**Agenda - Executive Policy Committee – July 14, 2010**

Moved by Councillor

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

**Report – Alternate Service Delivery Committee – July 12, 2010**

**Item No. 3 Animal Services SOA – 2010 Business Plan (Selection Report)**
**eFile GL-5.6.1**

COMMITTEE RECOMMENDATION:

On July 12, 2010, the Alternative Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and recommends to Council:

1. That an increase to the Animal Services Special Operating Agency Line of Credit from $615,000 to $900,000 be approved.

2. That the 2010 Business Plan (Selection Report) for the Animal Services Special Operating Agency including the 2010 budget be approved, and the 2011 – 2012 financial projections as outlined in Appendix A to the report of the Winnipeg Public Service dated July 7, 2010, be received as information.

3. That the proposed tax supported funding for the Animal Services Special Operating Agency of $1,154,276 annually for 2010 through 2012, subject to confirmation in the annual tax supported budget process, as outlined in Appendix A (page 4) to the report of the Winnipeg Public Service dated July 7, 2010, be approved

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

**Agenda - Executive Policy Committee – July 14, 2010**

**Report – Alternate Service Delivery Committee – July 12, 2010**

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On July 12, 2010, the Alternative Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council:

# ADMINISTRATIVE REPORT

**ISSUE: 2010-2012 Business Plan (Selection Report) Animal Services Special Operating Agency**

**Critical Path: Alternative Service Delivery Committee – Standing Policy Committee on Protection and Community Services - Executive Policy Committee - Council**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| C. Fernandes | C. Wightman | M Ruta | M. Ruta, Acting CAO |

## RECOMMENDATIONS

That the Alternative Service Delivery Committee submits the following recommendations to the Executive Policy Committee and Council:

1. That Council approves an increase to the Animal Services Agency Line of Credit from $615,000 to $900,000.

2. That Council approves the 2010 Business Plan (Selection Report) for the Animal Services Special Operating Agency, including the 2010 budget, and receives as information the 2011 – 2012 financial projections as tabled in Appendix A.

3. That Council approves the proposed tax supported funding for the SOA of $1,154,276 annually for 2010 through 2012, subject to confirmation in the annual tax supported budget process (See Financial Projection, Appendix A, page 4).

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

## IMPLICATIONS OF THE RECOMMENDATIONS

- Provide Animal Services Agency mill-rate support of $1,154,276 in 2010 – 2012 as a transfer from the Community Services Department.

- These projected transfers are included in the Community Services Department's proposed 2010 – 2012 Tax-Supported Operating Budget Submission.
- The SOA projects surpluses of $50,990 in 2010, $41,621 in 2011, and $43,537 in 2012 will reduce the accumulated deficit from the December 31, 2009 balance of $1,591,436 to $1,455,288 by the end of 2012.
- The SOA will continue the targeted neighbourhood dog licensing campaign that began in October, 2009.
- The current service contract with the Winnipeg Humane Society expires on December 31, 2010.

## HISTORY

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

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

## FINANCIAL IMPACT

**Financial Impact Statement** **Date:** May 11, 2010

**Project Name:** **First Year of Program** **2010**

2010 - 2012 Business Plan (Selection Report) Animal Services Special Operating Agency

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ - | $ - | $ - | $ - | $ - |
| Less: Existing Budgeted Costs | - | - | - | - | - |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | $ - | $ - | $ - | $ - | $ - |
| Debt - External | - | - | - | - | - |
| Grants (Enter Description Here) | - | - | - | - | - |
| Reserves, Equity, Surplus | - | - | - | - | - |
| Other - Enter Description Here | - | - | - | - | - |
| Total Funding | $ - | $ - | $ - | $ - | $ - |
| Total Additional Capital Budget Required | $ - | | | | |
| Total Additional Debt Required | $ - | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ 1,154,276 | $ 1,154,276 | $ 1,154,276 | $ - | $ - |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 1,154,276 | $ 1,154,276 | $ 1,154,276 | $ - | $ - |
| Less: Existing Budget Amounts | 1,154,276 | 1,154,276 | 1,154,276 | - | - |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** The 2010 - 2012 Animal Services Selection Report assumes a tax-supported subsidy of $1,154,276 for all three years. This amount has been included as a transfer to the SOA in the Community Services Department's 2010 - 2012 budget submission.

The SOA projects surpluses of $50,990 in 2010, $41,621 in 2011, and $43,537 in 2012 will reduce the accumulated deficit from the December 31, 2009 balance of $1,591,436 to $1,455,288 by the end of 2012.

original signed by

Cindy Fernandes
Manager of Finance & Administrative Services
Community Services Department

## CONSULTATION

**In preparing this Report there was consultation with:**

Legal Services Division, Corporate Support Services Department

## SUBMITTED BY

Department: Community Services
Division: Finance and Administrative Services
Prepared by: Cindy Fernandes, Manager
Date: July 7, 2010
File No.

Appendix A

Appendix A

# Animal Services Special Operating Agency

# 2010-2012 Business Plan

**Service Overview**

Animal Services continues to provide animal control measures under the City of Winnipeg Charter and related by-laws. The Agency's current service consists of four sub-service areas:

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

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

**Strategic Direction:**

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

- shifting the cost base from the general taxpayer towards the users of the system, with the objective of becoming financially self-sustainable to the greatest extent possible,
- a strengthened commitment to public health and safety through increased public awareness and increased pet ownership education,
- an improved public image, and
- improving and increasing the value of products and services.

**Summary of Goals and Strategies:**

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

- Effective January 1, 2010 annually increase dog license fees
- Continue targeted neighbourhood dog licensing campaign.
- Active follow-up on delinquent accounts and no-license complaints.
- Develop e-commerce capabilities such as:
  - Online pet licensing invoicing
  - Online license renewals

    - Online new license payments
    - Online license processing for veterinarians and vendors
- Develop first-time licensing program with recognized breeders.
- Actively pursue sponsorship opportunities to offset operating costs of Agency programs such as adoptions and licensing.

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

- Develop partnerships and corporate sponsorships to offset costs of promoting the agency and its' services.
- Evaluate general Agency technological needs and upgrade as necessary.
- Support ongoing staff training and development.
- Review staff training need and implement training specific to the Agency's services and to the changing face of the community.
- Update field equipment.
- Began Voice Response Unit implementation since September, 2009.

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

- Active follow-up process on delinquent accounts and no-license complaints.
- Voice Response Unit (VRU) – a computer system that sends automated voice reminders to dog owners for license renewals.
- Enhance prevention and education programs.
- Strategize with community groups and industry service providers on how best to get the message out.
- Develop advertising/education campaign on responsible cat ownership in conjunction with the Humane Society and community groups.
- Be an active partner in community initiatives targeting stray cats and other related concerns.
- Explore other opportunities for new partnerships.

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

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

**Financial: (see Appendix 1: 2010 – 2012 Financial Projections)**

Pro forma financial statements are attached, which include a projected statement of financial position, projected statement of loss and deficit and a projected statement of cash flow (see Appendix 1 and 2).

2009 Audited Financial Statements are attached for reference (Appendix 3)

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

**REVENUE:**

**Mill Rate Support**

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| $1,250,000 | $1,250,000 | $1,250,000 | $1,100,000 | $950,000 | $895,877 |

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| $1,020,101 | $1,018,850 | $1,004,276 | $1,104,276 | $1,154,276 | $1,154,276 | $1,154,276 |

Current Budget Period

- The Business Plan for the Agency is premised upon obtaining the mill rate funding from the City of Winnipeg at $1,154,276 for 2010 – 2012.
- The mill-rate support transfer budget increased by $50,000 over 2008 to partially fund the $100,000 increase to the Winnipeg Humane Society service agreement.
- The $100,000 increase in 2010 will fund the remainder of the 2009 increase and will allow for enhanced advertising/education programs targeting responsible pet ownership.

Table 1 outlines the historic tax support received by Animal Services to run its operations (net of the Winnipeg Humane Society service agreement). In 2010, the operational mill rate support funding is proposed to be $804,276, net of the service contract to the Winnipeg Humane Society of $350,000. This is a reduction of 29% or $320,724 from the original level of operational mill rate support in 2000.

**Table 1: Operational Mill Rate Support**

| Year | Gross Mill Rate Support | Humane Society Contract | Operational Mill Rate Support | % Change | Accumulated Deficit |
|---|---|---|---|---|---|
| 2000 | 1,250,000 | 125,000 | 1,125,000 | N/A | (156,255) |
| 2001 | 1,250,000 | 125,000 | 1,125,000 | 0.0% | (328,539) |
| 2002 | 1,250,000 | 125,000 | 1,125,000 | 0.0% | (418,802) |
| 2003 | 1,100,000 | 125,000 | 975,000 | -13.3% | (564,158) |
| 2004 | 950,000 | 125,000 | 825,000 | -15.4% | (603,837) |
| 2005 | 895,877 | 125,000 | 770,877 | -6.6% | (760,919) |
| 2006 | 1,020,101 | 250,000 | 770,101 | -0.1% | (897,504) |
| *2007 | 1,018,850 | 250,000 | 768,850 | -0.2% | (1,120,338) |
| 2008 | 1,004,276 | 250,000 | 754,276 | -1.9% | (1,335,719) |
| 2009 | 1,104,276 | 350,000 | 754,276 | 0.0% | (1,591,436) |
| *Projected* | | | | | |
| 2010 | 1,154,276 | 350,000 | 804,276 | 6.6% | (1,540,446) |
| 2011 | 1,154,276 | 350,000 | 804,276 | 0.0% | (1,498,825) |
| 2012 | 1,154,276 | 350,000 | 804,276 | 0.0% | (1,455,288) |

* Restated Accumulated Deficit as per 2008 Audited Financial Statement

Revenue (Non Mill-Rate Sources)

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 978,242 | $ 1,344,308 | $ 1,051,980 | $ 1,568,848 | $ 1,520,124 | $ 1,615,833 | $ 1,703,944 |

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

**Dog Licensing**

The agency increased the annual dog license fees effective May 1, 2009, from $22.50 to $25.00 for sterilized dogs and $45.00 to $60.00 for intact dogs with an annual $1.00 increase effective January 1, 2010 and 2011.

Table 2 outlines historic performance for dog licenses issued through 2000 – 2009 in the City of Winnipeg.

Table 2: Dog Licenses Issued 2000 - 2009

| Year | Licenses Sold | No Charge Licenses | Total Issued | % change in issued licenses | License Fees Collected (Cash Basis) | Increase (Decrease) | % Change in Fees Collected |
|---|---|---|---|---|---|---|---|
| Base Year | | | | | | | |
| **1999** | **7,795** | **-** | **7,795** | | **$ 134,465.00** | | |
| 2000 | 14,858 | 1,086 | 15,944 | 104.5% | $ 256,010.25 | $ 121,545.25 | 90.4% |
| 2001 | 19,935 | 1,060 | 20,995 | 31.7% | $ 344,807.00 | $ 88,796.75 | 34.7% |
| 2002 | 19,478 | 1,025 | 20,503 | -2.3% | $ 437,944.78 | $ 93,137.78 | 27.0% |
| 2003 | 38,174 | 914 | 39,088 | 90.6% | $ 897,508.22 | $ 459,563.44 | 104.9% |
| 2004 | 31,971 | 779 | 32,750 | -16.2% | $ 728,463.10 | $ (169,045.12) | -18.8% |
| 2005 | 35,149 | 877 | 36,026 | 10.0% | $ 962,769.11 | $ 234,306.01 | 32.2% |
| 2006 | 31,229 | 869 | 32,098 | -10.9% | $ 874,816.03 | $ (87,953.08) | -9.1% |
| 2007 | 30,235 | 963 | 31,198 | -2.8% | $ 870,001.55 | $ (4,814.48) | -0.6% |
| 2008 | 30,555 | 755 | 31,310 | 0.4% | $ 882,747.18 | $ 12,745.63 | 1.5% |
| 2009 | 29,383 | 1,294 | 30,677 | -2.0% | $ 960,198.89 | $ 77,451.71 | 8.8% |

- Dog license terms vary from 8 months to 30 months. Licenses have staggered monthly renewals based on the first letter of the last name. As a result there will be unearned revenue on hand at year-end which is deferred to future years.
- In 2008, $390,834 of license revenue was deferred to 2009.
- Audited Actual 2009 deferred license revenue is $526,730.

Table 3 outlines actual dog license revenues for 2000 – 2009 with projected revenues for 2010 through 2012. Revenues are recognized on an accrual basis. 2009 adopted budget for dog licenses was $1,152,865. 2009 revenues are lower than expected to reflect the delay in the license fee increase from January 1, 2009 to May 1, 2009 but compensated by higher licenses fee after May 1st.

Table 3: Dog Licenses - Actual and Projected Revenues

| *Actual* | License Revenues | Year over Year Increase (Decrease) | Year over Year % Increase (Decrease) |
|---|---|---|---|
| 2000 | $ 237,708 | N/A | |
| 2001 | $ 315,566 | $ 77,858 | 32.8% |
| 2002 | $ 396,298 | $ 80,732 | 25.6% |
| 2003 | $ 587,916 | $ 191,618 | 48.4% |
| 2004 | $ 903,503 | $ 315,587 | 53.7% |
| 2005 | $ 893,645 | $ (9,858) | -1.1% |
| 2006 | $ 887,645 | $ (6,000) | -0.7% |
| 2007 | $ 916,097 | $ 28,452 | 3.2% |
| 2008 | $ 839,191 | $ (76,906) | -8.4% |
| 2009 | $ 857,346 | $ 18,155 | 2.0% |
| *Projected* | | | |
| 2010 | $ 1,250,738 | $ 393,392 | 45.9% |
| 2011 | $ 1,420,050 | $ 169,312 | 13.5% |
| 2012 | $ 1,508,870 | $ 88,820 | 6.3% |

Table 4 outlines the effectiveness of the dog licensing program in Winnipeg using the number of active licenses at each year end. Based on a 2008 Ipso Reid Survey there are 269,586 households in Winnipeg with an estimated dog population of 112,139. At December 31, 2009, 31.2% of dogs in the City of Winnipeg have a valid license (35,027 active licenses).

Table 4: Portion of Dog Population Licensed

| *Actual* | Active Licenses | % Licensed | Year over Year % Licensed Increase Decrease | Year over Year Active License Increase (Decrease) |
|---|---|---|---|---|
| *1999 Base Year* | 8,555 | 7.6% | N/A | N/A |
| 2000 | 16,500 | 14.7% | 7.1% | 7,945 |
| 2001 | 21,338 | 19.0% | 4.3% | 4,838 |
| 2002 | 21,007 | 18.7% | -0.3% | (331) |
| 2003 | 39,604 | 35.3% | 16.6% | 18,597 |
| 2004 | 40,023 | 35.7% | 0.4% | 419 |
| 2005 | 39,630 | 35.3% | -0.4% | (393) |
| 2006 | 35,876 | 32.0% | -3.3% | (3,754) |
| 2007 | 36,615 | 32.7% | 0.7% | 739 |
| 2008 | 36,279 | 32.4% | -0.3% | (336) |
| 2009 | 35,027 | 31.2% | -1.1% | (1,252) |

**Revenue (Non Mill-Rate Sources)**

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 978,242 | $ 1,344,308 | $ 1,051,980 | $ 1,568,848 | $ 1,520,124 | $ 1,615,833 | $ 1,703,944 |

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 2,197,899 | $ 2,542,497 | $ 2,411,973 | $ 2,644,241 | $ 2,623,410 | $ 2,728,488 | $ 2,814,683 |

**Salaries and Benefits**

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 1,248,732 | $ 1,273,457 | $ 1,224,370 | $ 1,351,609 | $ 1,306,280 | $ 1,343,946 | $ 1,380,682 |

**Services**

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 627,083 | $ 887,148 | $ 851,453 | $ 909,693 | $ 933,692 | $ 1,001,092 | $ 1,055,199 |

**Materials, Parts and Supplies**

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 67,521 | $ 92,058 | $ 73,347 | $ 85,379 | $ 86,527 | $ 86,306 | $ 89,129 |

**Assets and Purchases**

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|

- The basic dog pound fees for running at large are:

- first offence - $51 (estimated)
- second offence - $152 (estimated)
- third offence - $228 (estimated)

- Kenneling fees (per Pound bylaw updated 66/2009):
  - $21/day – 2009
  - $22/day – 2010
  - $23/day – 2011
  - $24/day – 2012 (Estimated)
- Projected revenues are based on returning dogs to their owners with an average stay of 5 days.
- An amendment to the City of Winnipeg Pound By-law No. 2443/79 will be required to increase pound fees for 2012 that will be made with the 2011 to 2013 Selection Report.

**EXPENSES:**

| | Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|---|
| Salaries and Benefits | $ 2,197,899 | $ 2,542,497 | $ 2,411,973 | $ 2,644,241 | $ 2,623,410 | $ 2,728,488 | $ 2,814,683 |

| | Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|---|
| | $ 1,248,732 | $ 1,273,457 | $ 1,224,370 | $ 1,351,609 | $ 1,306,280 | $ 1,343,946 | $ 1,380,682 |

- 2010 proposed salary levels are based on existing grades and levels as per the collective agreements. The 2010 CUPE staff complement will consist of an Office Administrator, one Clerk C, two Clerk A's, one part-time Clerk A for weekend, one Adoption/Education Coordinator, ten Animal Service Officer ASO I's, two ASO II's and two Kennel Attendants. The WAPSO/WAPSO exempt positions include a Chief Operating Officer and a Field Operations/Court Coordinator. Projections also include an adjustment of 2.2% for 2010; 3% for 2011 and 2% for 2012 for CUPE staff. Projections for WAPSO/WAPSO exempt staff include an adjustment of 2% for 2009-2011. Employee benefits are estimated to be 15.44% of total gross salaries. Retirement Allowance is accumulated provision for sick time severance payable.
- The Agency continues to operate with long-term staffing challenges. The number of Animal Services Officers has declined from 16 in 1999 to 12 in recent years despite a growth in the population base, area and number of households in Winnipeg. The clerical staffs have faced many challenges with the added workload and demands stemming from the implementation of 311 and the increased number of licensed dogs. Methods used to address these challenges include streamlining of processes, specialization of duties, and taking advantage of technological solutions.

Services

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 627,083 | $ 887,148 | $ 851,453 | $ 909,693 | $ 933,692 | $ 1,001,092 | $ 1,055,199 |

- The City of Winnipeg has entered into a service agreement with the Winnipeg Humane Society (WHS) with a yearly budget of $350,000. There are two components to the agreement. The service portion costing $275,000 annually in part requires the Humane Society to provide kenneling space for all cats trapped pursuant to the Pound By-law as well as handle other general and specific animal welfare issues. The second component is a low cost cat spay and neuter program. The program is administered by the Humane Society and subsidized in part by the City of Winnipeg (to a maximum of $75,000 annually). This service agreement is funded through the Animal Services Agency's budget. The current contract expires December 31, 2010.
- The Agency pays approximately $55,000 for a service contract with Scotia Enterprises for providing animal control services in the Charleswood/Tuxedo section of the city.
- The Agency has commenced the Oct 2009 Licenses Sales Advertising Campaign for target neighbourhoods.
- Animal Services expects to continue purchasing administrative services from the City's Community Services Department for 2010 - 2012. Included in these services is assistance with respect to finance, human resources, strategic support and information technology. (See Table 5 for Interdepartmental Support)

Table 5: Interdepartmental Support

**Interdepartmental Support**

| | Audited Actual 2008 | Audited Acutal 2009 | 2009 - 2011 Business Plan Projected 2010 | Proposed Budget 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| Financial | 27,500 | 27,500 | 27,500 | 27,500 | 27,500 | 27,500 |
| Human Resources | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 |
| Strategic | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 |
| Information System | 24,486 | 20,500 | 25,500 | 25,500 | 25,500 | 25,500 |
| Corporate Service | 69,582 | 69,582 | 69,582 | 69,582 | 69,582 | 69,582 |
| **Total Interdepartmental Support** | $ 153,568 | $ 149,582 | $ 154,582 | $ 154,582 | $ 154,582 | $ 154,582 |

The City of Winnipeg incurs Corporate Services charges that relate to the operation of the individual departments. The Agency will share in paying these costs. It is anticipated that the Agency's share of these costs will amount to approximately $69,582 for 2010.

**Materials, Parts and Supplies**

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 67,521 | $ 92,058 | $ 73,347 | $ 85,379 | $ 86,527 | $ 86,306 | $ 89,129 |

**Assets and Purchases**

| Audited Actual 2008 | Adopted 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 4,392 | $ 8,000 | $ 960 | $ 8,000 | $ 500 | $ 500 | $ 511 |

**Debt and Finance Charges**

| Audited Actual 2008 | Adopted* 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 19,681 | $ 47,717 | $ 27,938 | $ 50,071 | $ 57,073 | $ 52,118 | $ 39,527 |

**Grants, Transfers and Others**

| Audited Actual 2008 | Adopted* 2009 | Audited Actual 2009 | 2009-2011 Business Plan Projected 2010 | Proposed 2010 | Projected 2011 | Projected 2012 |
|---|---|---|---|---|---|---|
| $ 230,990 | $ 234,117 | $ 233,905 | $ 239,489 | $ 239,338 | $ 244,526 | $ 249,635 |

- The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet). Civic Accommodations leases the lower level to the Community Services Department, Community By-Law Enforcement Division for storage of bicycles.

APPENDIX 1: 2010 – 2012 Financial Projections and Notes

## Projected Statement of Financial Position

**CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

| As At December 31 | | Audited Actual 2008 (A) | Adopted Budget 2009 | Audited Actual 2009 (B) | *Variance* (B - A) | Proposed Budget 2010 | Projected Budget 2011 | Projected Budget 2012 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| CURRENT | *Note 7* | | | | | | | |
| Cash | | $9,509 | $0 | $8,347 | *($1,162)* | $8,347 | $8,347 | $8,347 |
| Due from City of Winnipeg | | - | - | - | - | - | | |
| Receivables | | 40,943 | 40,000 | 52,870 | *$11,927* | 40,000 | 40,000 | 40,000 |
| Inventory | | 407 | 12,000 | 6,251 | *$5,844* | 12,000 | 12,000 | 12,000 |
| Prepaid expenses | | 28,738 | 31,000 | 34,551 | *$5,813* | 31,000 | 32,000 | 32,000 |
| | | 79,597 | 83,000 | $102,019 | *$22,422* | 91,347 | 92,347 | 92,347 |
| EQUIPMENT | *Note 7* | | | | | | | |
| Computer equipment | | 78,946 | 143,946 | 141,377 | *$62,431* | 143,946 | 143,946 | 143,946 |
| Furniture and other equipment | | 76,269 | 76,270 | 76,270 | *$1* | 76,270 | 76,270 | 76,270 |
| Communication Radios | | 37,503 | 37,502 | 37,502 | *($1)* | 37,502 | 37,502 | 37,502 |
| | | 192,718 | 257,718 | 255,149 | *$62,431* | 257,718 | 257,718 | 257,718 |
| Less: accumulated depreciation | | 164,873 | 181,869 | 182,238 | *$17,365* | 182,963 | 208,055 | 232,290 |
| | | 27,845 | 75,849 | 72,911 | *$45,066* | 74,755 | 49,663 | 25,428 |
| | | $ 107,442 | $ 158,849 | $ 174,929 | *$67,488* | $ 166,102 | $ 142,009 | $ 117,775 |
| **Liabilities** | | | | | | | | |
| CURRENT | *Note 7* | | | | | | | |
| Accounts payable & accrued liabilities | | $62,820 | $ 50,000 | $ 138,372 | *$75,552* | $ 50,000 | $ 50,000 | $ 50,000 |
| Vacation and overtime payable | | 121,201 | 100,000 | 96,968 | *($24,233)* | 100,000 | 107,000 | 107,000 |
| Deferred revenue | | 527,749 | 648,888 | 593,905 | *$66,156* | 576,738 | 674,000 | 746,050 |
| Due to City of Winnipeg - Line of Credit | | 611,391 | 605,675 | 866,121 | *$254,730* | 929,811 | 744,835 | 540,013 |
| | | 1,323,161 | 1,404,563 | 1,695,366 | *$372,205* | 1,656,548 | 1,575,835 | 1,443,063 |
| LONG-TERM | *Note 7* | | | | | | | |
| Retirement allowance | | 120,000 | 139,000 | 71,000 | *($49,000)* | 50,000 | 65,000 | 130,000 |
| | | 1,443,161 | 1,543,563 | 1,766,366 | *$323,205* | 1,706,548 | 1,640,835 | 1,573,063 |
| CAPITAL DEFICIENCY | | | | | | | | |
| Deficit | | (1,335,719) | (1,384,714) | (1,591,436) | *($255,717)* | (1,540,446) | (1,498,825) | (1,455,288) |
| | | $ 107,442 | $ 158,849 | $ 174,930 | $ 67,488 | $ 166,102 | $ 142,009 | $ 117,775 |

*See accompanying notes to the financial statements*

## Projected Statement of Loss and Deficit

**CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

| For the year ended December 31 | | Audited Actual 2008 (A) | Adopted Budget 2009 | Audited Actual 2009 (B) | *Variance* *(B - A)* | Proposed Budget 2010 | Projected Budget 2011 | Projected Budget 2012 |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Grant from the Province of Manitoba | | 21,964 | 24,033 | 23,222 | *$1,258* | 25,052 | 25,955 | 26,474 |
| Regulation Fees | | 887,565 | 1,216,180 | 928,575 | *$41,010* | 1,394,012 | 1,487,147 | 1,572,248 |
| Sales of Goods and Services | | 56,791 | 96,062 | 79,405 | *$22,614* | 89,865 | 91,536 | 94,027 |
| Transfers | *Note 5* | 1,004,276 | 1,154,276 | 1,104,276 | *$100,000* | 1,154,276 | 1,154,276 | 1,154,276 |
| Other Revenue | | 11,922 | 8,033 | 20,777 | *$8,855* | 11,195 | 11,195 | 11,195 |
| **Revenues** | *Note 5* | $ 1,982,518 | $ 2,498,584 | $ 2,156,256 | $ 173,738 | $ 2,674,400 | $ 2,770,109 | $ 2,858,220 |
| **Expenses** | | | | | | | | |
| | *Note 6* | | | | | | | |
| Salaries and Benefits | | 1,248,732 | 1,273,457 | 1,224,370 | *($24,362)* | 1,306,280 | 1,343,946 | 1,380,682 |
| Services | | 627,083 | 887,148 | 851,453 | *$224,370* | 933,692 | 1,001,092 | 1,055,199 |
| Material, parts and supplies | | 67,521 | 92,058 | 73,347 | *$5,826* | 86,527 | 86,306 | 89,129 |
| Assets and Purchases | | 4,392 | 8,000 | 960 | *($3,432)* | 500 | 500 | 511 |
| Debt and Finance Charges | | 19,681 | 47,717 | 27,938 | *$8,257* | 57,073 | 52,118 | 39,527 |
| Grants, Transfers and other | | 230,990 | 234,117 | 233,905 | *$2,915* | 239,338 | 244,526 | 249,635 |
| Recoveries | | (500) | - | - | *$500* | | | |
| **Expenses** | | 2,197,899 | 2,542,497 | 2,411,973 | *$214,074* | 2,623,410 | 2,728,488 | 2,814,683 |
| Loss from operations | | (215,381) | (43,913) | (255,717) | *($40,336)* | 50,990 | 41,621 | 43,537 |
| **Net Income (Loss)** | | (215,381) | (43,913) | (255,717) | *($40,336)* | 50,990 | 41,621 | 43,537 |
| **Deficit, beginning of year *** | | (1,120,338) | (1,335,719) | (1,335,719) | *($215,381)* | (1,591,436) | (1,540,446) | (1,498,825) |
| **Prior Year Adjustment** | | | (5,082) | | | | | |
| **Surplus(deficit)** | | $ (1,335,719) | $ (1,384,714) | $ (1,591,436) | *($255,717)* | $ (1,540,446) | $ (1,498,825) | $ (1,455,288) |

## Projected Statement Change in Financial Position

**CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

| For the year ended December 31 | Audited Actual 2008 (A) | Adopted Budget 2009 | Audited Actual 2009 (B) | *Variance* *(B - A)* | Proposed Budget 2010 | Projected Budget 2011 | Projected Budget 2012 |
|---|---|---|---|---|---|---|---|
| **Net inflow (outflow) of cash related to the following activities** | | | | | | | |
| **Operating** | | | | | | | |
| Net earnings (loss) for the year | $ (215,381) | $ (43,913) | $ (255,717) | *$ (40,336)* | $ 50,990 | $ 41,621 | $ 43,537 |
| Non-cash items related to operations | | | | | | | |
| Depreciation | 9,479 | 16,996 | 17,365 | *7,886* | 1,094 | 25,092 | 24,234 |
| Deferred Revenue | 2,068 | | 66,156 | | | | |
| Increase(decrease)Retirement Allowance | (9,000) | 27,500 | (49,000) | *(40,000)* | (70,000) | 15,000 | 65,000 |
| Working capital from operations | (212,834) | 583 | (221,196) | *(8,362)* | (17,916) | 81,713 | 132,771 |
| Net change in working capital other than cash assets | (32,745) | 98,000 | 27,735 | *60,480* | (78,150) | 103,262 | 72,050 |
| | (245,579) | 98,583 | (193,461) | *52,118* | (96,067) | 184,976 | 204,821 |
| **Financing** | | | | | | | |
| Due to Line of Credit | | | | | | | |
| Due to/from the City of Winnipeg | 250,173 | (43,092) | 254,730 | *4,557* | 96,067 | (184,976) | (204,822) |
| | 250,173 | (43,092) | 254,730 | *4,557* | 96,067 | (184,976) | (204,822) |
| **Investing** | | | | | | | |
| Purchase of equipment | (2,419) | (65,000) | (62,431) | *(60,012)* | - | - | - |
| Proceeds from disposal of equipment | | | | | | | |
| | (2,419) | (65,000) | (62,431) | *(60,012)* | - | - | - |
| Increase (decrease in cash assets) | 2,175 | (9,509) | (1,162) | *(3,337)* | 0 | (0) | (0) |
| Cash position, beginning of year | 7,334 | 9,509 | 9,509 | *2,175* | 8,347 | 8,347 | 8,347 |
| **Cash position, end of year** | $ 9,509 | $ - | $ 8,347 | *$ (1,162)* | $ 8,347 | $ 8,347 | $ 8,347 |

## NOTES TO THE FINANCIAL PROJECTION
## THREE YEARS ENDING DECEMBER 31, 2012

### 1. DESCRIPTION OF BUSINESS

Animal Services, Special Operating Agency commenced operations on January 1, 2000. The Agency will complete its 10th year of operations on December 31, 2009. Animal Services continues to work towards its goals;

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

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

- Adoption program to give strays a second chance
- Volunteer program to enhance the adoption program
- Work placement for students in our community
- Enhanced Free Ride program
- Added-value coupon strip
- Multi-year licensing
- Numerous retail outlets for license sales
- Enhanced education programs
- Increased Marketing Campaigns
- Revamped fines schedule
- 3 per page invoice printing for paper/printing economies and bar-coding for new technology
- Automatic electronic payments through Banking Institutions
- Voice Response Unit – a computer system that sends automated voice reminders to dog owners for license renewals

### 2. ACCOUNTING POLICIES

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

**Inventory**

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

**Equipment**

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

| | |
|---|---|
| Computer equipment | 25% |
| Furniture and other equipment | 20% |

**Budget Column**

The 2009 adopted budget information, from the Council approved 2009-2011 Selection Report Animal Services Special Operating Agency, has been added to the financial statement to facilitate effective analysis and comparison. The 2008 Surplus (Deficit) has been updated with 2008 actual figures.

## 3. FINANCIAL PROJECTION

This financial projection is an estimate of the financial position, results of operations and change in cash flow, for the operations of Animal Services Special Operating Agency, using management's assumptions that reflect the Agency's planned course of action for the three years ending December 31, 2012. Management's judgment has been used in the assumptions and the most probable set of economic conditions, together with the hypotheses stated in note 4 below. The hypotheses are consistent with the purpose of the information, but are not necessarily the most probable in management's judgment. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this projection. Therefore, the actual results achieved during the projected period will vary from the projections and the variations may be material.

## 4. HYPOTHESES

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

(a) That the City of Winnipeg will agree to provide an annual operating grant of $1,154,276 for 2010, 2011 and 2012.
(b) That the City of Winnipeg will extend a line of credit as detailed in the Financial Statements contained within the Council approved annual Selection Report prepared by the Agency, sufficient for the Agency to carry on operations.
(c) That the Agency will be allowed to purchase any support services required to sustain ongoing operations.
(d) Consumer Price Index is assumed at 1.1% for 2010; 2.3% for 2011 and 1.9% for 2012 provided by Corporate Finance.
(e) That the City of Winnipeg re-negotiate a new service agreement with the Winnipeg Humane Society which will expire on December 31, 2010.

## 5. ASSUMPTIONS – REVENUE

### (a) Pound Fees

The basic fees for running at large are: first offence - $51, second offence - $152 and third offence - $228. Pound revenues are based on 338 -1$^{st}$ offences, 25 - 2$^{nd}$ offences and two - 3$^{rd}$ offences per year.

### (b) Kenneling Fees

Kenneling fees were set at $22 per day effective 2010 and will increase annually by $1 per day. 2010 volumes are based on servicing 402 dogs annually with an average stay of 5 days.

### (c) Dog Licenses

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

| Year | Average License Fee | Anticipated Sales |
|---|---|---|
| 2010 | $33.70 | 40,000 |
| 2011 | $34.70 | 43,000 |
| 2012 | $35.48 | 43,000 |

Dog license fees for 2010 applicable to intact dogs are $60 annually. A 59% discount is offered for sterilized dogs bringing this fee to $25 annually. Dog license fees are set to increase annually by $1, while sterilized dogs license fees will increase annually by $1. Dangerous dog license fees are set at $75 annually. There is no charge for service dog licenses and for the first license period for dogs adopted through the Humane Society and other animal shelters.

**(d) Excess Animal Permit**

2010 permit revenue is based on 9 renewals and 12 new applications with a modest annual increase to follow.

**(e) Surrendered Animals**

Projected revenue is based on 62 turnovers at a fee of $71.35 net tax effective January 1, 2010. Surrendered fee will be adjusted annually according to CPI as follows:

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Surrendered Fee | $71.35 | $73.00 | $74.50 |

**(f) Trap Rentals/Set Ups**

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

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Skunk trap rental prices | $63.50 | $65.00 | $66.25 |

**(g) Dog Adoptions**

Adoption fees are $204 for dogs less than four months, $173 for dogs over four months, and $129 for sterilized dogs. Adoptions include a health check by a veterinarian, vaccinations, spaying or neutering, microchip, first license and other value-added items. In an effort to stimulate sales the Agency introduced a discount for senior citizens of 20% and a reduced fee for dogs seven years and older. After costs, the Agency expects to net approximately $100 per animal with 200 animals adopted annually. With some exception, adoption fees will be adjusted to reflect inflation according to CPI as follow:

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Less than four months Old | $190 | $204 | $209 | $213 |
| Over four months | $159 | $173 | $177 | $180 |
| Sterilized dogs | $127 | $129 | $132 | $135 |
| Senior intact dogs | $115 | $117 | $120 | $122 |
| Senior sterilized dogs | $ 63 | $ 64 | $ 65 | $ 67 |

**(h) Grant from the City of Winnipeg**

The Agency has requested an annual operating grant from the City of Winnipeg in the amount of $1,154,276 for 2010, 2011 and 2012. This grant represents the mill rate support of operating costs.

| YEAR | FUNDING AMOUNT |
|---|---|
| **2000** | $1,250,000 |
| **2001** | $1,250,000 |
| **2002** | $1,250,000 |
| **2003** | $1,100,000 |
| **2004** | $950,000 |
| **2005** | $895,877 |
| **2006** | $1,020,101 |
| **2007** | $1,018,850 |
| **2008** | $1,004,276 |
| **2009** | $1,104,276 |
| **2010** | $1,154,276 |
| **2011** | $1,154,276 |
| **2012** | $1,154,276 |

**6. ASSUMPTIONS – EXPENSES**

**(a) Salaries and Employee Benefits**

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

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| **WAPSO/WAPSO Exempt** | **2** | **2** | **2** |
| CUPE | 19.2 | 19.2 | 19.2 |

The 2010 CUPE staff complement will consist of an Office Administrator, one Adoption/Community Education Coordinator, one Clerk C, two Clerk A, one part-time Clerk A, ten ASO I's, two ASO II's and two Kennel Attendants, The WAPSO/WAPSO exempt positions include a Chief Operating Officer and a Field Operations/Court Coordinator. Projections also include an adjustment of 2.2% for 2010; 3% for 2011 and 2% for 2012 for CUPE staff. Projections for WAPSO/WAPSO exempt staff include an adjustment of 2% for 2010-2012. Employee benefits are estimated to be 15.90% of total gross salaries. Retirement Allowance is accumulated provision for sick time severance payable.

**(b) Professional and Consulting Services**

The Agency has negotiated a new service agreement with the Winnipeg Humane Society for the period 2009-2010. This Council approved service contract expires December 31, 2010. The City also pays approximately $55,000 for a service contract with Scotia Enterprises for the provision of animal control services in the Charleswood/Tuxedo area.

**(c) Audit Fee**

The Agency expects to pay approximately $10,000 annually for audit fees in 2010 through 2012.

**(d) Auto Allowances**

In 2010, four staff member are provided with "occasional" auto allowance.

**(e) Office Equipment Maintenance**

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

**(f) Telephone**

The Agency has budgeted $12,500 annually for land and mobile phone service.

**(g) Advertising**

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

**(h) Equipment Rental, Internal**

Equipment and Material Services provides fleet services for SOA vehicles. The Agency operates seven vehicles. Costs are expected to increase incrementally by 2% per year.

**(i) Training/Workshops/Tuition**

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

**(j) Civic Accommodations**

The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet). Civic Accommodations leases the lower level to the Community Services Department, By-Law Enforcement Division for storage of bicycles.

**(k) Depreciation**

Depreciation is based on rates identified in note 2.

**(l) Interest on Operating Line of Credit**

The Agency has negotiated a line of credit with an interest rate of prime plus 2.5%. The 2009 line of credit was set at $605,675. The 2010 – 2012 Selection Report recommends that the 2010 line of credit be increased to $900,000.

**(m) Administrative Charges**

The Agency expects to purchase administrative services from the City's Community Services Department. Included in these services is assistance with respect to finance, human resources, strategic support and information technology. It is anticipated that the Agency's share of these costs will amount to/or approximate $80,000 yearly.

**(n) Corporate Services Charges**

The City of Winnipeg incurs corporate costs that relate to various shared services such as legal and Peoplesoft support. The Agency will share in paying these costs. It is anticipated that the Agency's share of these costs will be $69,582 yearly.

## 7. ASSUMPTIONS – CASH RECEIPTS AND DISBURSEMENTS

### (a) Cash on hand

Petty cash of $150 will be available for incidental expenditures. Change funds of $300 are available for the cash register float.

### (b) Inventory

The Agency carries inventory for animal license tags, food, supplies and retail sales. A physical inventory count is done on December 31st.

### (c) Equipment

On start-up, the Agency acquired equipment from the City of Winnipeg. In 2007 the Agency reviewed its technology needs and upgraded equipment as needed. The Agency has budgeted $65,000 for 2009 for acquisitions and has assumed that all dispositions will be made at net book value and there will be no gain or loss resulting from the disposition of assets.

### (d) Accounts Payable and Accrued Liabilities

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

### (e) Deferred Revenue

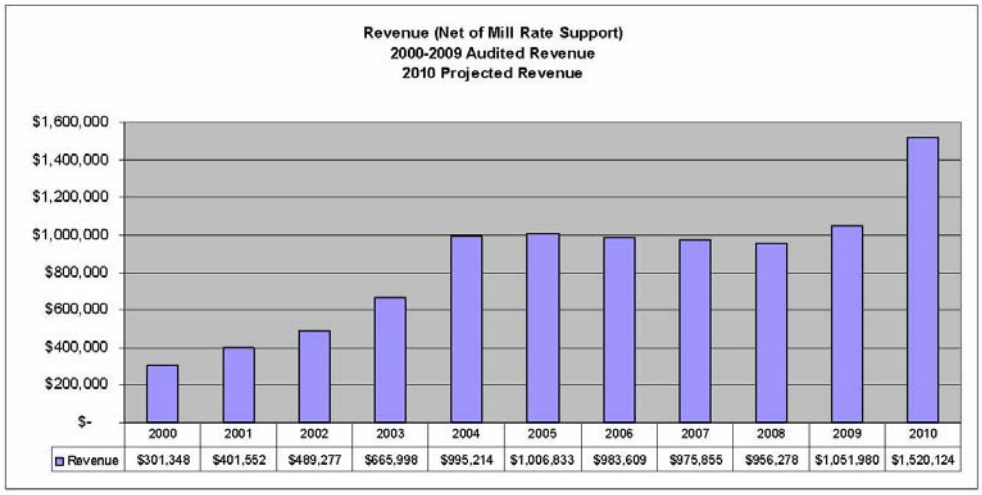
Animal license terms vary from 8 months to 30 months. Licenses have staggered monthly renewals based on the first letter of the last name. As a result there will be unearned revenue on hand at year-end. In 2005 a two-year licensing option was introduced. This has resulted in a slightly higher deferral of unearned revenue.

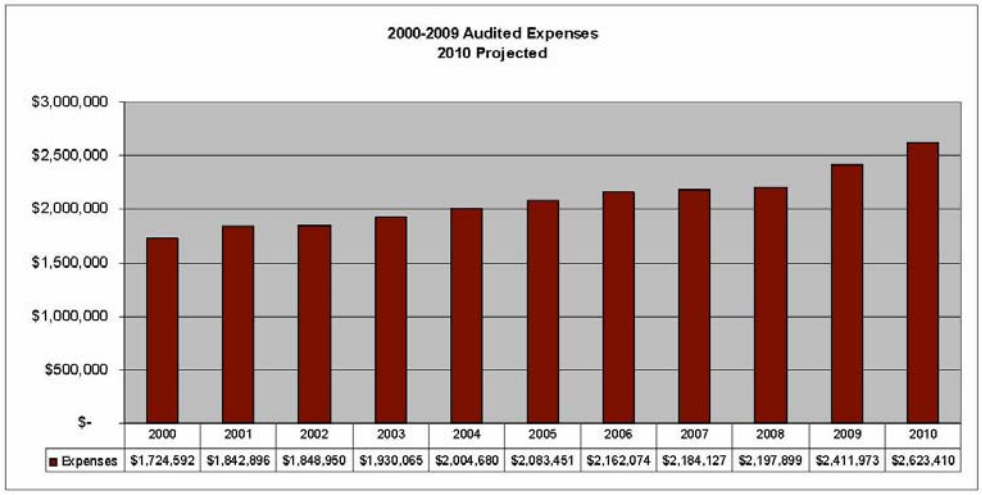
## 8. SPECIAL NOTE

### (a) Deficit Balance Restated

The December 31, 2007 closing balance for accumulated deficit has been restated as the result of an under accrual of vacation liability. The under accrual was corrected in 2008.

**Appendix 2: 2000-2009 Actual Expense and Revenue (Net of Mill Rate Support) Comparisons with 2010 Projections**



**Appendix 3: 2009 Audited Financial Statements**

## THE CITY OF WINNIPEG
## ANIMAL SERVICES - SPECIAL OPERATING AGENCY

### STATEMENT OF FINANCIAL POSITION

*As at December 31*

| | 2009 | 2008 |
|---|---|---|
| *ASSETS* | | |
| Current | | |
| Cash | **$ 8,347** | $ 9,509 |
| Accounts receivable (Note 5) | **52,870** | 40,943 |
| Inventory | **6,251** | 407 |
| Prepaid expenses | **34,551** | 28,738 |
| | **102,019** | 79,597 |
| Equipment | | |
| Computer | **141,377** | 78,946 |
| Furniture and other | **113,772** | 113,772 |
| | **255,149** | 192,718 |
| Less: accumulated depreciation | **(182,238)** | (164,873) |
| | **72,911** | 27,845 |
| | **$ 174,930** | $ 107,442 |
| *LIABILITIES* | | |
| Current | | |
| Accounts payable and accrued liabilities | **$ 138,372** | $ 62,820 |
| Vacation and overtime payable | **96,968** | 121,201 |
| Deferred revenue (Note 2) | **593,905** | 527,749 |
| Due to The City of Winnipeg - General Revenue Fund (Note 6) | **866,121** | 611,391 |
| | **1,695,366** | 1,323,161 |
| Long-term | | |
| Retirement allowance (Note 7a) | **71,000** | 120,000 |
| | **1,766,366** | 1,443,161 |
| Commitments (Note 8) | | |
| *CAPITAL DEFICIENCY* | | |
| Deficit | **(1,591,436)** | (1,335,719) |
| | **$ 174,930** | $ 107,442 |

*See accompanying notes to the financial statements*

## THE CITY OF WINNIPEG
## ANIMAL SERVICES - SPECIAL OPERATING AGENCY

### STATEMENT OF LOSS AND DEFICIT

*For the years ended December 31*

| | 2009 | 2008 |
|---|---|---|
| ***REVENUES*** | $ 1,028,758 | $ 976,275 |
| ***EXPENSES*** | | |
| Salaries and benefits | 1,224,370 | 1,226,544 |
| Services (Note 9) | 692,884 | 513,136 |
| Rent (Note 9) | 210,684 | 208,532 |
| Administrative expenses (Note 9) | 158,569 | 155,902 |
| Material, parts and supplies | 73,347 | 67,521 |
| Grants, transfers and other | 23,221 | 22,188 |
| Depreciation | 17,365 | 9,479 |
| Debt and finance charges | 9,674 | 2,376 |
| Assets and purchases | 960 | 4,392 |
| Interest (Note 6) | 899 | 7,826 |
| | 2,411,973 | 2,217,896 |
| Loss from operations | (1,383,215) | (1,241,621) |
| Other | | |
| Grant from the Province of Manitoba | 23,222 | 21,964 |
| Grant from The City of Winnipeg (Note 10) | 1,104,276 | 1,004,276 |
| ***NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR*** | (255,717) | (215,381) |
| ***DEFICIT, BEGINNING OF YEAR*** | (1,335,719) | (1,120,338) |
| ***DEFICIT, END OF YEAR*** | $ (1,591,436) | $ (1,335,719) |

*See accompanying notes to the financial statements*

## THE CITY OF WINNIPEG
## ANIMAL SERVICES - SPECIAL OPERATING AGENCY

### STATEMENT OF CASH FLOWS

*For the years ended December 31*

| | 2009 | 2008 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net loss for the year | $ **(255,717)** | $ (215,381) |
| Non-cash items related to operations | | |
| Depreciation | **17,365** | 9,479 |
| Decrease in retirement allowance | **(49,000)** | (9,000) |
| Working capital from operations | **(287,352)** | (214,902) |
| Net change in working capital other than cash assets | **93,891** | (30,677) |
| | **(193,461)** | (245,579) |
| ***FINANCING*** | | |
| Increase in Due to The City of Winnipeg - General Revenue Fund | **254,730** | 250,173 |
| ***INVESTING*** | | |
| Purchase of equipment | **(62,431)** | (2,419) |
| (Decrease) increase in cash during the year | **(1,162)** | 2,175 |
| ***CASH, BEGINNING OF YEAR*** | **9,509** | 7,334 |
| ***CASH, END OF YEAR*** | $ **8,347** | $ 9,509 |

*See accompanying notes to the financial statements*

## THE CITY OF WINNIPEG
## ANIMAL SERVICES - SPECIAL OPERATING AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2009*

*1. Description of Business*

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

*2. Significant Accounting Policies*

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

**Revenue recognition**

License revenues are recognized over the license validation period.

**Inventory**

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

**Equipment**

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

| | |
|---|---|
| Computer equipment | 25% |
| Furniture and other equipment | 20% |

**Deferred revenue**

Included in deferred revenue is $16,103 (2008 - $24,098) received from The City of Winnipeg for the purchase of communication equipment. This amount is recognized as income at the same rate that the related assets are being depreciated.

*3. Financial Instruments*

The Agency's financial assets and liabilities are comprised of cash, accounts receivable, accounts payable and accrued liabilities, vacation and overtime payable, and due to The City of Winnipeg - General Revenue Fund. The Agency is exposed to financial risks arising from its financial assets and liabilities.

Financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's cash is classified as held-for-trading and the accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, vacation and overtime payable, and due to The City of Winnipeg - General Revenue Fund have been classified as other liabilities. Financial assets classified as held-for-trading are reported at fair value with changes in fair value recognized in the Statement of Loss and Deficit and transaction costs related to this classification of financial instruments are expensed as incurred.

3. ***Financial Instruments (continued)***

Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-to-maturity or as available-for-sale. The book value of the Agency's financial assets and liabilities approximates their fair value.

**Credit Risk**

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Agency. Financial instruments affected the most by credit risk are accounts receivable.

The Agency does not have significant exposure to credit risk given it does not have a significant amount of accounts receivable or amounts owing by parties related to the Agency. A reasonable allowance for non collectible amounts is established, which is netted against accounts receivable on the Statement of Financial Position. The Agency does not hold collateral as security for these balances.

**Liquidity Risk**

Liquidity risk is the risk the Agency will encounter difficulty in meeting obligations associated with financial liabilities. Due to the Agency's relationship with The City of Winnipeg, it can rely upon sufficient financial resources from that source in the event internally generated cash flows or cash flows accessible through external sources are insufficient. Amounts due to The City of Winnipeg - General Revenue Fund are treated as subordinate to other obligations and have no fixed terms of repayment.

**Market Risk**

Market risk is the risk the Agency is exposed to concerning the fair value or the future cash flows of a financial instrument fluctuating because of changes in market price. For the Agency, the most significant aspect of market risk would be interest rate risk. The financial instrument affected the most by interest rate risk is due to The City of Winnipeg - General Revenue Fund.

The Agency's due to The City of Winnipeg - General Revenue Fund is subject to floating interest rates and is used for short-term financing, which limits the Agency's exposure to this risk.

4. ***Capital Management***

The Agency does not have any externally imposed capital requirements requiring compliance.

5. ***Accounts Receivable***

| | 2009 | 2008 |
|---|---|---|
| Trade accounts receivable | $ 42,996 | $ 28,405 |
| Allowance for doubtful accounts | (13,674) | (9,650) |
| | 29,322 | 18,755 |
| Provincial grant | 23,548 | 22,188 |
| | $ 52,870 | $ 40,943 |

6. *Due to The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2009 interest rate was 0.3% (2008 - 1.5%). The existing City Council approved 2009 budget includes an operating line of credit of $605,675 from The City of Winnipeg. In November 2009, a request was submitted to increase the line of credit to $800,000.

During the year, the Agency paid $899 (2008 - $7,826) in interest costs.

7. *Employee Benefits*

**a) Retirement allowance**

Qualifying City of Winnipeg employees are entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). These costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experienced gains and losses are amortized on a straight-line basis over 10.0 years. This represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2008. The results of this valuation were extrapolated to December 31, 2009.

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

| | **2009** | 2008 |
|---|---|---|
| Retirement allowance - accrued obligation: | | |
| Balance, beginning of year | **$ 125,000** | $ 135,000 |
| Current service cost | **5,000** | 5,000 |
| Interest cost | **5,000** | 6,000 |
| Net actuarial gain | **10,000** | - |
| Benefit payments | **(61,000)** | (21,000) |
| Balance, end of year | **84,000** | 125,000 |
| Unamortized net actuarial loss | **(13,000)** | (5,000) |
| Retirement allowance - accrued liability | **$ 71,000** | $ 120,000 |

Retirement allowance expense consists of the following:

| | **2009** | 2008 |
|---|---|---|
| Current service cost | **$ 5,000** | $ 5,000 |
| Interest cost | **5,000** | 6,000 |
| Amortization of net actuarial loss | **2,000** | 1,000 |
| | **$ 12,000** | $ 12,000 |

7. ***Employee Benefits (continued)***

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

| | **2009** | 2008 |
|---|---|---|
| Valuation interest rate | **4.40%** | 4.80% |
| General increases in pay | **3.00%** | 3.00% |

**b) Pensions**

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $64,812 (2008 - $65,780) of pension costs were allocated to Animal Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2008 and has an actuarial surplus.

8. ***Commitments***

The Agency and the Winnipeg Humane Society have entered into a contract that is in force from January 1, 2009 to December 31, 2010. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agrees to pay the Winnipeg Humane Society the sum of $275,000 per year, payable in quarterly installments of $68,750. In addition, the Agency agrees to pay $20 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of $75,000.

9. ***Related Party Transactions***

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

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

Included in the Agency's expenditures is a transfer to The City of Winnipeg Civic Accommodations Fund for rent of $210,684 (2008 - $208,532) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $80,000 (2008 - $80,396). Also included are lease costs of $80,558 (2008 - $85,116) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2008 - $69,582) for general government charges that have been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

10. ***Grant from The City of Winnipeg***

This year, the general grant from The City of Winnipeg increased by 10% or $100,000 to $1,104,276 to fund an increase in the Winnipeg Humane Society service contract. This follows a decrease in 2008 of 1.43%.

| | |
|---|---|
| 2005 | 895,877 |
| 2006 | 1,020,101 |
| 2007 | 1,018,850 |
| 2008 | 1,004,276 |
| 2009 | 1,104,276 |

11. ***Comparative Figures***

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