits | 235,286 | 42,806 | 19,144 | 56,314 | 32,118 | 72,435 | 46,149 | 35,153 | - | 539,405 |
| Goods and services | 34,611 | 12,714 | 3,105 | 89,170 | 12,815 | 34,661 | 58,813 | 79,992 | (34,849) | 291,032 |
| Interest | 1,667 | 558 | 2,309 | 36,630 | 4,898 | 3,017 | 15,726 | 60,384 | (78,239) | 46,950 |
| Transfer to other funds | 8,939 | 32,302 | 10,295 | 5,528 | 43,562 | 5,521 | 60,424 | 157,466 | (324,037) | - |
| Other | 5,594 | 5,420 | 4,763 | 19,957 | 35,787 | 8,115 | 26,929 | 123,846 | (74,269) | 156,142 |
| | 286,097 | 93,800 | 39,616 | 207,599 | 129,180 | 123,749 | 208,041 | 456,841 | (511,394) | 1,033,529 |
| **Net surplus** | $ - | $ - | $ - | $ - | $ - | $ 9,935 | $ 114,713 | $ 79,695 | $ (17,058) | $ 187,285 |

# Schedule of Segment Disclosure with Budget Information - SCHEDULE 3

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

| | 2008 Budget | 2008 Actual | 2007 Actual |
|---|---|---|---|
| **PROTECTION** | | | |
| **Revenues** | | | |
| Taxation | $ 187,461 | $ 187,205 | $ 181,522 |
| Sales of services and regulatory fees | 38,032 | 40,780 | 36,508 |
| Government transfers | 43,355 | 45,226 | 42,302 |
| Transfer from other funds | 17,050 | 16,935 | 17,045 |
| Other | 7,651 | 7,740 | 8,720 |
| | 293,549 | 297,886 | 286,097 |
| **Expenses** | | | |
| Salaries and benefits | 245,625 | 248,798 | 235,286 |
| Goods and services | 33,888 | 34,162 | 34,611 |
| Interest | 1,774 | 1,774 | 1,667 |
| Transfer to other funds | 7,387 | 6,196 | 8,939 |
| Other | 4,875 | 6,956 | 5,594 |
| | 293,549 | 297,886 | 286,097 |
| **Net surplus** | $ - | $ - | $ - |
| **COMMUNITY SERVICES** | | | |
| **Revenues** | | | |
| Taxation | $ 60,334 | $ 61,160 | $ 59,154 |
| Sales of services and regulatory fees | 16,746 | 15,115 | 15,803 |
| Government transfers | 11,197 | 11,342 | 11,107 |
| Transfer from other funds | 6,266 | 6,218 | 4,899 |
| Other | 2,607 | 2,650 | 2,837 |
| | 97,150 | 96,485 | 93,800 |
| **Expenses** | | | |
| Salaries and benefits | 43,823 | 43,472 | 42,806 |
| Goods and services | 12,561 | 12,423 | 12,714 |
| Interest | 328 | 328 | 558 |
| Transfer to other funds | 33,221 | 34,498 | 32,302 |
| Other | 7,217 | 5,764 | 5,420 |
| | 97,150 | 96,485 | 93,800 |
| **Net surplus** | $ - | $ - | $ - |

# Schedule of Segment Disclosure with Budget Information - SCHEDULE 3

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

| | 2008 Budget | 2008 Actual | 2007 Actual |
|---|---|---|---|
| **PLANNING** | | | |
| **Revenues** | | | |
| Taxation | $ 9,597 | $ 10,096 | $ 14,382 |
| Sales of services and regulatory fees | 14,817 | 15,511 | 14,767 |
| Government transfers | 3,128 | 3,107 | 3,097 |
| Transfer from other funds | 8,419 | 8,510 | 6,067 |
| Other | 1,159 | 1,244 | 1,303 |
| | 37,120 | 38,468 | 39,616 |
| **Expenses** | | | |
| Salaries and benefits | 19,389 | 19,192 | 19,144 |
| Goods and services | 2,862 | 2,782 | 3,105 |
| Interest | 2,405 | 2,405 | 2,309 |
| Transfer to other funds | 8,289 | 9,517 | 10,295 |
| Other | 4,175 | 4,572 | 4,763 |
| | 37,120 | 38,468 | 39,616 |
| **Net surplus** | $ - | $ - | $ - |
| **PUBLIC WORKS AND WATER** | | | |
| **Revenues** | | | |
| Taxation | $ 152,580 | $ 152,151 | $ 154,730 |
| Sales of services and regulatory fees | 3,468 | 3,782 | 3,678 |
| Government transfers | 18,236 | 18,228 | 17,850 |
| Transfer from other funds | 24,866 | 24,446 | 25,561 |
| Other | 6,258 | 5,887 | 5,780 |
| | 205,408 | 204,494 | 207,599 |
| **Expenses** | | | |
| Salaries and benefits | 54,166 | 56,057 | 56,314 |
| Goods and services | 90,320 | 86,266 | 89,170 |
| Interest | 37,491 | 37,635 | 36,630 |
| Transfer to other funds | 7,132 | 7,274 | 5,528 |
| Other | 16,299 | 17,262 | 19,957 |
| | 205,408 | 204,494 | 207,599 |
| **Net surplus** | $ - | $ - | $ - |

# Schedule of Segment Disclosure with Budget Information - SCHEDULE 3

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

| FINANCE AND ADMINISTRATION | 2008 Budget | 2008 Actual | 2007 Actual |
|---|---|---|---|
| **Revenues** | | | |
| Taxation | $ 97,642 | $ 101,367 | $ 91,480 |
| Sales of services and regulatory fees | 10,027 | 11,548 | 10,188 |
| Government transfers | 14,321 | 14,306 | 13,793 |
| Transfer from other funds | 6,226 | 6,080 | 6,532 |
| Other | 6,179 | 9,994 | 7,187 |
| | 134,395 | 143,295 | 129,180 |
| **Expenses** | | | |
| Salaries and benefits | 34,908 | 32,947 | 32,118 |
| Goods and services | 12,651 | 12,081 | 12,815 |
| Interest | 6,621 | 6,477 | 4,898 |
| Transfer to other funds | 43,725 | 65,112 | 43,562 |
| Other | 36,490 | 26,678 | 35,787 |
| | 134,395 | 143,295 | 129,180 |
| **Net surplus** | $ - | $ - | $ - |

# Consolidated Financial Statements Five-Year Review

| As at December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited) | | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| 1. Population (as restated per Statistics Canada) | | **660,000** | 653,300 | 649,300 | 647,400 | 646,700 |
| Unemployment rate (per Statistics Canada) | | | | | | |
| Winnipeg | | **4.3%** | 4.7% | 4.6% | 4.8% | 5.5% |
| National average | | **6.1%** | 6.0% | 6.3% | 6.8% | 7.2% |
| 2. Average total employees | | **8,402** | 8,566 | 8,836 | 8,749 | 8,788 |
| 3. Number of taxable properties | | **211,048** | 209,127 | 206,658 | 206,170 | 205,366 |
| Payments-in-lieu of taxes | | | | | | |
| Number of properties | | **908** | 945 | 922 | 874 | 853 |
| 4. Assessment (see notes) | | | | | | |
| Residential | $ | **23,666,110** | 23,223,839 | 22,800,354 | 18,460,471 | 18,277,925 |
| Commercial and industrial | | **8,161,490** | 8,095,206 | 7,959,866 | 7,209,121 | 7,132,230 |
| Farm and golf | | **131,414** | 156,357 | 162,390 | 102,742 | 101,769 |
| | $ | **31,959,014** | 31,475,402 | 30,922,610 | 25,772,334 | 25,511,924 |
| Assessment per capita (in dollars) | $ | **48,423** | 48,179 | 47,625 | 39,809 | 39,449 |
| Commercial and industrial as a percentage of assessment | | **25.54%** | 25.72% | 25.74% | 27.97% | 27.96% |
| 5. Tax arrears | $ | **29,893** | 38,038 | 41,350 | 37,698 | 40,436 |
| 6. Tax arrears - per capita (in dollars) | $ | **45.29** | 58.22 | 63.68 | 58.23 | 62.53 |
| 7. Municipal mill rate | | **25.448** | 25.448 | 25.448 | 29.686 | 29.686 |
| Percentage change adjusted for portioning and reassessment | | **0.00%** | 0.00% | 0.00% | 0.00% | 0.00% |
| 8. Winnipeg consumer price index (per Statistics Canada) (annual average) | | | | | | |
| 2002 base year 100 | | **113.3** | 110.8 | 108.5 | 106.5 | 103.7 |
| Percentage increase | | **2.3%** | 2.1% | 1.9% | 2.7% | 1.9% |
| 9. Consolidated revenues (see notes) | | | | | | |
| Taxation | $ | **521,684** | 515,197 | 518,661 | 503,594 | 491,698 |
| User charges | | **416,692** | 381,273 | 356,761 | 339,539 | 328,206 |
| Government transfers | | **213,310** | 188,563 | 152,300 | 120,725 | 94,100 |
| Interest and other revenue | | **123,280** | 135,781 | 77,811 | 75,266 | 54,879 |
| | $ | **1,274,966** | 1,220,814 | 1,105,533 | 1,039,124 | 968,883 |
| 10. Consolidated expenses by function (see notes) | | | | | | |
| Municipal operations | $ | **777,011** | 765,732 | 729,753 | 712,630 | 681,533 |
| Public utilities | | **258,788** | 242,797 | 231,306 | 225,133 | 217,171 |
| Civic corporations | | **29,383** | 25,000 | 24,174 | 25,636 | 31,214 |
| | $ | **1,065,182** | 1,033,529 | 985,233 | 963,399 | 929,918 |
| 11. Growth in accumulated surplus (see notes) | $ | **209,784** | 187,285 | 120,300 | 75,725 | 38,965 |

(Note: In 2006, the City conducted a general reassessment which moved from a 1999 level of value to a 2003 level of value.)

(Note: For 2004, the revenues, expenses, net financial assets, accumulated surplus and acquisition of tangible capital assets figures have not been restated to reflect the change in accounting policy concerning tangible capital assets, revenues from contributed assets and government transfers related to tangible capital assets acquisitions, and to record the City's investment in government businesses.)

Winnipeg

# Consolidated Financial Statements
# Five-Year Review

| As at December 31<br>("$" amounts in thousands of dollars, except as noted)<br>(Unaudited) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| 12. Consolidated expenses by object (see notes) | | | | | |
| Salaries and benefits | $ 565,071 | 539,405 | 530,881 | 510,928 | 496,048 |
| Goods and services | 295,940 | 291,032 | 271,530 | 270,707 | 285,594 |
| Amortization | 141,099 | 133,635 | 125,681 | 122,718 | - |
| Interest | 50,952 | 46,950 | 45,665 | 50,283 | - |
| Other expenses | 12,120 | 22,507 | 11,476 | 8,763 | 19,234 |
| Debt interest and repayment | - | - | - | - | 129,042 |
| | $ 1,065,182 | 1,033,529 | 985,233 | 963,399 | 929,918 |
| 13. Payments to school authorities | $ 465,001 | 452,937 | 437,317 | 435,205 | 439,062 |
| 14. Debt | | | | | |
| Tax-supported | $ 378,872 | 379,836 | 411,043 | 429,287 | 486,790 |
| Transit | 24,914 | 25,464 | 26,813 | 27,520 | 35,092 |
| City-owned utilities | 304,834 | 206,261 | 207,581 | 151,700 | 175,050 |
| Other | 44,472 | 34,587 | 24,893 | 5,160 | 5,743 |
| Total gross debt | 753,092 | 646,148 | 670,330 | 613,667 | 702,675 |
| Less: Sinking Funds | 276,158 | 248,686 | 222,723 | 198,965 | 239,831 |
| Total net long-term debt | $ 476,934 | 397,462 | 447,607 | 414,702 | 462,844 |
| Percentage of total assessment | 1.49% | 1.26% | 1.45% | 1.61% | 1.81% |
| 15. Acquisition of tangible capital assets | | | | | |
| Acquisitions (see notes) | $ 330,344 | 352,149 | 263,066 | 199,313 | 143,286 |
| 16. Net financial assets (see notes) | $ 77,850 | 52,440 | 71,767 | 81,020 | 72,620 |
| 17. Accumulated surplus (see notes) | | | | | |
| Surpluses | | | | | |
| Invested in tangible capital assets | $ 3,568,485 | 3,434,876 | 3,181,870 | 3,038,586 | 335,267 |
| Unamortized gain on Winnipeg Hydro sale | 232,679 | 238,376 | 243,751 | 253,539 | 262,772 |
| Other surpluses | 253,225 | 187,543 | 215,383 | 192,331 | 145,050 |
| Unfunded liabilities | (150,518) | (157,724) | (152,059) | (138,345) | (129,490) |
| | 3,903,871 | 3,703,071 | 3,488,945 | 3,346,111 | 613,599 |
| Reserves | | | | | |
| Capital | 94,156 | 89,887 | 114,359 | 159,772 | 179,679 |
| Stabilization | 84,680 | 78,619 | 81,229 | 64,004 | 62,325 |
| Special Purpose | 73,574 | 74,920 | 74,679 | 69,025 | 72,224 |
| Other | - | - | - | - | 2,240 |
| | 252,410 | 243,426 | 270,267 | 292,801 | 316,468 |
| | $ 4,156,281 | 3,946,497 | 3,759,212 | 3,638,912 | 930,067 |
| 18. Government specific indicators (see notes) | | | | | |
| Assets-to-liabilities | 5.88 | 5.89 | 5.61 | 5.98 | N/A |
| Financial assets-to-liabilities | 1.09 | 1.06 | 1.09 | 1.11 | N/A |
| Public debt charges-to-revenues | 0.04 | 0.04 | 0.04 | 0.05 | N/A |
| Own-source revenues-to-taxable assessment | 0.03 | 0.03 | 0.03 | 0.04 | N/A |
| Government transfers-to-revenues | 0.17 | 0.15 | 0.14 | 0.12 | N/A |

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