Minute No. 573
Report – Alternate Service Delivery Committee – July 12, 2010

Item No. 2 Winnipeg Golf Services SOA - 2010 Business Plan (Selection Report)
eFile GL-5.6.1

COUNCIL DECISION:

Council concurred in the recommendation of the Alternate Service Delivery Committee and adopted the following:

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

2. That an operating line of credit increase from $3.5 million to $5.0 million to support the Winnipeg Golf Services Special Operating Agency, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of Winnipeg Golf Services.

3. That the 2009 audited financial statements, Appendix B to the report of the Winnipeg Public Service dated July 7, 2010, be received as information.

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

Report – Alternate Service Delivery Committee – July 12, 2010

DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That the recommendation of the Alternate Service Delivery Committee be adopted by consent

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 14, 2010, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the matter to Council.

COMMITTEE RECOMMENDATION:

On July 12, 2010, the Alternate 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

Title: **Winnipeg Golf Services (WGS) Special Operating Agency - 2010 Business Plan (Selection Report)**

Critical Path: **Alternate Service Delivery (ASD) Committee**
Executive Policy Committee (EPC)
Council

AUTHORIZATION

Author	Department Head	CFO	CAO
I. Day Acting COO, WGS	I. Day Acting COO, WGS	M Ruta	A Robinson, Deputy CAO

RECOMMENDATIONS

1. That the 2010 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2010 budget be approved and the 2011 and 2012 financial projections, as outlined in Appendix A, be received as information.

2. That an operating line of credit increase from $3.5 million to $5.0 million to support the Winnipeg Golf Services Special Operating Agency, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of Winnipeg Golf Services.

3. That the 2009 audited financial statements, attached in Appendix B, be received as information.

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

- The green fees for 2010 will remain at 2009 rates in order to retain golfers after last year's poor weather and course conditions.
- The Agency exceeded its line of credit in 2009 due to shortfalls in green fee revenues. This was due to the poor weather during the 2009 golf season. As well, maintenance costs increased due to increasing repairs to aging equipment stock.
- An increase in the line of credit from the current $3,500,000 to the recommended $5,000,000 will provide the Agency with adequate operating funds for 2010.

HISTORY

Winnipeg Golf Services's Operating Charter stipulates that a business plan (selection report) be submitted to Council each year.

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

FINANCIAL IMPACT

Financial Impact Statement Date: March 15, 2010

Project Name:

Winnipeg Golf Services (WGS) Special Operating Agency - 2010 Business Plan (Selection Report)

COMMENTS:

The recommendations contained in this report include that the operating line of credit increase from $3.5 million to $5.0 million to support the Winnipeg Golf Services Special Operating Agency, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of Winnipeg Golf Services. It should be noted that the amount of the line of credit accessed by the Agency will be offset by an equal amount due to the General Revenue Fund.

The financial implications of the proposed 2010 business plan are as laid out in the attached Appendix A-1.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

N/A

SUBMITTED BY

Department: Winnipeg Golf Services
Division
Prepared by: Iain Day, Acting COO, WGS
Date: July 7, 2010
File No.

APPENDIX A

WINNIPEG GOLF SERVCES:
2010 BUSINESS PLAN (SELECTION REPORT)

Overview

This report outlines a 2010 budget and operating plan for Winnipeg Golf Services Special Operating Agency. 2010 will be the eighth year of operation for Winnipeg Golf Services. The Agency encompasses the operation and contract management of 12 golf course properties in Winnipeg generally categorized as follows:

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

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

Managed Contracts
John Blumberg Golf Course
Harbour View Golf Course and Recreation Complex (contractor operated; City maintained)

Strategic Direction

Winnipeg Golf Services continues to compete in the competitive Winnipeg golf market. The market is well served with a wide range of types of courses ranging from private and semi-private championship quality courses to short, practice courses that are oriented to beginners and families. In all, there are approximately 50 courses within a 45 mile radius of Winnipeg.

The Winnipeg market is not unlike other markets across North America. According to a survey by the National Golf Foundation (NGF), since 1990 the growth in the number of

golf courses in the USA, for example, is up 24% while the number of golfers has increased only 16%. As a result, the number of rounds played at each golf course has fallen from 40,400 in 1990 to 32,640 today.

Given the competitive market that WGS is operating in, the Agency is focused on improving the value of the golf experience through improved customer service and developing marketing initiatives aimed at attracting new golfers.

SOA Financial Return

The 2010 golf season is forecasted to generate financial returns slightly better than 2009. In 2009, weather conditions were not at all favorable for golf. There was extensive flooding of the courses in the spring and unseasonably cold and wet conditions in the fall. The inclement weather resulted in reduced rounds – 101,488 in 2008 and 91,642 in 2009. Revenues from green fees and equipment rentals were also lower as was merchandise sales.

The 2010 operating revenues and expenditures have been revised to reflect a more realistic return based on the average of rounds played for the 2007, 2008 and 2009 seasons.

Fees for the 2010 golf season

WGS is proposing to hold the green fee rates at 2009 levels in 2010. Fees for the 2010 golf season as well as fee information dating back to 2002 are contained in Appendix A-2. Course rating, amenities, condition of play and value for money all factor into setting the fees. In this regard, WGS's courses, although having undergone modest improvements in recent years, have not shown an increase in value of the golfing experience that can justify an increase in fees especially given the poor weather conditions and resulting course conditions of last year.

Holding the green fee rates at $30 for an adult round for 2010 (with $1 increase in each of 2011 and 2012) is expected to increase the number of rounds played at the municipal courses in 2010 after successive years of declining rounds. Appendix A-3 provides an historic account of the rounds played at Windsor Pak, Kildonan Park, Crescent Drive and Harbour View golf courses.

Overall, green fee rates have increased by approximately 29% over the years that the Agency has operated the City's golf courses. This represents an average increase of 4% per year. Last year's increase of $3 represented an 11% hike over 2008 rates.

WGS surveys the fee structure of other public and semi public courses periodically to determine market pricing trends. By holding the green fees at 2009 rates, WGS is expected to remain competitive in the Winnipeg market.

Service Goals and Strategies

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

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

GOAL	STRATEGIES	STATUS
		minimized.
	2. Naturalization strategies	Habitat assessment complete; European Buckthorn removed; wildflower and natural vegetation plantings initiated.
	3. Environmental assessment of golf courses	Manitoba Golf Superintendents Association Environmental Assessment complete and recommendations being implemented. Fuel storage improvements began in 2007.
Improve image of Municipal golf courses	1. Establish and implement etiquette and speed of play guidelines	Golfers are continuously educated on golf etiquette; the introduction of course marshals helped improve speed of play.
	2. Sponsor community events and charities	Donations and sponsorships given to charities and events that promote the golf courses
Corporate sponsorship	1. Sponsorship of WGS events and annual tournament	Major beverage sponsor has been secured. Various sponsors contribute to annual Municipal tournament. Contracts assessed annually.
	2. Attain sponsorship for new programs	Sponsors solicited for special events and tournaments. Tee marker sign advertising is growing
Improve merchandise sales	1. Introduce new items for sale	Clothing line introduced; new product lines continually assessed.
	2. Redesign / redecorate pro shops	Pro shops modernized; displays changed regularly.
	3. Market to non golfers	Community flyers and mobile signs attract non golfers to courses and pro shops.
	4. Major promotions	Fathers Day/Mothers Day, fall, Christmas, end of season clearance promotions.

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

Financial Performance

Financial statements are attached as Appendix A-1 and include a Projected Statement of Financial Position, a Projected Statement of Operations and Deficit, a Projected Statement of Cash Flows, a Projected Statement of Equity as well as Notes to the Financial Projections.

In 2009, the Agency had a net loss of $940,711. This shortfall was primarily due to a reduction in green fee revenues and equipment rentals due to the poor weather conditions. In 2009, there was an average of 170 golf days compared to 189 in 2008. There was also an increase in operating expenses such as equipment maintenance and servicing due to aging machinery.

The revenue/expense projections for 2010 have been revised to reflect the recent experience of declining rounds. The Agency is forecasting an improved shortfall of $924,244.

The projections for 2011 to 2012, in Appendix A-1, reflect those for 2010 and are premised on market conditions and all other factors remaining constant and an annual inflation rate of 3%.

The 2009 audited financial statements are presented in Appendix B.

Human Resource

The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this compliment is anticipated for 2010.

Information Technology

The Planning, Property and Development Department provides Information Technology services to the Agency through a service arrangement. Recent technology upgrades saw the golf courses automate financial/statistical reporting and daily timekeeping. Access to the City's network at the clubhouses for communication and information purposes was also established. WGS purchased an automated tee time booking system which was implemented for the 2009 golf season and allows customers to book on line, through 311 or by calling the ckubhouse.

Physical Asset Management

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

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

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

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

In 2009, kitchen equipment was replaced and upgraded at Kildonan, Windsor and Harbour View golf courses. Fuel tanks were replaced at the golf courses. Work also began at the John Blumberg golf course to replace the sewage treatment plant.

Performance Measurement

The following summarizes performance indicators and measures of success the Agency achieved in 2009:

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	• Did not meet the forecasted financial return to the City as contained in the business plan.
Customer Service Continually improve the image that we portray to customers.	• Respond promptly to customer complaints and enquiries, take appropriate action and provide timely feedback. • Improved staff appearance through adherence to uniform guidelines. Assessed through observation and independent checks. • Consistent use of appropriate greetings over the counter and on the telephone measured through observation, independent assessment and customer feedback. • Positive customer survey results • Aesthetic and amenity improvements that meet with customer satisfaction as determined through user group feedback.
Associated Services Improved service and image through provision of golf related services.	• Introduction of Corporate Sponsorship in selected areas. • Increased merchandise sales. • Improved food and beverage quality and service in clubhouses and on courses. • Increased auto cart rentals.
Environment Reduce harmful affects of maintenance practices and contribute to the long-term viability of golf courses.	• Reduced use of harmful chemicals through licensed application and proper management. • Increased native vegetation and wildlife on golf course properties. • Recognition as an environmentally friendly golf course operation.

Issues and Challenges

Competition

Winnipeg Golf Services actively competes in the golf market. Green fees are reflective of aggressive market pricing. Additional sources of revenue are continually being explored. New public courses coming into the market impact on the rounds played at

municipal courses. Marketing and promotion initiatives as well as playability and aesthetic improvements are planned in order to retain the current customer base and make the municipal courses an attractive choice for new golfers.

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

Capital Improvements
The municipal courses had limited capital improvements done prior to the establishment of the Agency. As a result, the condition of the courses and clubhouses has fallen below the standard generally acceptable for public courses. A capital master plan was completed and an improvement program was initiated in 2004 to bring the courses and clubhouses up to a reasonable standard. However, the investment required for this program is substantial. The Agency has started the process of catching up with improvements that have been deferred over the years.

Legislative Changes
Recent changes to the Workplace Safety and Health Act have resulted in additional training and reporting requirements. There are also compliance challenges for the kitchen and maintenance facilities. It is hoped that a safer work environment and associated practices will result in fewer injuries and work time lost.

The Province of Manitoba Nutrient Management Regulation took effect in 2009. WGS has initiated a nutrient management plan that will meet the regulatory requirement. Additional costs may be incurred in order to meet the new standards.

Integrated Pest Management (IPM) Certification for golf course maintenance personnel became a requirement in 2008. Appropriate golf course staff have been certified. This Provincial regulation is viewed positively from an environmental perspective, however, it comes at a cost.

APPENDIX A-1: 2010 FINANCIAL PROJECTIONS

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

			ROUNDS ADJUSTED TO 100,000		
	2008 Actual (Audited) - Restated	2009 Actual (Audited)	2010	2011	2012
			$	$	$
ASSETS (Note 7)					
Current					
Cash	100	-	-	-	-
Due from City of Winnipeg	-	-	-	-	-
Accounts Receivable	266,491	281,502	281,502	281,502	281,502
Inventory (Note 2)	56,270	79,575	79,575	79,575	79,575
Prepaid Expenses	4,583	4,583	4,583	4,583	4,583
	327,444	365,660	365,660	365,660	365,660
Land, buildings and equipment: (Schedule 1)					
Land (Note 2)	20,376,565	20,376,565	20,376,565	20,376,565	20,376,565
Buildings (Note 2)	2,539,823	2,543,772	2,543,772	2,608,772	2,608,772
Golf Course Improvements (Note 2)	625,203	694,575	1,034,575	1,044,575	1,154,575
Furniture and Other Equipment (Note 2)	1,555,939	1,500,532	1,575,532	1,650,532	1,690,532
	25,097,530	25,115,444	25,530,444	25,680,444	25,830,444
Less: accumulated depreciation	1,621,503	1,710,858	2,028,169	2,363,030	2,643,211
	23,476,027	23,404,586	23,502,275	23,317,414	23,187,233
	23,803,471	23,770,246	23,867,935	23,683,074	23,552,893
LIABILITIES (Note 7)					
Current					
Due to City of Winnipeg	3,041,943	3,847,432	4,687,864	5,374,235	6,061,484
Accounts payable and accrued liabilities	108,556	125,165	125,165	125,165	125,165
Deferred Revenue	56,393	88,294	88,294	88,294	88,294
Vacation Liability	51,924	39,148	35,233	31,710	28,539
Current portion of long-term debt (Schedule 2)	94,336	120,785	131,825	163,634	184,835
	3,353,152	4,220,824	5,068,381	5,783,038	6,488,317
Long Term					
Retirement allowance	169,000	88,000	79,200	71,280	64,152
Environmental Liability	30,000	221,600	221,600	221,600	221,600
Long-term debt	3,952,534	3,881,749	4,064,924	4,051,290	4,016,455
	4,151,534	4,191,349	4,365,724	4,344,170	4,302,207
RETAINED EARNINGS					
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/(Deficit)	(4,275,873)	(5,216,585)	(6,140,828)	(7,018,792)	(7,812,289)
	16,298,785	15,358,073	14,433,830	13,555,866	12,762,369
	23,803,471	23,770,246	23,867,935	23,683,074	23,552,893

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

ROUNDS ADJUSTED TO 100,000

	2008 Actual (Audited) - Restated	Council Adopted 2009	2009 Actual (Audited)	Variance	2010	2011	2012
Revenues: (Note 4)							
Green Fees	1,831,386	2,204,153	1,748,862	(455,291)	1,813,172	1,905,770	2,013,371
Equipment Rentals	258,160	350,016	249,224	(100,792)	387,259	387,259	398,737
Concessions	36,841	42,000	56,721	14,721	83,430	85,933	88,511
Merchandise Sales	111,636	117,000	97,023	(19,977)	120,510	124,126	127,848
Other	67,604	27,723	78,594	50,871	28,405	29,257	30,134
Miniature Golf	-	-	-	-	-	-	-
Net Revenue-Leasing Operations	120,494	134,601	114,600	(20,001)	114,365	114,122	113,871
Total Revenues	2,426,122	2,875,493	2,345,024	(530,469)	2,547,141	2,646,467	2,772,472
Expenses: (Note 5)							
Salaries & Employee Benefits	1,296,756	1,324,026	1,278,584	(45,442)	1,419,715	1,445,502	1,480,698
Services	597,482	474,265	737,559	263,294	564,315	519,784	535,377
Materials,Parts,Supplies	262,524	278,360	293,611	15,252	288,946	297,614	306,543
Interest on Short Term Debt	68,179	104,183	15,269	(88,914)	177,694	206,709	233,431
Interest on Long Term Debt - Capital Plan	51,180	54,714	58,854	4,140	65,508	73,657	74,845
Total Expenses	2,276,121	2,235,547	2,383,877	148,330	2,516,178	2,543,267	2,630,894
Net Revenue	150,000	639,946	(38,852)	(678,798)	30,963	103,200	141,578
Allocated to the City: (Note 6)							
Property Tax Equivalents	227,966	233,060	234,754	1,694	240,052	247,253	254,671
Departmental Support Costs	118,010	49,451	49,451	-	50,935	52,463	54,036
Office Accommodation Costs	17,333	17,389	17,389	(0)	16,789	16,789	16,789
Provision for Payroll Taxes	24,508	26,474	24,015	(2,459)	26,474	27,268	28,086
Provision for Business Taxes	28,249	28,249	28,249	-	28,249	28,249	28,249
Interest on Long Term Debt - Acquired Assets	186,747	185,459	185,459	-	184,095	182,648	181,115
Transfer to General Revenue for 311	-	78,254	78,237	(17)	81,130	81,155	81,155
City's Return on Investment	327,844	-	-	-	-	-	-
Total allocated to the City	930,658	618,336	617,555	(781)	627,723	635,825	644,102
Other:							
Depreciation, Fixed Assets	**277,400**	283,470	274,353	(9,117)	317,311	334,861	280,181
Annual Audit Fee	10,593	9,876	9,951	75	10,172	10,477	10,792
Total Other and Allocated to the City	1,218,651	911,682	901,859	(9,823)	955,206	981,164	935,075
Net Income/(Loss)	(1,068,650)	(271,737)	(940,711)	(668,975)	(924,244)	(877,964)	(793,496)

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

	2008 Actual (Audited) - Restated	2009 Actual (Audited)	2010	2011	2012
Net inflow (outflow) of cash related to the following activities:					
OPERATING					
Net earnings (loss) for the year	(740,806)	(862,474)	(843,114)	(796,809)	(712,341)
Non-cash items relating to operations:					
Amortization	277,400	274,353	317,311	334,861	280,181
Increase in environmental liabiilty	30,000	191,600	-	-	-
Increase in Retirement Allowance	8,000	(81,000)	(8,800)	(7,920)	(7,128)
Working capital from operations	(425,406)	(477,522)	(534,603)	(469,868)	(439,288)
Changes in non-cash operating working capital items:					
Accounts receivable	(199,645)	(15,011)	-	-	-
Inventory	(5,689)	(23,305)	-	-	-
Prepaid Expenses	-	-	-	-	-
Accounts payable and accrued liabilites	(2,275)	16,609	-	-	-
Deferred Revenue	13,080	31,901	-	-	-
Vacation Liab	2,459	(12,776)	(3,915)	(3,523)	(3,171)
	(617,476)	(480,104)	(538,518)	(473,391)	(442,459)
FINANCING					
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	1,034,258	805,504	840,433	686,370	687,249
Incr in Long-term debt - Required for Capital Plan	185,937	(44,336)	194,215	18,175	(13,634)
Transfer to City of Winnipeg - General Revenue Fund	(327,844)	(78,254)	(81,130)	(81,155)	(81,155)
	892,351	682,914	953,518	623,390	592,460
INVESTING					
Purchase of Land	-	-	-	-	-
Purchase of Buildings	-	(3,949)	-	(65,000)	-
Purchase of Golf Course Improvements	(107,609)	(69,372)	(340,000)	(10,000)	(110,000)
Purchase of Furniture and Other Equipment	(167,167)	55,407	(75,000)	(75,000)	(40,000)
Proceeds from disposal of equipment		(184,997)			
	(274,776)	(202,911)	(415,000)	(150,000)	(150,000)
NET CASH INFLOW (OUTFLOW)	100	(100)	0	(1)	0
CASH POSITION, BEGINNING OF YEAR	-	100	-	-	(1)
CASH POSITION, END OF YEAR	100	-	-	(1)	(1)

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

	2008 $	2009 $	2010 $	2011 $	2012 $
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Net Income (Loss) for year (Cumulative)	(4,275,873)	(5,216,585)	(6,140,828)	(7,018,792)	(7,812,289)
	16,298,785	15,358,073	14,433,830	13,555,866	12,762,369

Golf Services - Special Operating Agency
Notes to the Financial Projection
For One Year ending December 31, 2010

1 DESCRIPTION OF BUSINESS

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

2 ACCOUNTING POLICIES

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

The projections include the following significant accounting policies:

Inventory

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

Land

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

Buildings

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

Golf Course Improvements

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

Furniture and other Equipment

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

3 HYPOTHESES

The financial projections have been based on the following hypothesis:

Green Fees

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

4 ASSUMPTIONS - REVENUE

a) Green Fees

Green fee rates are projected to increase by an average of 3% or a $1 a round. The number of rounds are projected to remain constant or show a slight decline.

b) Equipment Rentals

The auto cart fleet consists of 82 units (all owned). The fee per use will increase to $30.00. Other rental equipment includes individual clubs, club sets and pull carts. Rates are assessed annually and adjusted to be competitive within the local market.

c) Merchandise Gross Profits

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

d) Concessions

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

e) Miniature Golf

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

f) Other

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

g) Leasing Operations

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

5 ASSUMPTIONS - EXPENSES

a) Salaries and employee benefits

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

1 Chief Operating Officer (full time) WAPSO Exempt

1 Operations Assistant (full time) CUPE

1 Foreman II/III (full time) CUPE

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

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

b) Professional & Consultative Services

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

c) Special Services - Non-Professional

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

d) Allocated Departmental Costs

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

e) Auto Allowance

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

f) Utilities

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

g) Telephone

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

h) Advertising

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

l) Rentals

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

j) Training

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

k) Other Parts and Accessories

Parts for aging equipment and irrigation systems.

6) ASSUMPTIONS - AMOUNTS ALLOCATED TO CITY

a) Property tax Equivalents and Departmental Support Costs

Property tax equivalents have been estimated based on existing assessments and mill rates that would apply to Golf Course operations. Support Costs from the Planning, Property and Development

Department consist of estimated variable costs of providing Financial, Human Resources/Payroll and Information Technology Services.

b) Office Accommodation Costs

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

c) Provisions for Payroll and Business Taxes

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

d) City's Return on Investment

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

7) ASSUMPTIONS - ASSETS AND LIABILITIES

a) Accounts Receivable

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

b) Accounts payable and accrued liabilities

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

c) Due To/Due From the City of Winnipeg

The City extends an operating line of credit through the General Revenue Fund “Due To/Due From” account at prevailing rates of interest, and pays interest to the Agency at prevailing rates at such times in which the City owes money on current account to the Agency. The limit of this line of credit will be $5M.

d) Retirement allowance and vacation liability

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

e) Long Term Debt

The City provides funds for golf course capital improvements using the Golf Course Reserve as the source of funds. Interest is scheduled at the rate of 6% and principal repayment is scheduled over ten years commencing two years after borrowing. A long-term loan has been provided by the City to finance the depreciable assets transferred to the Agency on start-up. The outstanding loan balance as at December 31, 2008 is $3,952,534 and generates interest at the rate of 6%.

8) FINANCIAL PROJECTIONS

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

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

APPENDIX A-2: 2010 GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Kildonan/Windsor									
Adult	21.00	22.00	23.00	24.00	25.00	26.00	27.00	30.00	30.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50	22.00	22.00
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00
Twilite adult/senior	13.00	14.00	15.00	15.00	15.00	16.00	17.00	19.00	19.00
Twilite junior	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00
Sunrise	12.00	12.00	13.00	13.00	13.00	13.00	13.50	15.00	15.00
John Blumberg (18)									
Adult	23.00	24.00	25.00	26.00	27.00	28.00	29.00	N/A	N/A
Senior*	16.00	17.00	17.50	18.50	19.50	20.50	21.50	N/A	N/A
Junior*	13.00	14.00	14.50	15.00	16.00	16.50	17.00	N/A	N/A
Twilite adult/senior	14.00	15.00	16.00	16.00	16.00	17.00	18.00	N/A	N/A
Twilite junior	13.00	14.00	14.50	15.00	16.00	16.50	17.00	N/A	N/A
Sunrise	13.00	13.00	14.00	14.00	14.00	14.00	14.50	N/A	N/A
John Blumberg (9)									
Adult	12.50	12.50	12.50	13.00	13.50	14.00	14.50	N/A	N/A
2nd round	10.00	10.00	10.50	11.00	11.00	11.00	11.00	N/A	N/A
Senior	9.50	9.50	9.50	10.00	10.00	10.50	11.00	N/A	N/A
2nd round	5.50	5.50	6.00	6.50	6.50	6.50	6.50	N/A	N/A
Junior	9.50	9.50	9.50	10.00	10.00	10.50	11.00	N/A	N/A
2nd round	4.50	4.50	5.00	5.50	5.50	5.50	5.50	N/A	N/A
Crescent Drive/Harbour View									
Adult	10.50	11.00	11.00	11.50	12.00	12.50	13.00	14.00	14.00
2nd round	9.00	9.00	9.50	10.00	10.00	10.00	10.00	11.00	11.00
Senior	8.50	8.50	8.50	9.00	9.00	9.50	10.00	11.00	11.00
2nd round	5.50	5.50	6.00	6.00	6.00	6.00	6.00	7.00	7.00
Junior	8.00	8.00	8.00	8.50	8.50	9.00	9.50	10.00	10.00
2nd round	3.50	4.00	4.00	4.50	4.50	4.50	4.50	5.00	5.00
Sunrise	8.50	8.50	8.50	9.00	9.00	9.00	9.50	11.00	11.00
Miscellaneous Services (Windsor/Kildonan/Crescen t Drive)									
Auto cart 18 hole	24.00	24.00	25.00	25.00	25.00	25.00	26.00	28.00	30.00
Auto cart 9 hole	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00	15.00
Trail fee private auto cart (18)	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00	20.00
Trail fee private auto cart (9)	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Rental clubs 7 piece (18)	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00
Rental Clubs 7 piece (9)	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00
Rental Clubs 11 piece (18)	11.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00	12.00
Pull cart (18)	4.50	3.95	4.50	4.50	4.50	5.00	5.00	5.00	5.00

Pull cart (9)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Kildonan	40,023	45,896	43,306	42,624	39,416	48,100	48,332	49,180	48,278	41,336	45,203	37,378	34,875	38,021	34,718	30,642	27,860
Windsor	32,571	41,544	41,966	36,570	35,112	44,470	46,892	45,929	42,462	37,327	42,596	33,621	26,150	32,018	30,500	30,953	24,908
Crescent Drive	36,185	44,414	44,364	39,317	33,575	45,589	41,961	40,877	37,862	31,527	33,719	26,622	19,910	28,585	23,936	20,406	20,139
Harbour View	34,749	38,560	39,206	35,864	38,880	42,386	35821	37,457	35,492	28,118	29,987	24,419	26,454	26,749	21,221	19,487	18,735
Annual Totals	**143,528**	**170,414**	**168,842**	**154,375**	**146,983**	**180,545**	**173,006**	**173,443**	**164,094**	**138,308**	**151,505**	**122,040**	**107,389**	**125,373**	**110,375**	**101,488**	**91,642**

APPENDIX B: 2009 AUDITED FINANCIAL STATEMENTS

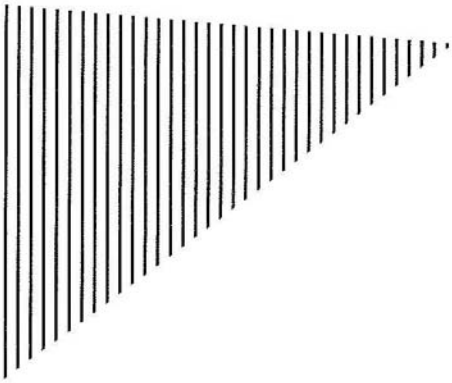


WGS 2009 Audited
Statements (Ap 22 1(

Financial Statements
[Expressed in thousands of dollars]

The City of Winnipeg - Golf Services - Special Operating Agency

December 31, 2009



ERNST & YOUNG
Quality In Everything We Do

AUDITORS' REPORT

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

We have audited the statement of financial position of **The City of Winnipeg - Golf Services - Special Operating Agency** as at December 31, 2009 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
March 5, 2010.

Chartered Accountants

ERNST & YOUNG
A member firm of Ernst & Young Global Limited

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2009	2008 (Restated Note 12)
ASSETS		
Current		
Accounts receivable	$ 281	$ 267
Inventory	79	56
Prepaid expenses	5	5
	365	328
Capital assets (Note 5)	23,404	23,476
	$ 23,769	$ 23,804
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund (Note 6)	$ 3,847	$ 3,042
Accounts payable and accrued liabilities	125	109
Deferred revenue	88	57
Vacation payable	39	52
Current portion of long-term debt (Note 7)	121	94
	4,220	3,354
Retirement allowance (Note 8a)	88	169
Environmental liability (Note 9)	222	30
Long-term debt - The City of Winnipeg (Note 7)	3,881	3,953
	8,411	7,506
SURPLUS		
Contributed surplus	20,574	20,574
Deficit	(5,216)	(4,276)
	15,358	16,298
	$ 23,769	$ 23,804

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	2009	2008 (Restated Note 12)
REVENUES		
Green fees	$ 1,749	$ 1,831
Equipment rentals	249	258
Net revenue from leasing operations	115	120
Merchandise sales	97	112
Concessions	56	37
Gain on disposal of capital assets	32	-
Other	47	68
Total Revenues	2,345	2,426
EXPENSES		
Salaries and employee benefits (Note 8)	1,278	1,295
Services (Note 10)	782	636
Material, parts and supplies	292	263
Municipal tax equivalency charge (Note 11)	287	281
Amortization	274	277
Debt, finance charges and interest (Notes 6 and 7)	274	320
Rent (Note 10b)	17	17
Provision for doubtful accounts	3	78
Total Expenses	3,207	3,167
Net loss and comprehensive loss for the year from operations	(862)	(741)
DEFICIT, BEGINNING OF YEAR	(4,276)	(3,207)
Transfer to The City of Winnipeg - General Revenue Fund	(78)	(328)
DEFICIT, END OF YEAR	$ (5,216)	$ (4,276)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

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

	2009	2008 (Restated Note 12)
OPERATING		
Net loss for the year	$ (862)	$ (741)
Non-cash items related to operations		
(Decrease) increase in retirement allowance	(81)	8
Increase in environmental liability	192	30
Increase in deferred revenue	31	13
Amortization	274	277
Working capital from operations	(446)	(413)
Net change in working capital	(34)	(205)
	(480)	(618)
FINANCING		
Increase in due to The City of Winnipeg - General Revenue Fund	805	1,034
(Decrease) increase in long-term debt - The City of Winnipeg	(45)	186
Transfer to The City of Winnipeg - General Revenue Fund	(78)	(328)
	682	892
INVESTING		
Purchase of capital assets	(170)	(274)
Disposal of capital assets	(32)	-
	(202)	(274)
CASH, END OF YEAR	$ -	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. *Description of Business*

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

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

The Agency commenced operations on January 1, 2002.

2. *Significant Accounting Policies*

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

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

Inventory

Inventory is recorded at the lower of cost and net realizable value. The amount of inventory expensed during the year was $69 thousand (2008 - $60 thousand).

Capital assets

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

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

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

Revenue recognition

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

3. Financial Instruments

The Agency's financial assets and liabilities are comprised of accounts receivable, due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable and long-term debt. 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 accounts receivable are classified as loans and receivables. Due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable and long-term debt have been classified as other liabilities. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-for-trading, held-to-maturity or available-for-sale. The 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 noncollectible 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. Financial instruments affected mostly by interest rate risk are long-term debt and due to The City of Winnipeg - General Revenue Fund.

As the Agency's long-term debt is comprised entirely of fixed rate instruments, the Agency is not exposed to this risk. 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. *Capital Assets*

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Land	$ 20,376	$ -	$ 20,376	$ 20,376
Building	2,544	812	1,732	1,830
Equipment	1,501	778	723	733
Golf course improvements	694	121	573	537
	$ 25,115	$ 1,711	$ 23,404	$ 23,476

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

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is $3.5 million at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2009, the rate was 0.2% (2008 - 1.5%). The interest paid in 2009 was $15 thousand (2008 - $66 thousand). The Agency will be submitting a request to increase the limit of this line of credit to $5 million in May 2010.

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

	2009	2008
Golf Course Reserve		
Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	$ 35	$ 43
- 2005	43	50
- 2006	77	87
- 2007	186	207
- 2008	257	282
- 2009	12	13
- 2010	274	274
- 2011	50	-
	934	956
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	3,068	3,091
	4,002	4,047
Current portion of long-term debt	(121)	(94)
	$ 3,881	$ 3,953

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

2010	$ 121
2011	132
2012	140
2013	148
2014	147
Thereafter	3,314
	$ 4,002

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

b) Interest on the golf course improvement loans during the year was $59 thousand (2008 - $53 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $185 thousand (2008 - $187 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $244 thousand (2008 - $240 thousand).

8. ***Employee Benefits***

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experience gains and losses are amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 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	$ 152	$ 142
Current service cost	4	4
Interest cost	5	7
Benefit payments	(84)	-
Net actuarial gain	(31)	(1)
Balance, end of year	46	152
Unamortized net actuarial gain	42	17
Retirement allowance - accrued liability	$ 88	$ 169

Retirement allowance expense consists of the following:

	2009	2008
Current service cost	$ 4	$ 4
Interest cost	5	7
Amortization of net actuarial gain	(6)	(3)
	$ 3	$ 8

8. Employee Benefits (continued)

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

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

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $49 thousand (2008 - $54 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2008 and has an actuarial surplus.

9. Environmental Liability

The Agency has included an estimate of the cost to remediate a fuel site. A third party has estimated the cost at $30 thousand. Additionally, the Agency has included an estimate of the cost of a Wastewater Treatment plant ($100 thousand) at John Blumberg Golf Course and also asbestos removal at the John Blumberg clubhouse ($92 thousand).

10. Related Party Transactions

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

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred to the Agency's revenues/expenses are as follows:

a) In Services, an amount of $14 thousand (2008 - $63 thousand) for general government charges has been included and paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;

b) An amount of $17 thousand (2008 - $17 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space;

c) An amount of $49 thousand (2008 - $118 thousand) has been charged by The City of Winnipeg General Revenue Fund for various supporting services provided by The City of Winnipeg Planning, Property and Development Department;

d) An amount of $135 thousand (2008 - $114 thousand) has been charged by the City of Winnipeg Building Services Fund for services provided at the various golf courses; and

e) An amount of $20 thousand (2008 - $19 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by the Agency.

f) An amount of $14 thousand (2008 - $16 thousand) has been charged by the City of Winnipeg Water & Waste Department for Landfill Tipping Fees.

11. Municipal Tax Equivalency Charge

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by The City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses. The municipal tax equivalency charge also includes payroll tax of $24 thousand (2008 - $25 thousand).

12. Correction of Prior Period Error

During 2009, it was discovered that $46 thousand of landfill tipping fees were not recorded by the Agency for 2008 and prior years. The correction was accounted for retroactively with restatement of all prior periods reported. The effect of these changes on the 2008 comparative figures is as follows:

Financial Statement Item	Previously Reported	Change	Balance As Restated
Statement of Financial Position			
Accounts payable and accrued liabilities	53	56	109
Deficit	(4,230)	(46)	(4,276)
Statement of Operations and Deficit			
Services	620	16	636
Deficit, Beginning of Year	(3,176)	(31)	(3,207)
Statement of Cash Flows			
Net Loss for the year	(726)	(15)	(741)
Net change in working capital	(207)	2	(205)

13. Comparative Figures

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