# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## NOTES TO THE PROJECTED FINANCIAL STATEMENTS

*For the three years ending December 31, 2017*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

### *1. Description of Business*

On March 20, 1997, City Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, City Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, City Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by City Council.

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by The City of Winnipeg ("the City"). The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

### *2. Significant Accounting Policies*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

**a) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

**b) Deferred revenue**

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or services performed.

**c) Non-financial assets**

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

## *2. Significant Accounting Policies (continued)*

### i) Tangible capital assets

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. The amortization rates are as follows:

| | |
|---|---|
| Leasehold improvements | 15 Years |
| Parking surfaces | 5% |
| Parkades | 4% |
| Vehicles | 20% |
| Meters and pay stations | 10% |
| Equipment | 10-20% |
| Computer equipment | 33% |
| Office furniture and equipment | 20% |
| Parkade betterments | 5% |

### ii) Leases

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

### iii) Inventories

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

### d) Employee benefit plan

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

### e) Use of estimates

The preparation of financial statement in conformity with Canadian generally acceptable accounting principles requires management to make estimates. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

## *3. Due from The City of Winnipeg - Land Operating Reserve*

In 2010, Winnipeg Square Parkade was sold and the proceeds of disposition were deposited to The City of Winnipeg - Land Operating Reserve. There is no specific repayment terms on the receivable.

### *4. 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 charged or credited based on the City's average short-term cost of funds, which is a function of the Bank of Canada rate.

### *5. Debt*

| | Forecast 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| **The City of Winnipeg - General Revenue Fund** | | | | |
| Start-up loan with no specific terms of repayment | $ 3,918 | $ 3,918 | $ 3,918 | $ 3,918 |

### *6. Accrued Employee Benefits*

**a) Retirement allowance and compensated absences**

| | Forecast 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Retirement allowance - accrued benefit liability | $ 85 | $ 87 | $ 89 | $ 91 |
| Vacation | 180 | 183 | 186 | 189 |
| Compensated absences | 29 | 30 | 31 | 32 |
| | $ 294 | $ 300 | $ 306 | $ 312 |

*6. Accrued Employee Benefits (continued)*

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.6 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 liability as at December 31 of each year.

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

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

**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.

*7. Tangible Capital Assets*

| | Net Book Value | | | |
|---|---|---|---|---|
| | Forecast 2014 | 2015 | 2016 | 2017 |
| Land | $ 73 | $ 73 | $ 73 | $ 73 |
| Parkades | 5,498 | 5,817 | 5,527 | 5,177 |
| Authority assets | | | | |
| Leasehold improvements | 243 | 207 | 171 | 134 |
| Parking surfaces | 374 | 475 | 442 | 409 |
| Equipment | | | | |
| Vehicles | 1 | 267 | 379 | 187 |
| Meters and pay stations | 3,473 | 2,411 | 1,354 | 299 |
| Equipment | 405 | 368 | 299 | 242 |
| Computer equipment | 1 | 328 | 216 | 91 |
| Office furniture and equipment | 30 | 20 | 11 | 4 |
| | $ 10,098 | $ 9,966 | $ 8,472 | $ 6,616 |

*8. Enforcement Revenue*

Prior to 2005, enforcement revenue was accounted for using the cash basis of accounting by the City. At January 1, 2005 a gross enforcement receivable was estimated at $12,182 thousand, which was assumed by the Agency.

### *9. Related Party Transactions*

The Agency is wholly-owned by the City. Transactions between the Agency and the City 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.

| | Forecast 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| a) Sales of goods and services to The City of Winnipeg | $ 410 | $ 613 | $ 625 | $ 638 |
| b) Municipal Accommodations Fund | | | | |
| Rental of office space | 377 | 269 | 269 | 269 |
| Services provided at various locations | 107 | 20 | - | - |
| c) Winnipeg Transit System Fund | | | | |
| Coin counting and deposit services | 48 | 48 | 48 | 49 |
| d) Winnipeg Fleet Management | | | | |
| Insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency | 385 | 405 | 415 | 422 |
| e) General Revenue Fund | | | | |
| Corporate Support Services | | | | |
| Agency's share of City's general expenses | 80 | 80 | 80 | 80 |
| General transfer | - | 2,000 | 3,000 | - |
| 311 services | 133 | 133 | 133 | 133 |
| Business technology service | 241 | 243 | 243 | 243 |
| Campus HR | 76 | 108 | 110 | 112 |
| Assessment and Taxation | | | | |
| Payments-in-lieu of municipal taxes | 189 | 196 | 94 | 95 |