Appendix A

Animal Services Special Operating Agency

2016 – 2018 Business Plan

Service Overview:

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

Sub-Service	Description
Licensing	○ Pet licensing ○ Excess animal permits
Adoption/Education	○ Adoption of unclaimed dogs ○ Public education programs on responsible pet ownership
Kenneling	○ Kenneling and care for stray animals running-at-large picked up by the Agency and the public. ○ Quarantine kenneling for biting dogs
By-Law Enforcement	○ Enforcement of the RPO By-law ○ Neighbourhood dispute resolution ○ Investigation and response ○ Picking up injured animals ○ After hours emergency response ○ 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 (WHS) 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; and
- An improved public image.

Summary of Goals and Strategies:

Maintain the enforcement of by-laws and continue to educate pet owners regarding their responsibilities, as they pertain to pet licensing.

- Maintain "Zero Tolerance" dog licensing policy coupled with value added educational messaging.
    - Effective September 1, 2011, Winnipeg became a zero tolerance dog licensing city. Zero tolerance means that if you are a dog owner and your dog has never been licensed, you will be immediately subject to a $250 fine.

    - Over 49,000 dogs are now licensed in Winnipeg. Over 1,000 complimentary licenses were issued through adoptions and low-income spay/neuter programs.
    - An educational newsletter is also mailed out annually to licensed pet owners. The newsletter is designed to be used as an educational tool to communicate the value of licensing along with the good things being done with licensing dollars.
    - Advertising and media collaboration will continue to be used to educate the public about the zero tolerance policy and the value and importance of pet licensing. License revenues help protect one's dog while supporting the essential service of animal control. Licensing enforcement will continue with the Agency's complement of Animal Services Officers.
- Maintain cat licensing
    - Over 22,000 cats are now licensed in Winnipeg. Over 3,000 complimentary licenses were issued through adoptions and low-income spay/neuter programs.
    - In 2013, Council approved cat licensing in Winnipeg. Similar to dog licensing, cat licensing offers protection for cats, and provides a new revenue stream. Revenues are used not only to administer the program, but also offered additional funding to expand low income spay/neuter programs for cats in our community. In 2015, cat licensing was launched in tandem with a marketing plan to ensure the community was aware of this new program.
    - Cat licenses are available through similar outlets as dog licenses, including online, the 311 Service Centre, veterinary clinics and pet stores.
    - In August of 2015, all major animal shelters and cat groups were invited to apply for spay/neuter funding. Only the Winnipeg Humane Society applied and received $20,250 in funding.
    - Cat licensing revenue programming will be reviewed on an annualized basis.
- Annually review all fees and charges.
- Active follow-up on delinquent accounts and no-license complaints.
- Continue e-commerce capabilities on Winnipeg.ca:
    - Online pet licensing invoicing;
    - Online license renewals;
    - Online new license payments;
    - Online donations to support animals in the Agency's adoption program.
- Actively pursue sponsorship opportunities to offset operating costs of Agency programs such as adoptions. Dog kennel sponsorships have proven popular.
- Target common dog walking areas with both educational and dog license messaging.

Increase customer service and satisfaction through improvement in front-line service delivery.

- Review the Agency's technological needs and upgrade as necessary.
- In 2014, the Agency modernized its software system which enabled better customer service and more efficient license processing and by-law enforcement.
- Support ongoing staff training and development.

Improve health and safety of neighbourhoods through the enforcement of the Responsible Pet Ownership By-law.

- Provide active response to community incidents involving animals.
- Respond to both Winnipeg Police Service and Winnipeg Fire Paramedic Service incidents to assist in the care of animals.
- Active follow-up process on delinquent accounts and no-license complaints.
- Enhance prevention and education programs. The Agency attended over 20 community events in 2015. These events vary from classroom presentations for newcomers to Canada about how to interact with dogs, to neighbourhood street festivals.
- Consult with community groups and industry service providers in regard to effective communication strategies.
- Target dog parks and other common dog walking routes with enforcement, focusing on on/off leash compliance and licensing.
- Continue financial support of the WHS low-cost spay/neuter programs to help reduce the cat overpopulation problem.
- Develop creative marketing promotions stressing responsible pet ownership with an emphasis on neighbourhood relationship and licensing.
- Continue to expand relationship with 311, including 24/7 reunification of licensed pets.
- Use social media to help increase return rate of lost pets.
- Develop innovative strategies to encourage pet owners to spay/neuter their pets.
- 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.

- Consult with the Winnipeg Humane Society, veterinarian community, Animal Services Agency Advisory Board, and other rescue organizations to develop joint strategies to provide solutions for neighbourhoods.
- Review and amend by-laws as necessary.
- Develop a comprehensive and sustainable marketing plan and communications strategy.
- Expand relationship with media promoting responsible pet ownership, Agency initiatives and activities.
- Continue promotion of adoption of unclaimed dogs online and on social media through volunteer collaboration.

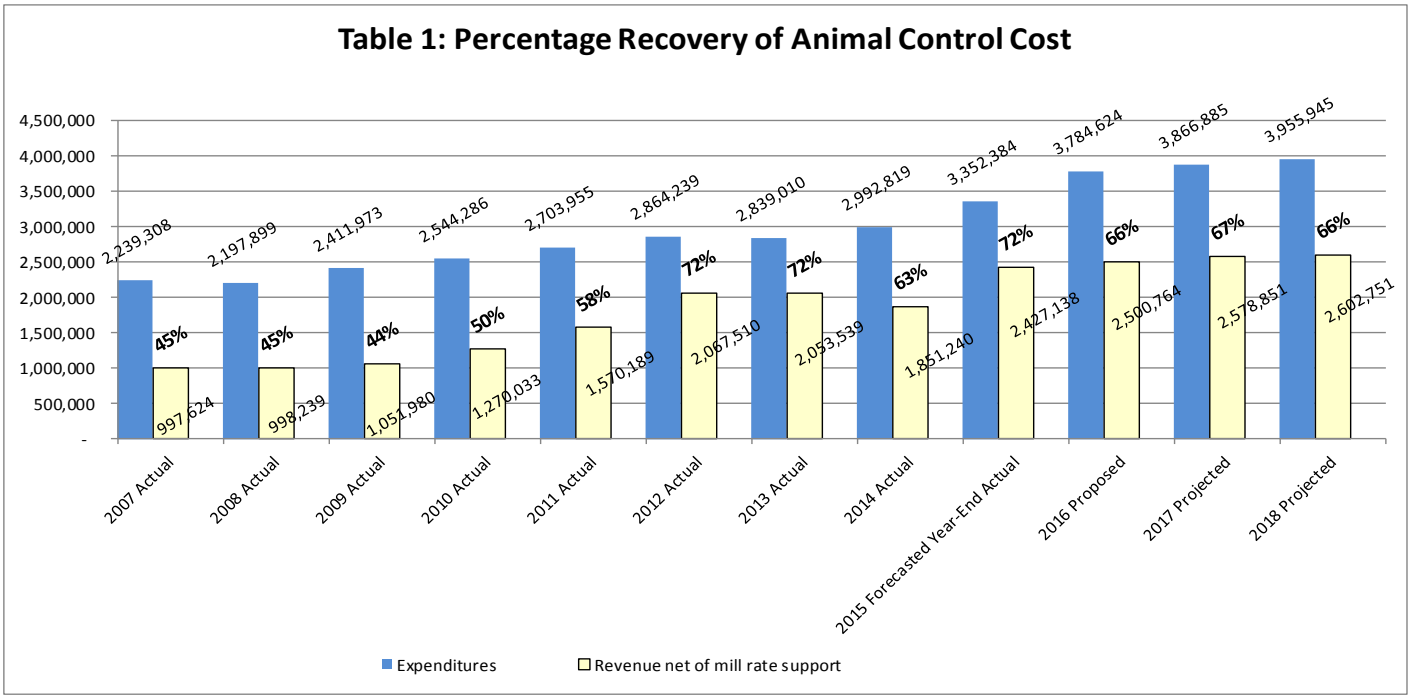
Financial: (see 2016 – 2018 Financial Projections)

Pro forma financial statements are attached, which include a Projected Statement of Financial Position, Projected Statement of Operations and Accumulated Deficit, Projected Statement of Cash Flows and a Projected Statement of Net Financial Liabilities.

2014 Audited Financial Statements are attached for reference (Appendix B).

Tax-supported funding for the Agency is reflected as a Mill Rate Support Transfer to Animal Services in the Community Services Department budget.

Table 1 outlines the effectiveness of the cost management of the Animal Services Agency. The chart following is based on the OMBI (Ontario Municipal Benchmarking Initiative) guideline which measures Percentage Recovery of Animal Control Cost (Revenue net of mill rate support divided by cost of service). Since 2007 the percentage recovery of animal control costs has increased from 45% to 72% in 2015.

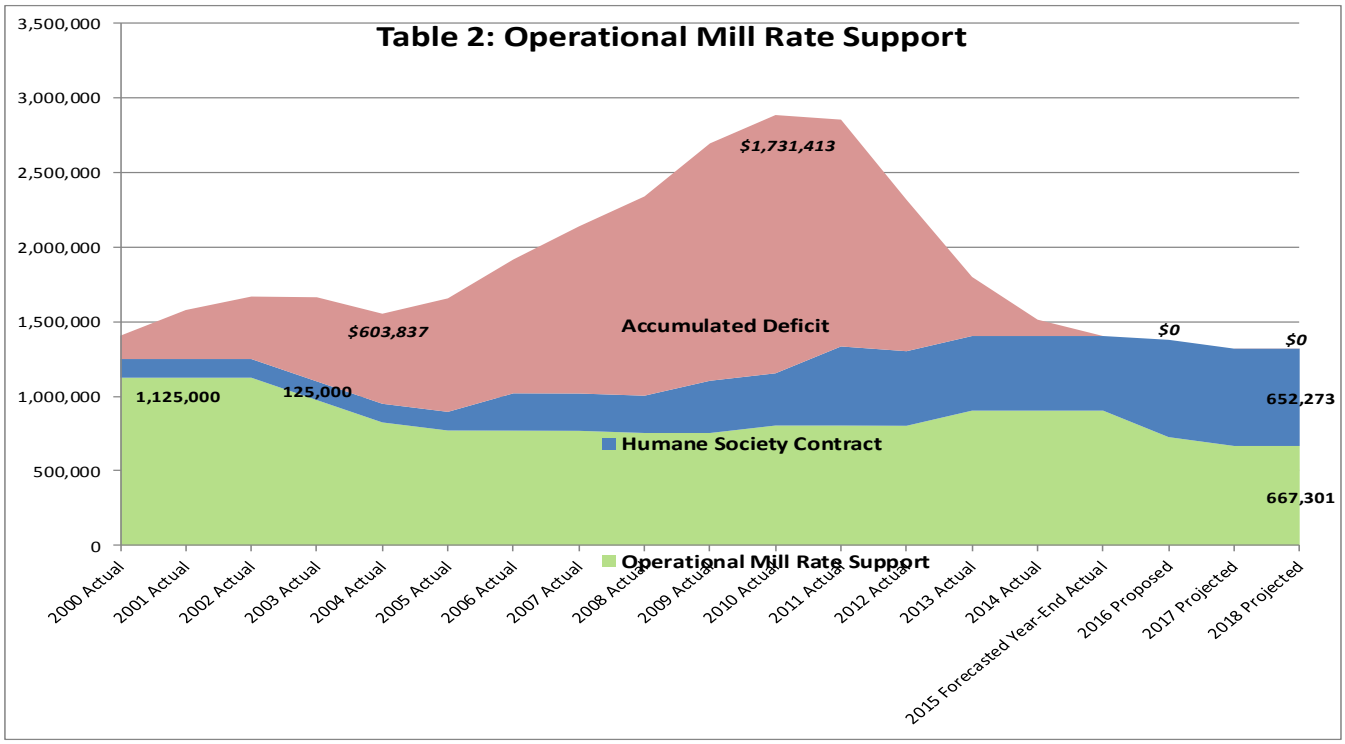


REVENUE:

Mill Rate Support

- The direct mill rate support to Animal Services in 2016 is projected to be $726,563 after $652,273 of the gross mill rate support ($1,378,836) is transferred to the Winnipeg Humane Society.

- The Service Agreement with the Winnipeg Humane Society was been extended to December 31, 2015. Funds for 2016 through 2018 have been budgeted to include an increase of $152,273 to mill-rate support and grant transfers account for the increased grant to the Winnipeg Humane Society. Table 2 outlines the historical tax support received by Animal Services to run its operations net of the Winnipeg Humane Society service agreement.
- In 2018, Animal Services' net forecasted expenditure budget is $3.3M, of which only $667,301 of mill rate support is allocated. License sales as a result of the "Zero Tolerance" initiative in 2011 have stabilized and no increase in dog license sales is predicted. Cat license sales began in 2015 and are predicted to grow slightly over the next two years and stabilize by 2018.



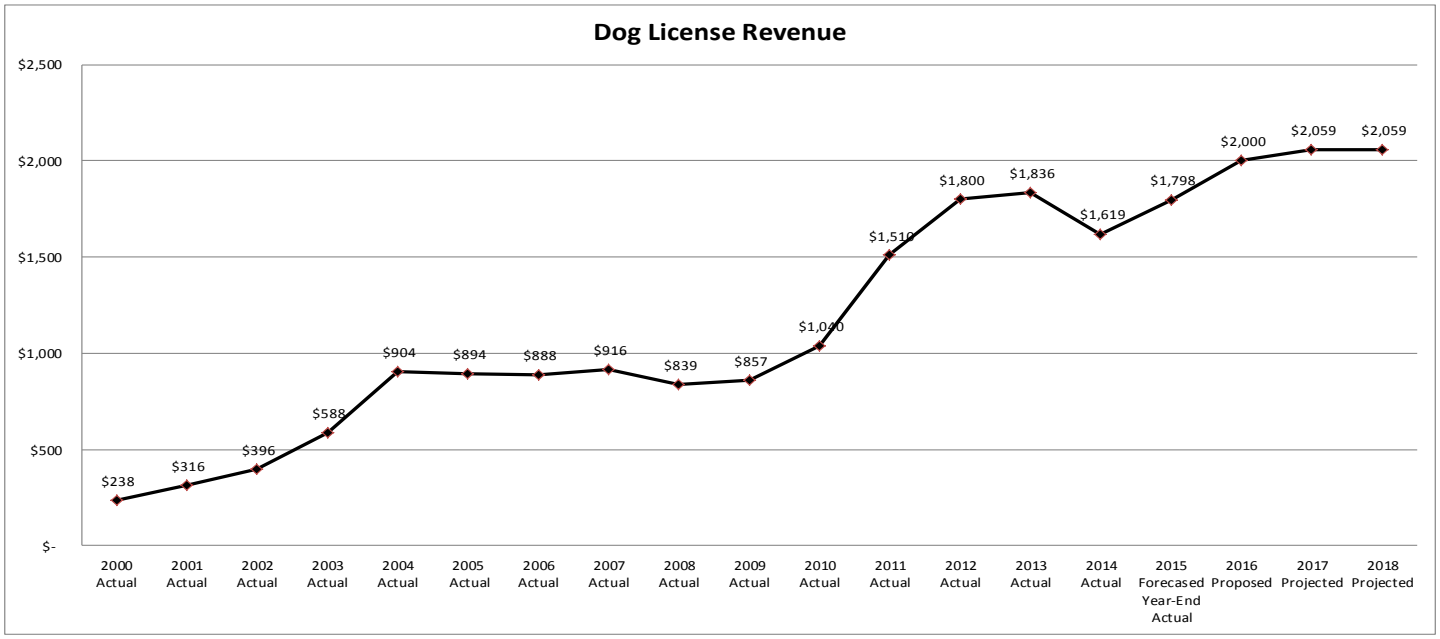
Revenue (Non-Mill rate Sources)

The Agency receives revenue from a number of sources including pet licenses, impound and kennel fees, permits, adoption sales, surrendered animals, and trap rentals. Table 1 showed that the rate of cost recovery from non-mill rate sources is approximately 72% in 2015.

Dog Licensing

The 2016 preliminary budget tabled by the Executive Policy Committee includes an increase to the annual dog license fees effective April 1, 2016 from $31.00 to $36.00 for sterilized dogs and from $66.00 to $71.00 for intact dogs. Annual inflationary increases are projected for 2017 and 2018.

Table 3 outlines dog license revenues, recognized and recorded on an accrual basis, for 2000 – 2015 with projected revenues for 2016 through 2018.



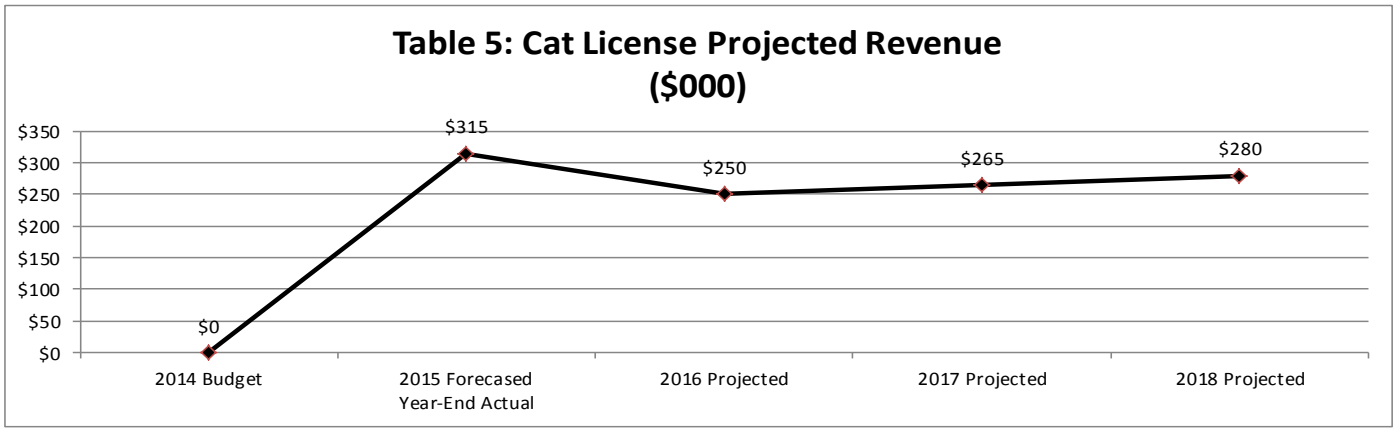
Since license purchases and renewals occur throughout the year, there is unearned revenue on hand at year-end that is deferred to future years. Also, deferred revenue from previous years is recognized in income throughout the year.

After several years of declining or neutral growth, license sales increased in 2011 primarily due to the successful implementation of the Zero Tolerance licensing policy.

Cat Licensing

Council approved the implementation of cat licensing effective January 1, 2015. The annual cat license fees are $15.00 for sterilized cats and $50.00 for intact cats.

Table 5 outlines projected revenues for 2016 through 2018. Revenues are based on approximately 16,500 actual licenses sold in 2016, of which 99% are expected to be for sterilized cats and increase by 1,000 licenses/subsequent year.



Other Regulation Fees

- Fees and charges are expected to increase by the rate of inflation in all budget years, as provided by the City's Fees and Charges Policy.
- The 2016 preliminary budget tabled by the Executive Policy Committee includes an above inflation increase to the annual dog license fees.
- A non-refundable administration fee has always existed as part of the adoption fees. It is now being listed as a separate item (and removed from dog adoption fees) to enhance transparency.
- Above inflationary increases are proposed for dog adoption fees to allow for heartworm testing prior to adoption and the trap set up/removal fee increased to better reflect the cost of the service.
- Cat licensing fees are remaining constant due to being a new initiative.
- A new grooming fee is proposed to facilitate the care of animals that are picked up and in poor condition, requiring extensive grooming.

EXPENSES:

Table 6 shows the Agency's expenses, actual and projected, for the period 2013 through 2018.

Table 6: Expenses	2013 Actual	2014 Actual	2015 Forecasted Year-End Actual	2016 Proposed	2017 Projected	2018 Projected
Salaries & Benefits	1,425,429	1,561,280	1,609,491	1,771,619	1,829,257	1,892,497
Services	314,274	278,205	318,617	406,522	414,121	420,873
Departmental Services	150,326	160,218	247,721	251,474	255,229	258,629
Materials, Parts, Supplies	70,662	80,264	75,926	137,992	140,616	143,287
Fleet	92,127	123,056	120,023	129,232	130,463	131,719
Assets & Purchases	12,100	6,275	2,833	3,169	3,432	3,499
Debt & Finance Charges	44,353	42,937	75,031	55,059	56,109	57,171
Grants, Transfers, WHS	729,739	740,584	902,742	1,029,557	1,037,658	1,048,270
Total Expenses	**2,839,010**	**2,992,819**	**3,352,384**	**3,784,624**	**3,866,885**	**3,955,945**

Salaries and Benefits *(2016 = $1,771,619)*

- 2016 proposed salary levels are based on existing grades and levels as per the collective agreements. The total staff complement will consist of 27.69 FTE.
    - The CUPE positions include:
        - Six clerical staff (one Clerk C, one Clerk B, and four Clerk A positions)
        - Three part-time Clerk A positions (total 2.4 FTE)
        - One Adoption/Education Coordinator
        - Two Animal Services Officer II positions
        - Ten Animal Services Officer I positions
        - Three part-time Animal Services Officer I positions (total 1.0 FTE)
        - One Kennel Attendant
        - Three part-time Kennel Attendant Assistants (total 1.29 FTE)
    - The WAPSO/WAPSO exempt positions include:
        - One Chief Operating Officer
        - One Field Operations/Court Coordinator
        - One Coordinator of Finance and Administration

Services *(2016 = $406,522)*

- The Agency budgeted $60,000 for commissions on dog and cat license sales through veterinarians and pet stores.
- Animal Services budgeted $26,158 for telephones, pagers and GPS expenses.
- Other major services used by the Agency include non-professional services ($72,944) and veterinary professional services ($59,456), advertising ($52,122), audit fees ($31,743), printing and postage ($62,691), and other various smaller services ($41,408).

Departmental Services *(2016 = $251,474)*

- Animal Services expects to continue purchasing administrative services from the City's Community Services Department for 2016 - 2018. Included in these services is assistance with respect to finance, human resources, strategic support and information technology; these charges increased by 104% from 2014 ($83,390) to 2015 ($170,000).
- The Agency's Departmental Services budget also includes an additional $78,074 payment in 2016 for General Government Charges for support provided by Corporate Finance and Corporate Services (See Table 7 below for Interdepartmental Support).

Table 7: Departmental Services

	2013 Actual	2014 Actual	2015 Forecasted Year-End Actual	2016 Proposed	2017 Projected	2018 Projected
Strategic Planning	16,000	15,997	56,666	61,200	62,400	63,600
Financial Services	27,500	30,504	56,667	61,200	62,400	63,600
Human Resources	16,000	15,997	28,333	25,500	26,000	26,500
Information Systems	20,896	20,892	28,333	25,500	26,000	26,500
General Government Charges	69,930	76,830	77,721	78,074	78,429	78,429
Total	**$150,326**	**$160,220**	**$247,721**	**$251,474**	**$255,229**	**$258,629**

Materials, Parts & Supplies and Assets & Purchases *(2016 = $141,161)*

- The budget for materials, parts and supplies increased in 2014 as a result of the Animal Services Agency purchasing a new business system software package to better suit the needs of the Agency by improving customer service and providing better performance measurement. The new software, Chameleon, replaced the Animal Services Information System (ASIS) which had been in service since 1995 and lacked the functionality required by the Agency. License fees for the software are budgeted at $45,000.
- Operating supplies related to caring for dogs is budgeted at $25,778.
- Other expenses in this category include uniforms and protective clothing ($21,043) and stationery and office supplies ($12,670).
- Assets and purchases include office equipment and other equipment

Fleet *(2016 = $129,232)*

- Animal Services Agency replaced its animal control fleet of six vans in 2013. Overall, the fleet cost has increased due to higher capital lease costs associated with the new vehicles. Budgeted fleet cost for 2016 is $129,232.

Debt and Finance Charges *(2016 = $55,059)*

- Animal Services Agency has a line of credit with an interest rate of prime plus 2.5% ($179).
- Depreciation of $16,500 will be charged in 2016.
- Finance charges include bank service charges ($5,095), provision for bad debts ($15,285) and credit card commissions ($18,000).

Grants, Transfers, and Other (including Accommodations) *(2016 = $1,029,557)*

- The City of Winnipeg provides annual funding of $652,273 to the Winnipeg Humane Society (WHS) under a service agreement, of which there are two components:
    - The operating portion is for the WHS to provide kennelling space for all cats pursuant to the RPO By-law and to manage other activities, mainly caring for injured dogs and cats.
    - The second component is a low-cost cat spay and neuter program that is a 20-20-20 program whereby it is equally shared between the City, WHS, and the pet owner.
- The WHS agreement expired December 31, 2015. A new service agreement has been agreed upon pending approval of the new funding amount.
- The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet). Municipal Accommodations leases the lower level to the Community Services Department, Community By-Law Enforcement Services for storage of bicycles, and Winnipeg Repair Education and Cycling Hub (WRENCH). Animal Services is charged rent of $212,405 per year.
- Other transfers include payroll tax ($28,449, offset by revenue from a provincial grant) and inter-fund transfer for information services ($8,303).
- In 2015, Animal Services launched a grant program designed to encourage non-profit community organizations, veterinary clinics, animal hospitals and educational institutions to undertake quality programs to spay/neuter high volumes of cats at a low cost to the community.
- With passage of the Responsible Pet Ownership By-law in 2013, delegated authority was given to the COO of Animal Services to distribute 50% of the funds from cat licensing for spay/neuter programs involving cats.

2016 – 2018 Financial Projections and Notes

Projected Statement of Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

As At December 31	Audited Actual 2014	Adopted Budget 2015	Forecasted Year-End Actual 2015	Projected 2016	Projected 2017	Projected 2018
FINANCIAL ASSETS						
Cash	22,638	-	18,055	-	-	-
Due From the City Of Winnipeg - General Revenue Fund	640,072	-	891,879	-	-	-
Accounts receivable	74,866	40,000	79,741	40,000	40,000	40,000
	737,576	40,000	989,675	40,000	40,000	40,000
LIABILITIES						
Accounts payable and accrued liabilities	80,535	50,000	149,428	50,000	50,000	50,000
Deferred revenue	724,344	800,000	511,130	800,000	800,000	800,000
Vacation and overtime payable	90,454	90,454	89,251	90,454	90,454	90,454
Retirement allowance and compensated absences	107,000	107,000	107,000	107,000	107,000	107,000
	1,002,333	1,047,454	856,809	1,047,454	1,047,454	1,047,454
NET FINANCIAL LIABILITIES	(264,757)	(1,007,454)	132,866	(1,007,454)	(1,007,454)	(1,007,454)
NON-FINANCIAL ASSETS						
Tangible capital assets (Note 6)	99,127	99,127	99,127	99,127	99,127	99,127
Inventories	13,101	9,000	7,582	9,000	9,000	9,000
Prepaid expenses	42,900	40,000	88,090	40,000	40,000	40,000
	$ 155,128	$ 148,127	$ 194,799	$ 148,127	$ 148,127	$ 148,127
ACCUMULATED (DEFICIT) / SURPLUS	$ (109,629)	$ 7,134	$ 280,929	$ 102,110	$ 133,650	$ 100,030

Projected Statement of Operations and Accumulated (Deficit)/Surplus

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Audited Actual 2014	Adopted Budget 2015	Forecasted Year-End Actual 2015	Projected 2016	Projected 2017	Projected 2018
REVENUES						
Government grant	27,919	26,166	29,254	28,449	28,989	29,541
Regulation fees	1,721,695	2,151,001	2,184,346	2,340,852	2,416,836	2,438,592
Sales of goods and services	81,066	96,188	69,770	96,463	98,026	99,618
Transfer (Note 5h)	1,404,276	1,404,276	1,404,276	1,378,836	1,319,574	1,319,574
Other revenue	44,384	30,690	55,296	35,000	35,000	35,000
Total Revenues	3,279,340	3,708,321	3,742,942	3,879,600	3,898,425	3,922,325
EXPENSES						
Salaries and employee benefits	1,561,280	1,756,519	1,609,491	1,771,619	1,829,257	1,892,497
Services (Note 6)	368,365	555,369	407,592	500,293	508,452	515,770
Rent (Note 6)	211,564	211,564	211,564	212,405	212,405	212,405
Administrative expenses (Note 6)	160,218	247,721	247,721	251,474	255,229	258,629
Material, parts and supplies	113,160	132,196	106,974	173,453	176,751	180,109
Grants, transfers and other	529,020	621,285	691,178	817,152	825,253	835,865
Amortization	20,373	25,654	33,736	16,500	16,814	17,134
Debt and finance charges	22,564	37,768	41,295	38,380	39,109	39,851
Assets and purchases	6,275	3,306	2,833	3,169	3,432	3,499
Interest (Note 6)	-	176	-	179	183	186
Recoveries	-		-		-	-
Total Expenses	2,992,819	3,591,558	3,352,384	3,784,624	3,866,885	3,955,945
Excess Revenues Over Expenses	286,521	116,763	390,558	94,976	31,540	(33,620)
ACCUMULATED (DEFICIT) / SURPLUS BEGINNING OF YEAR	(396,150)	(109,629)	(109,629)	7,134	102,110	133,650
ACCUMULATED (DEFICIT) / SURPLUS END OF YEAR	(109,629)	7,134	280,929	102,110	133,650	100,030

Projected Statement of Cash Flows

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Audited Actual 2014	Adopted Budget 2015	Forecasted Year-End Actual 2015	Projected 2016	Projected 2017	Projected 2018
Net inflow (outflow) of cash related to the following activities						
OPERATING						
Excess/(Deficiency) of revenue over expenses	286,521	116,763	390,558	94,976	31,540	(33,620)
Non-cash charges to operations						
Amortization	20,373	25,654	33,736	16,500	16,814	17,134
Retirement allowance and compensated absences	13,000	-	-	-	-	-
	319,894	142,417	424,295	111,476	48,354	(16,486)
Net change in non-cash working capital balances related to operations	(326,776)	86,989	(190,069)	-	-	-
Cash used in operating activities	(6,882)	229,406	234,225	111,476	48,354	(16,486)
CAPITAL						
Acquisition of tangible capital assets	(68,973)	-	-	-	-	-
FINANCING						
Change in due to The City of Winnipeg - General Revenue Fund	94,065	(261,909)	(251,807)	-	-	-
Increase (Decrease) in Cash	18,210	-	(17,582)	-	-	-
CASH, BEGINNING OF YEAR	4,428	22,638	22,638	22,638	22,638	22,638
CASH, END OF YEAR	22,638	22,638	5,056	22,638	22,638	22,638

PROJECTED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Audited Actual 2014	Adopted Budget 2015	Forecasted Year-End Actual 2015	Projected 2016	Projected 2017	Projected 2018
EXCESS REVENUES OVER EXPENSES	286,521	116,763	390,558	94,976	31,540	(33,620)
Amortization of tangible capital assets	20,373	25,654	33,736	16,500	16,814	17,134
Change in inventories and prepaid expenses	(12,354)	(11,000)	(39,671)	-	-	-
Acquisition of tangible capital assets	(68,973)	-	-	-	-	-
INCREASE IN NET FINANCIAL LIABILITIES	225,567	131,417	384,623	111,476	48,354	(16,486)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(490,324)	(812,680)	(264,757)	(681,263)	(569,787)	(521,433)
NET FINANCIAL LIABILITIES, END OF YEAR	(264,757)	(681,263)	119,866	(569,787)	(521,433)	(537,919)

CITY OF WINNIPEG
ANIMAL SERVICES SPECIAL OPERATING AGENCY

NOTES TO THE PROJECTED FINANCIAL STATEMENTS
For the three years ending December 31, 2018

1. DESCRIPTION OF BUSINESS

Animal Services, Special Operating Agency commenced operations on January 1, 2000. Animal Services continues to work towards its goals:

- Reduce reliance on the Agency's mill rate support
- Increase customer service and satisfaction
- Improve the health and safety of neighborhoods
- Improve the Agency's 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 Release program;
- Numerous retail outlets for license sales;
- Enhanced education programs;
- Increased marketing campaigns;
- Revamped fines schedule;
- On-line licensing website launched January 1st, 2011;
- Zero tolerance licensing policy effective September 1st, 2011;
- 311 started selling licenses for Animal Services Agency in August, 2012 through Winnipeg.ca;
- Replacement of Animal Services Information System (ASIS) software in 2014 with Chameleon to provide enhanced and updated support for all operational areas of Animal Services;
- Cat licensing effective January 1, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

The projected financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for governance established by Public Sector Accounting Board of Canadian Institute of Chartered Accountant. The projections include the following significant accounting policies:

Basis of Accounting

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

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 changes in net financial liabilities for the year.

(a) Tangible capital assets

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%
Communication radios	20%
Computer Software	20%

(b) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expenses 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.

Estimates

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

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, 2018. 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. The hypotheses are consistent with the purpose of the information. 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.

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 $1,378,836 in 2016 and $1,319,574 in 2017 and 2018.

(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) That the Consumer Price Index is 1.9% for 2016 and 2.0% for 2017 and 2018.

(e) That the City of Winnipeg has agreed upon a new service agreement with the Winnipeg Humane Society, pending approval of the new funding amount. The previous service agreement was extended to December 31, 2015.

5. ASSUMPTIONS – REVENUE

(a) Fees and Charges

Refer to Appendix C – Fees and Charges Schedule for a complete list of all fees charged by the Agency.

(b) Mill Rate Support from the City of Winnipeg

The Agency has requested mill rate support in the amount of $1,378,836 in 2016 and $1,319,574 in 2017 and 2018; the amount includes $652,273 for the Winnipeg Humane Society (WHS) service agreement and the net remaining is to assist with Animal Services operations.

YEAR	Gross Mill Rate Support	WHS Service Agreement	Net remaining for Animal Services Operations
2000 - 2002	$ 1,250,000	$ 125,000	**$ 1,125,000**
2003	1,100,000	125,000	**975,000**
2004	950,000	125,000	**825,000**
2005	895,877	125,000	**770,877**
2006	1,020,121	250,000	**770,101**
2007	1,018,850	250,000	**768,850**
2008	1,004,276	250,000	**754,276**
2009	1,104,276	350,000	**754,276**
2010	1,154,276	350,000	**804,276**
2011	1,334,276	530,000	**804,276**
2012	1,302,504	500,000	**802,504**
2013 - 2015	1,404,276	500,000	**904,276**
2016	1,378,836	652,273	**726,563**
2017 – 2018	1,319,574	652,273	**667,301**

6. ASSUMPTIONS – EXPENSES

(a) Salaries and Employee Benefits

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

	2016	2017	2018
WAPSO/WAPSO Exempt	3.00	3.00	3.00
CUPE	24.69	24.69	24.69
Total FTEs	**27.69**	**27.69**	**27.69**

(b) Grants and non-professional fees

The City of Winnipeg will provide annual funding of $652,273 to the Winnipeg Humane Society based upon the agreed upon service agreement, pending approval of the new funding amount. There are two components to the Winnipeg Humane Society agreement:

- The operating portion is for the Winnipeg Humane Society to provide kennelling space for all cats pursuant to the RPO By-law and to manage other animal issues namely care for injured animals.
- The second component is a low-cost cat spay and neuter program.

(c) Audit Fee

The Agency expects to pay approximately $10,000 annually for audit fees.

(d) Advertising

The Agency uses various advertising mediums to help build its revenue base. Methods of advertising include an annual newsletter to licensed pet owners, social media, website, billboards, bus kings, newspaper ads and brochures.

(e) Municipal Accommodations

The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet).

(f) Depreciation

Depreciation is based on rates identified in Note 2.

(g) Interest on Operating Line of Credit

The Agency has negotiated a line of credit with an interest rate of 0.9%. The 2016 line of credit is $1,100,000.

(h) Administrative Charges

The Agency expects to purchase administrative services from the City's Community Services Department. These services include assistance with respect to finance, human resources, strategic support and information technology. The Agency's share of these costs in 2016 is $173,400; $176,800 in 2017; and $180,200 in 2018.

(i) Corporate Support Services Charges

The City of Winnipeg incurs corporate costs that relate to various shared services such as Legal and PeopleSoft support. The Agency is charged $78,074 for 2016 and $78,429 in 2017 and 2018 by the Corporate Support Services Department.

7. ASSUMPTIONS – CASH RECEIPTS AND DISBURSEMENTS

(a) Cash on hand

Change funds of $450 are available for the cash register float.

(b) Inventory

The Agency carries inventory for animal license tags. A physical inventory count is performed on December 31st.

(c) Equipment

On start-up, the Agency acquired equipment from the City of Winnipeg. The Agency constantly reviews its technology needs and upgrades equipment as needed. The Agency 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 licenses are renewed throughout the year for a one-year term. As a result there is unearned revenue on hand at year-end that is deferred to future years. Also, deferred revenue from previous years is recognized in income throughout the year.