


# The City of Winnipeg
# 2017 Annual Financial Report

# Vision

To be a vibrant and healthy city which places its highest priority in quality of life for all its citizens.

# Corporate Mission

Working together to achieve affordable, responsive and innovative public service.

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# Table of Contents


**INTRODUCTORY SECTION**

Winnipeg at a Glance ..... **4**

Message from the Mayor ..... **5**

City Council ..... **6**

City of Winnipeg Governance ..... **8**

- 2017 Winnipeg Wards Boundaries Commission
- Openness and Transparency
- Office of the Integrity Commissioner
- Voluntary Lobbyist Registry

City of Winnipeg Administration ..... **12**

- Statutory Officers
- Senior Administration
- 2017 Administration Organization Chart

Message from the Chief Administrative Officer ..... **14**

Citizen Satisfaction Survey Highlights ..... **15**

City of Winnipeg Service Highlights ..... **17**

- Maintain Record Street Renewal Investment
- Public Transportation
- Investing in Safe and Secure Communities and Community Amenities
  - o *Safety and Security*
  - o *A Welcoming Community*
  - o *A Sustainable Community*
  - o *Community Amenities*
- Efficiencies and Innovation

Capital Projects ..... **26**

Journey of Reconciliation ..... **27**

- Winnipeg's Indigenous Accord

Canada Summer Games ..... **28**

Susan A Thompson Building Dedication ..... **29**

**FINANCIAL SECTION**

Report from the Chief Financial Officer ..... **30**

- Financial Statement Discussion and Analysis

Responsibility for Financial Reporting ..... **49**

Independent Auditors' Report ..... **50**

Consolidated Financial Statements ..... **51**

Five-Year Review ..... **82**

**CITY CONTACT INFORMATION AND PHOTO CREDITS** ..... **84**

# Winnipeg at a Glance




**749,500**¤ | Population

**13,900**¤ | Annual Population Change *(2016-2017)*

**38.8**¤ | Median Age

**$38.7 billion**+ | GDP

**1.6%**¤ | CPI

**$45,800**+ | Personal Income Per Capita

**458,600**+ | Labour Force

**432,300**+ | Employment

**5.8%**¤ | Unemployment Rate

**$288,100*** | Average Home Assessment

**$1,694*** | Average Municipal Property Taxes *(excluding school taxes)*

**5,023**‡ | Housing Starts

**281,000**¤ | Total Households

**7,218*** | Total Residential Permits Issued

**3,641*** | Total Non-Residential Permits Issued

**$1,203 million*** | Residential Permit Values

**$890 million*** | Non-Residential Permit Values

¤ Statistics Canada

\+ Conference Board of Canada, Metropolitan Outlook (Spring 2018)

‡ CMHC Starts and Completions Survey (2017)

* City of Winnipeg

# Message from the Mayor

Strength, growth, and opportunity defined 2017 in Winnipeg, and all leading indicators point to further development in 2018.

Our population continues to grow, strongly and steadily, reaching over 750,000 today. Our GDP has grown every year over the past four years, with anticipated growth of 2.2 percent in the coming year. Housing starts set records last year, and continue to grow; while employment is projected to grow 1.7 percent in 2018.

Winnipeg's business community continues to grow, thrive, and show the world that this community is a uniquely effective incubator for innovation and entrepreneurship. In 2018, for the third time in five years, Winnipeg was recognized by the International Community Forum (ICF) as one of the world's Top 7 Intelligent Communities. Leading-edge businesses like renowned video-game developer Ubisoft are investing in Winnipeg. And, with the dramatic development of its streetscapes and facilities, our downtown is prospering (and celebrating civic pride) as never before.

Council has been clear in its determination to keep the momentum of civic growth and new opportunity going. Winnipeg's 2018 Budget was carefully calibrated to respond to priority needs like road renewal (with a record investment of $116 million) while maintaining one of the lowest rates of budgeted tax-supported expenditure growth in the City's history.

Our record of growth speaks for itself – as does the civic pride and excitement surrounding our amazing Canada Games, and the return of the Jets as true contenders. With careful management to set the stage, the creativity and dynamism of Winnipeggers has opened the curtain on Winnipeg's strongest era in generations.





**Mayor Brian Bowman**
City of Winnipeg

**2014–2018**

# 14th Council of the City of Winnipeg
## Members and Appointments

*(As at December 31, 2017)*



**Mayor Brian Bowman**
Chairperson, Executive Policy Committee



**Jeff Browaty**
NORTH KILDONAN WARD



**Ross Eadie**
MYNARSKI WARD



**Scott Gillingham**
ST. JAMES-BROOKLANDS-WESTON WARD
Chairperson, Standing Policy Committee on Finance
Council Liaison for Veteran and Military Affairs
Council Representative for the Partnership of the Capital Region



**Janice Lukes**
SOUTH WINNIPEG-ST. NORBERT WARD
Council Representative for the Partnership of the Capital Region



**Marty Morantz**
CHARLESWOOD-TUXEDO-WHYTE RIDGE WARD
Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works



**Matt Allard**
ST. BONIFACE WARD
Acting Deputy Mayor
Council Liaison for Intermodal Connectivity
Council Francophone Liaison
Secretary of the End Homelessness Strategies
Council Liaison for Labour Relations



**Shawn Dobson**
ST. CHARLES WARD
Council Representative for the Mayor's Age Friendly and Senior's Advisory Committee



**Jenny Gerbasi**
FORT ROUGE-EAST FORT GARRY WARD
Deputy Mayor
Deputy Speaker
Chairperson, Winnipeg Housing Steering Committee
Secretary of Urban Indigenous Opportunities



**Cindy Gilroy**
DANIEL MCINTYRE WARD
Chairperson, Standing Policy Committee on Innovation
Council Representative for the United Nations Women Safe Cities Global Initiative

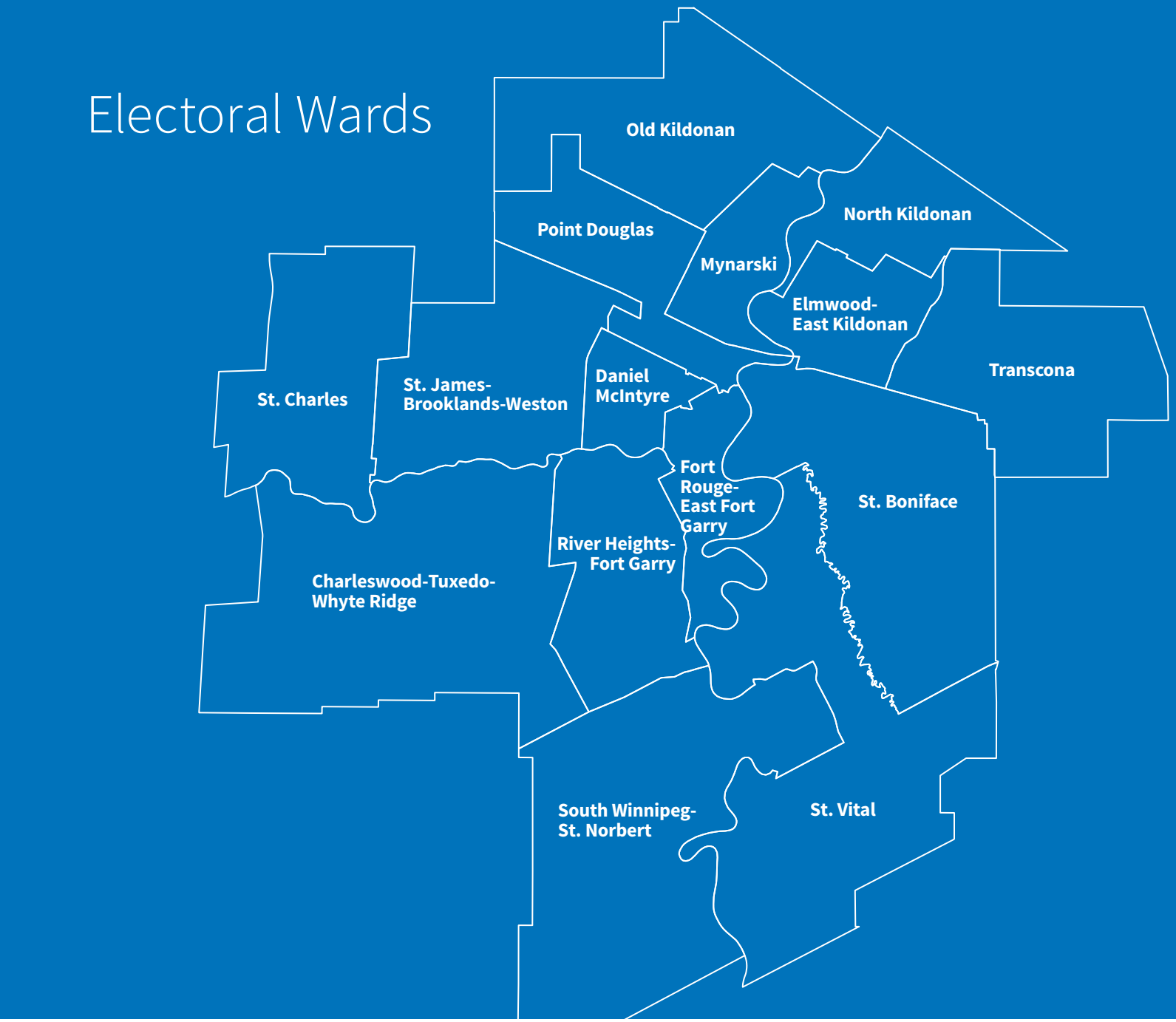


**Brian Mayes**
ST. VITAL WARD
Chairperson, Standing Policy Committee on Water and Waste, Riverbank Management and the Environment
Council Liaison for School Board and Youth Opportunities



**John Orlikow**
RIVER HEIGHTS-FORT GARRY WARD
Chairperson, Standing Policy Committee on Property and Development, Heritage and Downtown Development

# Electoral Wards






**Mike Pagtakhan**
POINT DOUGLAS WARD
Chairperson, Standing Policy Committee on Protection, Community Services and Parks
Councillor Responsible for the Assiniboine Park Conservancy
Council Liaison for Project Management



**Jason Schreyer**
ELMWOOD-EAST KILDONAN WARD



**Devi Sharma**
OLD KILDONAN WARD
Speaker



**Russ Wyatt**
TRANSCONA WARD

# City of Winnipeg Governance

City Council (Council) is the governing body of the City of Winnipeg (the City) and the custodian of its powers, both legislative and administrative. The City may exercise only those powers granted to it by legislation.

Policymaking at the local level is limited and controlled by provincial government statute. *The City of Winnipeg Charter* (the Charter) provides the majority of powers and authority to the City. However, other statutes extend additional authority to Council in its decision making process.

The composition of Council is legislated under Part 3 of the Charter and consists of 15 Councillors and the Mayor. Each Councillor represents an individual ward while the Mayor is elected by a vote of the city-at-large. Members of Council are accountable to the people of Winnipeg, and hold office for four-year terms.

Councillors have a dual role: they are members of Council, where decisions affecting the whole city are made; and members of the Community Committees, where decisions affecting local community issues are made.

Council exercises its powers either by by-law or resolution passed at a regular or special meeting when a quorum is present.

Pursuant to the Charter, Council has the authority to establish committees of Council, and Council may delegate a power, duty, or function to a committee of Council.

Currently, there are six Standing Committees of Council whose chairpersons are appointed by the Mayor. These include the Standing Policy Committee on Finance; the Standing Policy Committee on Infrastructure Renewal and Public Works; the Standing Policy Committee on Protection, Community Services and Parks; the Standing Policy Committee on Property and Development, Heritage, and Downtown Development; the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment; and the Standing Policy Committee on Innovation.

These Standing Policy Committees provide policy advice to Council, and consider and report to Council through the Executive Policy Committee (EPC) on matters respecting their areas of jurisdiction.

The Standing Policy Committee chairpersons and the Mayor collectively form EPC, with the Mayor chairing the committee. EPC formulates and presents recommendations to Council respecting policies, plans, budgets, by-laws, and other matters that affect the city as a whole; ensures the implementation of policies adopted by Council; recommends to Council the appointment, suspension, or dismissal of statutory officers; supervises the Chief Administrative Officer; co-ordinates the work of committees of Council; and receives reports of other committees of Council and forwards them to Council with its own recommendations.

## 2017 WINNIPEG WARDS BOUNDARIES COMMISSION

The 2017 Winnipeg Wards Boundaries Commission (the Commission) was established to review the boundaries and names of the 15 Council wards in the city. The Charter requires that the Commission occur at minimum once every 10 years to establish ward boundaries for each ward based on the city's population, as determined by the last Census, and other criteria set out in legislation. The last Commission was convened in 2009.

In December 2017, the Commission released its final report establishing the boundaries and names of the 15 Council wards. The changes took into account future growth, while addressing existing, significant population imbalances between wards.

Using the 2016 Census data, reasonable growth estimates in specific neighbourhoods, and input received from delegations, the Commission addressed current imbalances through the creation of a new ward, Waverley West, and the reassignment of existing St. Charles Ward neighbourhoods into neighbouring wards. The Commission also realigned several other ward boundaries and established the names of all 15 wards. The overall number of wards remains at 15.

All 15 Council wards will now be within eight percent of the average ward size, and will be able to absorb projected growth over the next five to 10 years.

Under the new ward boundaries, the difference between the largest and the smallest wards drops dramatically, from a gap of almost 36,000 residents (between the current South Winnipeg-St. Norbert and St. Charles wards), to a difference of approximately 6,500 residents (between the new River Heights – Fort Garry and Waverley West wards).

Wherever possible, the integrity, history, and particular needs of Winnipeg neighbourhoods were respected, as were natural and man-made boundaries. In cases, where rivers are crossed, the Commission looked to ensure the existence of viable nearby transportation options, such as bridges.

The changes to the ward boundaries come into effect in September 2018, at the close of the nomination period for the 2018 Civic Election, and will apply to all candidates.

## OPENNESS AND TRANSPARENCY

Council approved the City's Open Government Policy in February 2017, which provides a framework to continue to move towards being more open, transparent, and accountable. The key objectives of the policy are to:

1. Establish greater trust in government;
2. Ensure better outcomes at less cost;
3. Raise compliance levels;
4. Ensure equity of access to public policy making;
5. Foster innovation and new economic activity; and,
6. Enhance effectiveness by leveraging knowledge and resources of residents.

Winnipeggers seeking to be more engaged with their local government have more tools than ever at their disposal to access information and become involved in the political process. Council and committee meetings, as well as Board of Revision hearings are live-streamed online, and are recorded for later viewing. Hansard and disposition documents created for, and shared through the Decision Making Information System are available in machine-readable format.

Residents are able to register as delegations where they can provide opinions and feedback on matters before committees and Council. Information on how to appear as a delegation is now available online.

One of the objectives set out in the Open Government Policy is to proactively release information through Open Data. Open data is information that is widely available in a format that can be read by a computer and is made available for anyone to use, transform, or republish without restriction. It normally only requires that the data source be cited. The practice of providing open data must respect all legislation and regulations regarding freedom of information and protection of privacy. In total, the City released 15 new datasets throughout 2017. The City ranked third in the list of Canada's Most Open Cities for 2017.

As part of its commitment to greater transparency and accountability, the City also publishes records of interest to the public both proactively and in response to requests submitted under *The Freedom of Information and Protection of Privacy Act* (FIPPA). The City processed 859 FIPPA applications in 2017, which marked a slight increase from the 856 processed in 2016.

## OFFICE OF THE INTEGRITY COMMISSIONER

In February 2017, Ms. Sherri Walsh was appointed as the City's first Integrity Commissioner. A three-member panel of Council was assembled to review applications and to provide a recommendation of a candidate to EPC for Council's approval.

The Office of the Integrity Commissioner was established to provide a transparent, accessible, and open process through which Councillors and members of the public may report, or receive information on perceived conflicts of interest by a sitting member of Council.

The Integrity Commissioner reports directly to Council, is appointed by Council for a minimum two-year renewable term, and is required to publish an annual report of their activities. The Integrity Commissioner's role is to assist members of Council in understanding their ethical obligations under *The Municipal Council Conflict of Interest Act* and *Code of Conduct,* to identify areas of possible conflict and to provide Councillors with advice on preventing conflicts and breaches of ethical conduct from occurring.

The Integrity Commissioner is also mandated to investigate complaints made about members of Council which relate to alleged violations of conflict of interest requirements, and any by-laws and policies relating to ethical conduct, including the *Code of Conduct.*

The authority to investigate matters raised relating to members of Council will fall to the Integrity Commissioner, but they do not have the authority to investigate City employees whose activities are currently covered by the City's *Employee Code of Conduct.*

## VOLUNTARY LOBBYIST REGISTRY

In April 2017, Council approved the first voluntary lobbyist registry to help provide greater openness and transparency. The registry was operationalized in June 2017.

The registry was created to obtain information on any meetings occurring when an individual representing a financial or business interest, or the financial interest of a not-for-profit with paid staff, communicates with a member of Council or City employees to try and influence a decision on governmental matters that are outside of the standard process.

The lobbyist registry falls within the City's existing legislative authority. The Integrity Commissioner is the registrar of the lobbyist registry, and is responsible for reviewing any future changes to the registry process.

For more information, please visit **winnipeg.ca**.





**2017 Senior Administration. From Left**: Georges Chartier, Dave Wardrop, Michael Jack, Doug McNeil, Michael Ruta, Michael Legary, and Felicia Wiltshire.

# City of Winnipeg Administration

There are a number of civic departments and special operating agencies (SOAs) which provide a variety of services, including in the areas of public safety, transportation, environment, planning and development, and leisure and wellness.

## STATUTORY OFFICERS

Council appoints four statutory officers: Chief Administrative Officer, Chief Financial Officer, City Clerk, and City Auditor. The Chief Administrative Officer is the administrative head of the City, and advises and informs Council on the operation and affairs of the City. They also ensure policies and programs are implemented, provide input on behalf of the administration to Council's goals, objectives, and strategies, supervise the City's employees, responsible for the care of the City's real property and other assets, and approve and coordinate administrative reports to the Standing Policy Committees, EPC, and Council, among other responsibilities.

The Chief Financial Officer reports to the Chief Administrative Officer, and monitors the financial status of the City and provides advice on fiscal policy and strategy.

The City Auditor is independent of the City's Public Service. They conduct examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

Independent of the City's Public Service, the City Clerk supports the work of Council, EPC, Standing Policy Committees, Community Committees, the Mayor and Mayor's Office, and members of Council, as well as liaises with the Chief Administrative Officer and senior administrators.

## SENIOR ADMINISTRATION

The Chief Administrative Officer has six direct reports – the Chief Financial Officer, the Chief Corporate Services Officer, the Chief Asset & Project Management Officer, the Chief Innovation Officer, the Chief Transportation & Utilities Officer, and the Director, Customer Service & Communications.

The Chief Financial Officer supervises the Assessment and Taxation and Corporate Finance departments, monitors the financial status of the City, and provides advice on fiscal policy and strategy.

The Chief Corporate Services Officer is responsible for five departments (Legal Services; Community Services; Planning Property & Development; Winnipeg Police Service; and Winnipeg Fire Paramedic Service), and two SOAs (Animal Services and Golf Services). Key divisions such as Indigenous Relations, Human Resources, and Labour Relations report directly to the Chief Corporate Services Officer.

The Chief Asset & Project Management Officer co-ordinates and facilitates the review of work by civic departments, consultants, contractors, internal technical, clerical, financial, and department leads, involved in all City capital projects completed on behalf of the City.

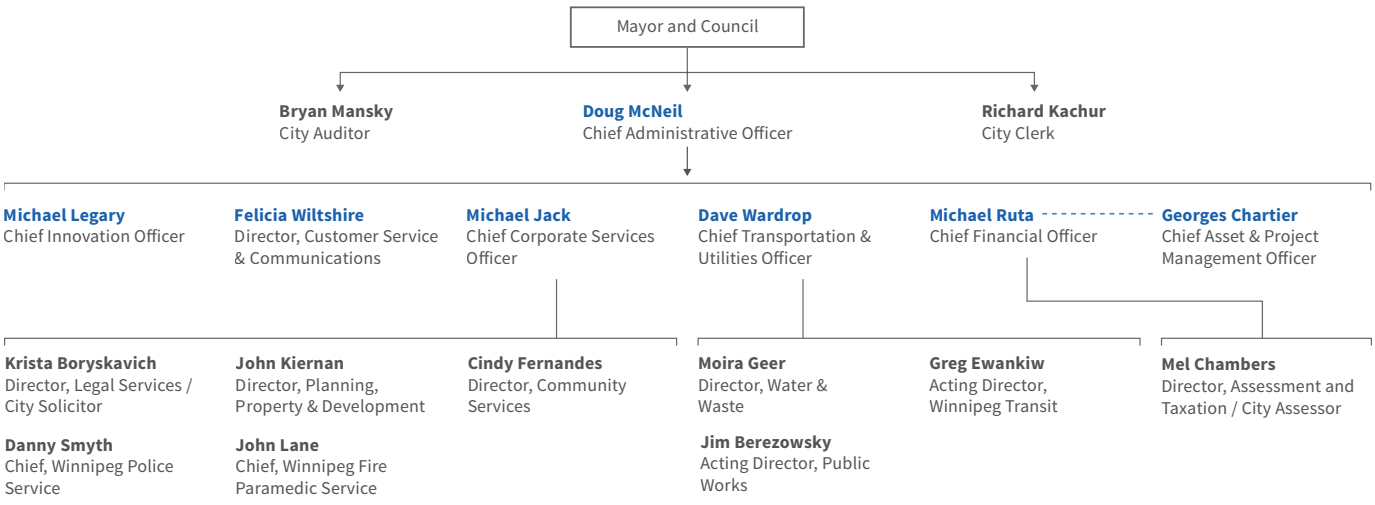
The Chief Innovation Officer sets the strategic direction of organizational innovation through technology to enhance the City's service delivery capabilities. This position provides leadership for service delivery activities and operational transformation activities across the City, ensuring the best possible use of the City's existing technology resources, systems, platforms, and applications, while finding new ways to meet service challenges, planning for future needs, and responding to economic opportunities.

The Chief Transportation & Utilities Officer is responsible for the three large infrastructure departments (Water & Waste; Winnipeg Transit; and Public Works) along with two SOAs (Winnipeg Parking Authority and Fleet Management Agency).

The Director of Customer Service & Communications is responsible for the divisions that communicate with the public and media on behalf of the City (311; Corporate Communications; Office of Public Engagement; French Language Services; Web & Social Media; and Marketing & Branding).

## 2017 ADMINISTRATION ORGANIZATION CHART

*(As at December 31, 2017)*



# Message from the Chief Administrative Officer



**Doug McNeil, P.Eng.**
Chief Administrative Officer

As a Public Service, our connection with the residents of Winnipeg is of paramount importance to us. We have been doing our utmost to improve our service delivery, and communication with the public.

We are making progress. In 2017, 83% of Winnipeggers surveyed said the City's customer service is very good, or good; 70% said the value they receive for their tax dollars is very good, or good; and 88% said that overall City services are very good, or good.

Achieving value for money is a primary goal. The Public Service has worked hard to help Council achieve a historic balance between record-setting investments in road renewal, and careful control of civic expenditures. In 2017, the City undertook six regional streets renewal projects (Council-approved budget of $44.9 million), and 16 local streets renewal projects (Council-approved budget of $60.3 million).

At the same time, thanks to a disciplined budgetary approach, both Moody's Investors Service and Standard and Poor's have reaffirmed Winnipeg's credit rating, at Aa2 and AA/Stable, respectively. In its research update, Standard and Poor's noted that, "Winnipeg exhibits strong financial management, which has a positive impact on the ratings. The management team is what we consider experienced and qualified to effectively enact fiscal policies, as well as effectively respond to external risks."

The City continues to invest in facilities, technologies, and services to improve life in Winnipeg. From the opening of the Transcona Aquatic Park and the new fieldhouse at the Dakota Community Centre; to significant improvements to Transit Routes 86 and 33; to the opening of the new Transportation Management Centre to improve traffic flow throughout the city. . . we are focused on delivering value for money, on projects that matter to residents.

Both personally and on behalf of the City's whole Senior Management Team, I would like to thank all the staff who worked so hard for Winnipeggers, in 2017.

# Citizen Satisfaction Survey Highlights

The City conducts an annual citizen satisfaction survey to solicit opinions on its performance in the delivery of key services. In 2017, 600 Winnipeggers, aged 18 and older, provided their thoughts on what the City is doing well and what needs improvement.

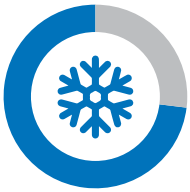
**92%** rate **quality of life** as very good or good

**83%** rate **customer service** as very good or good*

**70%** rate **value of tax dollar** as very good or good

## Citizen Satisfaction with City services

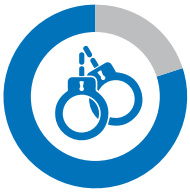
**88%** rate **overall City services** as very good or good



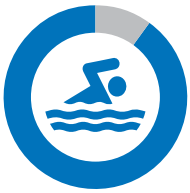
**73%**
are very satisfied or somewhat satisfied with **snow removal**



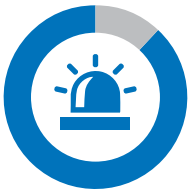
**97%**
are very satisfied or somewhat satisfied with **condition of major parks****



**80%**
are very satisfied or somewhat satisfied with **efforts in crime control**



**90%**
are very satisfied or somewhat satisfied with **City-operated recreation programs****



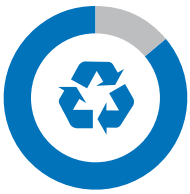
**88%**
are very satisfied or somewhat satisfied with **level of City preparedness to respond, assist**



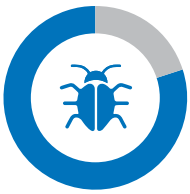
**75%**
are very satisfied or somewhat satisfied with **public transit****



**87%**
are very satisfied or somewhat satisfied with **garbage collection**



**86%**
are very satisfied or somewhat satisfied with **recycling program**



**80%**
are very satisfied or somewhat satisfied with **insect control**

* Those who indicated they have contacted the City

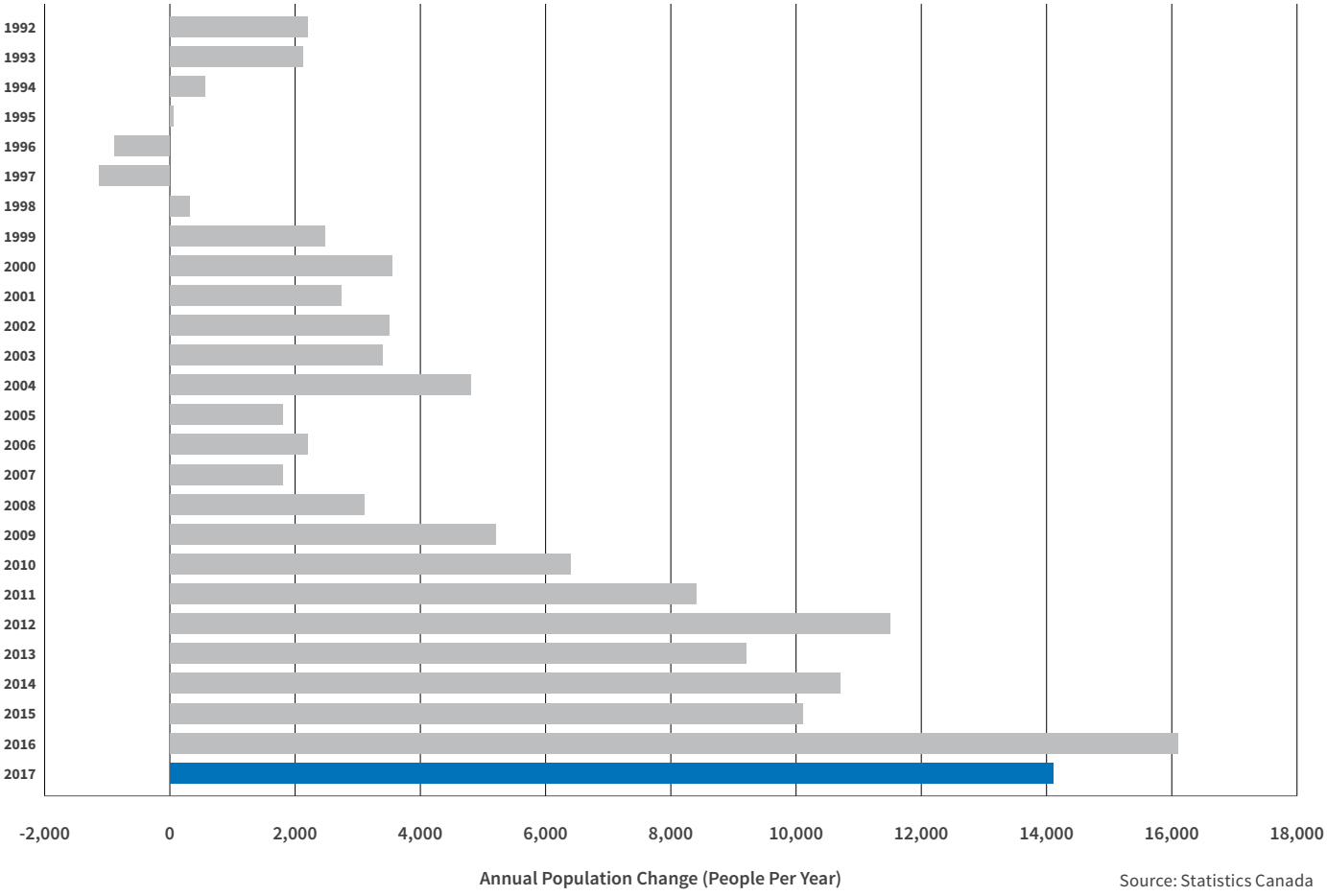
**Those who have indicated they have used the service



# City of Winnipeg Service Highlights

Winnipeg is growing. The city is in the early stages of a cycle of strong growth, a pace not seen for decades as evidenced by the table below. This momentum is showing no signs of slowing.

**City of Winnipeg Annual Population Change**




Source: Statistics Canada

According to the *2016 City of Winnipeg Population, Housing, and Economic Forecast,* Winnipeg's average annual population growth over the next 25 years is estimated to increase by 8,200 people per year. It also notes that the city's Census Metropolitan Area population is predicted to exceed 1 million people by 2034/2035 and surpass 1,055,000 by 2040.

Winnipeg itself is expected to grow to a population of approximately 922,600 by 2040. In 2017, Winnipeg's population was 749,500*. Furthermore, the number of households is expected to increase by around 32 percent, or approximately 100,000, to a total of 391,100 by 2040.

Investments in key services and infrastructure are critical to support a growing, thriving, modern city, now and into the future. As such, the City's 2017 Budget, based in part on citizens' priorities identified through the budget consultation process, focused on the following areas:

- Maintain Record Street Renewal Investment;
- Public Transportation;
- Investing in Safe and Secure Communities and Community Amenities; and,
- Efficiencies and Innovation.

* Source: Statistics Canada



## MAINTAIN RECORD STREET RENEWAL INVESTMENT

A well-maintained transportation system promotes economic vitality and a positive city image. As such, the City's 2017 Budget dedicated a record $105.2 million towards the Regional and Local Streets Renewal programs, maintaining record street renewal investments at 2016 levels. The City undertook six regional streets renewal projects and 16 local streets renewal projects, with Council-approved budgets of $44.9 million and $60.3 million respectively.

Providing greater access and options for walking and cycling leads to improved health, increased personal mobility, more livable and socially active communities, and reduced impacts on the environment and our climate.

In 2017, a series of walk-bike projects were initiated, providing walking and cycling opportunities throughout Winnipeg that are safe and accessible for people of all ages and abilities. Furthermore, the City made progress in accommodating pedestrians through infrastructure improvements and renewal, the addition of new active transportation paths, and the expansion of the City's sidewalk network. In total, four projects were undertaken worth $4.7 million.

## 2017 Roadway Construction and Maintenance



**24.9**
**(LANE-KM)**
Capital Rehabilitation of Regional Streets

**0.6**
**(LANE-KM)**
Capital Addition of Regional Streets

**2.8**
**(LANE-KM)**
Capital Reconstruction of Regional Streets

**78.1**
**(LANE-KM)**
Capital Rehabilitation of Local Streets

**17.9**
**(LANE-KM)**
Capital Reconstruction of Local Streets

**3.5**
**(KM)**
Capital Addition of Surfaced Alleys

**3.6**
**(KM)**
Capital Reconstruction of Alleys

**54.8**
**(LANE-KM)**
Roadway transferred from developers



**8,609**
**(METRES)**
New Pedestrian/ Cycle Pathways

**1,616**
**(METRES)**
Capital Addition of Regional Sidewalks

**3,330**
**(METRES)**
Capital Reconstruction of Regional Sidewalks

**16,783**
**(METRES)**
Capital Addition of Non-Regional Sidewalks


WINNIPE
202

## 2017 Winnipeg Transit Service Level Statistics



**640**
Number of Buses in Fleet

**640**
Number of Easy Access Buses in Fleet

**100%**
Percentage of Easy Access Buses in Fleet

**93**
Number of Routes

**1,548,594**
Bus Hours Operated

**30,160,628**
Bus Kilometers Operated

**5,173**
Number of Bus Stops

**168,425**
**(AVERAGE WEEKDAY)**
Passengers Carried

**48,098,447**
**(ANNUAL)**
Passengers Carried

### PUBLIC TRANSPORTATION

The City is served by Winnipeg Transit, which provides a network of 93 routes throughout the city. Ensuring this service meets the needs of its users and expanding service capabilities is of the upmost importance, which is why Council approved $191.3 million in operating expenses for 2017.

The City made significant improvements to routes 86 and 33 designed to improve reliability and extend service to new and expanding neighbourhoods in Bridgwater Centre, Bridgwater Lakes, and northwest Winnipeg. Changes included all day service on Route 86, and improved bus frequency on Route 33 with a reduction in times between buses of up to seven minutes.

Development of a rapid transit system is a key component of the City's Transportation Master Plan to provide residents with a viable alternative to the automobile, to reduce road congestion, and to build a transportation system that serves future generations.

Beginning in 2016, a multi-year funding plan was implemented to ensure the City has the capacity to fund the Southwest Rapid Transitway project to completion, with dedicated planned tax increases of 0.33 percent every year for 10 years.

Stage 2 of the Southwest Rapid Transitway project is comprised of significant infrastructure components in the southwest quadrant of the city, including the completion of Stage 2 of the Southwest Rapid Transitway, the addition of active transportation infrastructure, the renewal and expansion of the Pembina Highway Underpass, and connections to the University of Manitoba and Investors Group Field.

Construction continued on the Southwest Rapid Transitway project in 2017 at various sites along the entire length of the project corridor. In July, Stadium Station opened at Investors Group Field. The station was the first piece of the Southwest Rapid Transitway Stage 2 and Pembina Highway Underpass Project to be completed. In addition, the installation of new shelters and passenger amenities along northbound University Crescent and westbound at Dafoe Road on the University of Manitoba's Fort Garry campus was completed in November 2017.

In 2017, the City began the Eastern Corridor Study. The study will recommend the preferred route for high-quality rapid transit service between downtown and eastern Winnipeg. The study will also identify neighbourhood development opportunities along the transit route, identify related transportation network improvements for pedestrians, cyclists, transit users, and motorists, and determine preferred locations for river crossings.

The City's Transportation Master Plan identified the Eastern Rapid Transit Corridor as the next phase of Rapid Transit following the Southwest Rapid Transitway.




## INVESTING IN SAFE AND SECURE COMMUNITIES AND COMMUNITY AMENITIES

*OurWinnipeg* is the City's 25-year development plan, which guides the physical, social, environmental, and economic development of our city. *OurWinnipeg* was originally adopted by Council in 2011 and was created with the input of more than 42,000 Winnipeggers through one of the most creative and collaborative processes ever undertaken in our city – SpeakUp Winnipeg.

In September 2017, the review and update of *OurWinnipeg* was publicly launched. As part of the multi-year undertaking, Winnipeggers were invited to participate in the review and update to help shape the City's strategic priorities and development plans in 2017. Residents were encouraged to get involved and speak up about what matters to them about the city in order to make Winnipeg an even better place to live, work, and play.

### Safety & Security

To be sustainable and livable a city needs to be safe, and the quality of life offered by a city depends in many ways on its safety and security. Safety is a basic requirement of a competitive city. When people feel safe they can fully participate in social and economic life – they can enjoy their neighbourhoods, work without injury, and travel and use public spaces without fear.

Significant investments were made to the Winnipeg Police Service in the order of $288.0 million, and $199.2 million to the Winnipeg Fire Paramedic Service in 2017.

The City has a collaborative, broad-scaled, and complete approach to safety and security that is making Winnipeg a safer city. Following a review of its organizational structures, the Winnipeg Police Service restructured its major crimes division in April 2017 to provide greater coverage and increased flexibility to focus on areas requiring immediate attention. The changes provide increased availability of uniform operations, greater availability and access to detectives, reduction in overtime costs, and increased communication between units.

The Winnipeg Fire Paramedic Service launched two new water rescue units in 2017. The units maintain first responders' capacity for swift water and ice rescues. The new locally manufactured units have several features that will improve response times, including a rapid deployment rescue system that can be inflated in about a minute using a built-in inflation device. Additionally, the Winnipeg Fire Paramedic Service replaced two Urban Squad vehicles to improve responder and patient safety, and replaced its Water Tanker restoring its fire suppression capability in areas without water services.

In 2017, 11 members of the Winnipeg Fire Paramedic Service successfully completed the advanced care paramedic program. The graduates undertook a challenging three-year program consisting of classroom, hospital, and field training to achieve the highest level of paramedic training available in Manitoba. Graduates gained a number of specialized skills throughout the program, including a broader understanding and appreciation of disease and trauma, advanced airway management, chest decompression, symptomatic cardiac

dysrhythmia management, and greater pharmaceutical responsibility. Including these graduates, the Winnipeg Fire Paramedic Service employs 138 advanced care paramedics.

The City began using a new state-of-the-art radio network and equipment in September 2017 for public safety communications. The network offers a cost-effective, City-owned and operated system which improves communications coverage, including in-building, and increases reliability of the system for first responders.

### A Welcoming Community

In July, the City participated in the second annual Newcomer Family Fair at the Freight House Recreation Centre to welcome refugee families. The overall goal of the event was to support the economic and social inclusion of newcomers into the city by coordinating community-level planning, facilitating communication among stakeholders, and identifying newcomers' needs through consultations with decision makers from various community organizations and institutions, as well as newcomers themselves.

The event drew approximately 1,000 newcomers. Attendees learned about the many services offered and supports available to them from the City. Newcomers were able to apply for library cards, fee waivers, and facility passes on-site.

In summer 2017, the City offered an interactive panel discussion about refugee housing. The panel discussion focused on the housing and support needs of refugees coming to Winnipeg. Attendees heard from panelists involved in the provision of housing and other services for refugees and learned about how organizations and residents assist in the process.

The City supports sustainability and economic fairness at both the local and global levels. The City's designation as a Fair Trade Town in 2017 affirmed these values. A Fair Trade Town is a community in which people and organizations use their everyday choices to increase sales of Fair Trade certified products and bring about positive change for farmers and workers in developing countries.

### A Sustainable Community

Social, environmental and economic sustainability are essential to Winnipeg's long-term well-being. The City has a role to play in planning for sustainability, in continuing to value and respect our natural environment, and in supporting the conservation of our heritage resources.

Sustainability is part of how the City does business, reflected in policies and programs that respect and value the natural and built environments – protecting our city's natural areas and heritage resources. We act as a corporate role model for social, environmental and economic sustainability, and measure and report progress in key corporate and community sustainability areas.

In 2017, the landfill gas capture system at the Brady Road Resource Management Facility captured and flared 12.4 million cubic metres of gas resulting in a Greenhouse Gas (GHG) reduction equivalent to 85,819 tonnes of carbon dioxide equivalents – the equivalent to 18,000 passenger cars per year. Expansion of the system, which began in late 2017 and is expected to be commissioned in 2018, will substantially expand the existing system's capacity to capture and flare landfill gas in the future.

The City opened its second 4R Winnipeg Depot on Pacific Avenue in January 2017 to service the area north of the Assiniboine River and west of the Red River. Since opening, the 4R Winnipeg Depots have served over 185,000 residents and managed over 12,800 tonnes of materials from landfills.

In 2017, the City refurbished 17 sand spreader truck bodies. The truck refurbishment included recycling and reconditioning of nine-year-old aluminum and stainless steel sand spreader truck bodies and front snow plow attachments. The original bodies were reconditioned and remounted on the most emission-compliant engines in the market, extending the overall lifecycle of the trucks for an additional nine years. By using aluminum components on the chassis, the overall weight of the trucks was further reduced, meaning increased productivity, efficiency, and a reduction in fuel consumption.



## Community Amenities

The City is a leader in delivering recreation services that build healthy communities. The City's role as a recreation and wellness leader and facilitator includes working to address age, gender, ability, and cultural barriers to participation.

Recreation, active living, and leisure programs and services strengthen families, build healthy communities, improve quality of life, support the healthy development of children, and provide an opportunity to develop leadership skills. Opportunities to participate in recreation activities enhance life skills, community leadership development, and overall quality of life for residents, particularly among youth in our neighbourhoods.

Winnipeg is changing and growing, and the City's recreation and parks services and infrastructure need to change and grow with Winnipeg in a strategic, forward-thinking way. Work began on the Winnipeg Recreation & Parks Strategies in the fall of 2017. Once completed, the strategies will help guide future decision making and investment in recreation and parks services and infrastructure throughout the city.

In June 2017, the Transcona Aquatic Park opened to much fanfare. The new waterpark features include a large outdoor pool with an accessible beach entry, four waterslides, a spray pad adjacent to the outdoor pool, and new locker rooms and change areas, among many others.

In October 2017, the Dakota Community Centre officially opened its $20.5 million Fieldhouse adjacent to the Jonathan Toews Sportsplex. The fieldhouse adds an additional 60,000 square feet of sport, recreational, and multi-use space to the Dakota Community Centre Campus. The features include 30,000 square feet of premium hardwood floor surface gymnasium with nine-metre ceiling clearance to accommodate a range of sport and recreation activities including volleyball, basketball and badminton. The fieldhouse also has a three lane walking/running track, exercise equipment, a multipurpose studio, accessible dressing rooms and shower facilities, and retractable bleachers.

The Winnipeg Public Library provides services that support literacy, healthy recreation, and lifelong learning. A wide-range of free programs for children, families, teens, and adults are offered at branches across the city. Library employees strive to build community connections by participating in various community events and by developing partnerships with local organizations.

Construction began on the new Transcona Library in July 2017, the third library replacement under the Council-approved Library Redevelopment Strategy. When completed, the 13,500 square foot library will be a one-floor, fully accessible facility with increased parking and an outdoor reading area. The facility will also feature a multi-purpose programming room, two tutorial rooms, improved study and leisure areas, an indoor Family Literacy Playground, and space for a collection of approximately 40,000 items.

## 2017 Recreation, Leisure & Library Service Level Statistics



**8,333**
Number of Paid Aquatics Courses

**3,431**
Number of Recreation and Leisure Paid Courses

**21,331**
Number of Hours of Wading Pool Free Programming

**21,186**
Number of Hours of Spray Pad Free Programming

**155,967**
Number of Public Swim Visits to Outdoor Pools



**4,888,125**
Number of Library Items Circulated

**2,969,413**
Number of Library In-person Visits

**3,808**
Number of Library Programs Offered

**100,650**
Number of Library Program Attendees

## EFFICIENCIES AND INNOVATION

In 2017, the City's Transportation Management Centre (TMC) became operational. The TMC is designed to improve traffic flow city-wide as well as providing real-time traffic information. 650 of Winnipeg's signalized intersections are connected to a state-of-the-art central management system, and 120 traffic monitoring cameras providing 50% coverage of the regional streets keep an eye on traffic throughout the city. From the TMC, traffic engineers and operators can remotely make signal timing changes within minutes versus days, facilitating the rapid response to unexpected incidents such as collisions, stalls, barricades, special events, and adverse weather. The TMC also provides traffic updates and alerts on Twitter and the WAZE App, a free, real-time traffic navigation app that helps drivers to decide which routes to take.

The City launched online maps in 2017 including the Parks and Open Space interactive map and a Road Construction map. The Parks and Open Space interactive map is available on the City's website and is mobile friendly. Residents can search a park by name, park feature and amenity, or by keyword or location, and allows them to search for the exact park feature or combination of amenities they're interested in, including BBQ areas, boat docks, picnic shelters, off leash-dog areas, and more.

In June 2017, the City launched its online road construction map. The map displayed the 2017 road construction projects, as well as pedestrian and cycling projects, streets maintenance projects, and traffic signal upgrades, in an easy-to-use format. The interactive map provides project information by location, including the type of infrastructure, type of construction work, estimated start and end date, percentage completed, and consultant and contractor information.

Working collaboratively with the General Council of Winnipeg Community Centres, the City made a web-based volunteer management software system available for community centres to use. Over 17,000 volunteers help run the City's 63 community centres, collectively volunteering over one million hours annually. The software provides community centres with a tool to make it easier to communicate with volunteers and schedule hours.

# Capital Projects

## 6-year Capital Investment Plan of $2,230 million (2017 Budget and 5 Year Forecast)



**$943.7**
Public Works & Local Improvements

**$399.2**
Sewer Projects

**$287.9**
Winnipeg Transit

**$215.4**
Water & Solid Waste Projects

**$212.9**
Community Services, Planning, Property & Development, Municipal Accommodations

**$101.0**
Public Safety

**$69.8**
Land Drainage, Flood Control & Other

***(In millions of dollars)***



# Journey of Reconciliation

In January 2016, Mayor Brian Bowman declared 2016 the Year of Reconciliation in Winnipeg. Working with Council and the Mayor's Indigenous Advisory Circle, the Mayor committed to developing an Indigenous Accord and supported the implementation of the Truth and Reconciliation Commission (TRC) Calls to Action directed at municipalities.

The City, through the Indigenous Relations Division, supported these commitments and coordinated work with several civic departments, the National Centre for Truth and Reconciliation, The University of Winnipeg, Knowledge Keepers, cultural teachers, Elders, and other groups involved in the process of reconciliation both locally and nationally.

That declaration was just the first step in the City's ongoing Journey of Reconciliation.

## WINNIPEG'S INDIGENOUS ACCORD

In March 2017, Council unanimously approved a motion calling for the establishment of Winnipeg's Indigenous Accord (the Accord) to guide our shared commitment to the Journey of Reconciliation. Our shared commitment is rooted in the TRC's 94 Calls to Action and is guided by the commitments and principles contained in the Accord. Embedded in the TRC's 94 Calls to Action is the importance of committing ourselves as a city to the ongoing, long-term process of reconciliation.

As a living document, the Accord is not a one-time event, but an ongoing responsibility accepted by signatories, who through becoming partners to the Accord, agree to report the success of their commitment to reconciliation and their future goals on an annual basis.

On June 20, 2017, over 80 local organizations, businesses, groups, and individuals joined the City in their commitment to the ongoing Journey of Reconciliation in Winnipeg by formally becoming partners of the Accord at a signing ceremony.

In October 2017, signatories of the Accord met for the inaugural All Partner Gathering. This was the first of ongoing gatherings to bring together Accord partners for meaningful dialogue, to feature and share successes, and to learn from one another.

Collaboration with other organizations and groups, across sectors, and with Indigenous organizations, governments, and individuals is essential to the ongoing Journey of Reconciliation in Winnipeg to make our city a better place to live based on mutual respect, equal opportunity, and hope.

For more information, please visit **winnipeg.ca/journeyofreconciliation**.




# Canada Summer Games

Winnipeg successfully played host to the 50th edition of the Canada Summer Games. From July 28 to August 13, 2017 approximately 4,000 athletes competed in the games, drawing an estimated 20,000 visitors to the city.

The work of City employees involved in the Canada Summer Games helped to showcase our beautiful city and ensured the athletes had a positive and memorable experience.

The community embraced the competition; there were approximately 6,000 volunteers, while an estimated 150,000 spectators took in the competitions and ceremonies.




# Susan A Thompson Building Dedication

In June 2017, the City's administration building at the City Hall Campus was officially renamed the Susan A Thompson Building.

2017 marked the 25th anniversary of Thompson's win as the first female Mayor of Winnipeg. The renaming, supported unanimously by Council, also recognized the important role of women in politics as the country celebrated the 100th anniversary of women's right to vote in Canada.

During Ms. Thompson's two terms as Winnipeg's 40th Mayor, one of her many considerable contributions to public service in Winnipeg was the implementation of the current administrative structure, still utilized over two decades later.

# Report from the Chief Financial Officer

## FINANCIAL STATEMENT DISCUSSION AND ANALYSIS



I am pleased to present the following Financial Statement Discussion and Analysis, prepared by management. The following discussion and analysis of the financial performance of the City of Winnipeg (the City) should be read with the audited consolidated financial statements and their accompanying notes and schedules (Statements). The Statements, are prepared in accordance with Canadian public sector accounting standards for governments, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

### FINANCIAL REPORTING MODEL

The objective of financial statements is to describe to the user the organization's financial position, the results of its operations and the methods by which the economic resources for its various activities have been derived and consumed. The Statements provide information about the economic resources, obligations and accumulated surplus of the City. Government financial statements are different from private sector organizations in that they account for the unique aspects of their operations.

| | |
|---|---|
| Consolidated Statement of Financial Position | Provides information to describe a government's financial position in terms of its assets and liabilities as at the end of the reporting period. Net financial position (assets or liabilities) and accumulated surplus are important indicators to determining the government's financial well-being. |
| Consolidated Statement of Operations and Accumulated Surplus | Provides information on a government's current period operations and the related achievement of objectives for the reporting period. It also describes the change in accumulated surplus. |
| Consolidated Statement of Cash Flows | Provides information about the impact of a government's activities on its cash resources in the current period. |
| Consolidated Statement of Change in Net Financial Liabilities | Provides information regarding the extent to which expenditures made in the period are met by the revenues recognized in the current period. |

### FUNDS, ENTITIES AND INVESTMENT IN GOVERNMENT BUSINESSES

As noted above, the Statements are consolidated, meaning they reflect all resources and operations controlled by the City. These Statements include departments, special operating agencies, utility operations of the City, and entities that are controlled by the City, as well as the City's investment in government businesses. The following is a brief description of the major funds, entities and investments included in the Statements.

**Funds**

A fund is used to report on resources that have been segregated for specific activities or objectives. The City, like other local governments, establishes these funds to demonstrate its accountability of the resources allocated for the services the particular fund delivers.

The General Revenue Fund reports on tax-supported operations, which include services provided by the City such as police, fire, ambulance, library and street maintenance. The General Capital Fund exists to account for tax-supported capital projects.

The tax-supported capital program is made up of, but is not limited to, reporting on the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility operations are comprised of the Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal Funds. Each utility accounts for its own operations and capital program.

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

The SOAs have been given the authority to provide public services, internal services, and regulatory and enforcement programs. SOA status is granted when it is in the City's interest that the service delivery model remains within the government, but it requires greater flexibility to operate in a more business-like manner. Each SOA is governed by its own operating charter, and each prepares an annual business plan for adoption by City Council.

City Council has approved the establishment of several Reserve Funds, which can be categorized into three types:

- Capital Reserves finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt.
- Special Purpose Reserves provide designated revenue to fund the reserves' authorized costs.
- The Financial Stabilization Reserve assists in the funding of major unexpected expenses or revenue deficits reported in the General Revenue Fund.

### Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Assiniboine Park Conservancy Inc., Winnipeg Public Library Board, The Convention Centre Corporation, Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc. and CentreVenture Development Corporation. Economic Development Winnipeg Inc. is a government partnership and is proportionately consolidated. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions.

North Portage Development Corporation, Winnipeg Housing Rehabilitation Corporation, River Park South Developments Inc. and Park City Commons are included in the Statements as investments in government businesses.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Financial statements present information to describe the government's financial position at the end of the accounting period. Such information is useful to evaluate the government's ability to finance its activities and to meet its liabilities and contractual obligations, as well as the government's ability to provide future services. To this end, governments need to understand the total economic resources they have on hand to deliver services. These resources can be financial (e.g., cash, accounts receivable) and non-financial (e.g., tangible capital assets).

At the same time, in respect of services delivered, governments will have liabilities to be settled in the future that will consume the financial resources. This is measured by the government's net financial asset/liability position. This measure must be considered in tandem with accumulated surplus to determine the government's ability to deliver services in the future. A significant portion of accumulated surplus includes the investment made in tangible capital assets which, for governments, represent service delivery capacity. As at December 31, the City reports:

| *(in thousands of dollars)* | **2017** | 2016 | **Variance** |
|---|---|---|---|
| Cash and cash equivalents | **$ 456,078** | $ 393,863 | **$ 62,215** |
| Other financial assets | **657,317** | 678,592 | **(21,275)** |
| Financial assets | **1,113,395** | 1,072,455 | **40,940** |
| Liabilities | **1,744,181** | 1,732,923 | **(11,258)** |
| Net financial position | **(630,786)** | (660,468) | **29,682** |
| Non-financial assets | **6,666,235** | 6,445,055 | **221,180** |
| Accumulated surplus | **$ 6,035,449** | $ 5,784,587 | **$ 250,862** |

The following four sections elaborate on four key indicators in the Consolidated Statement of Financial Position – cash resources, net financial position, non-financial assets and accumulated surplus.

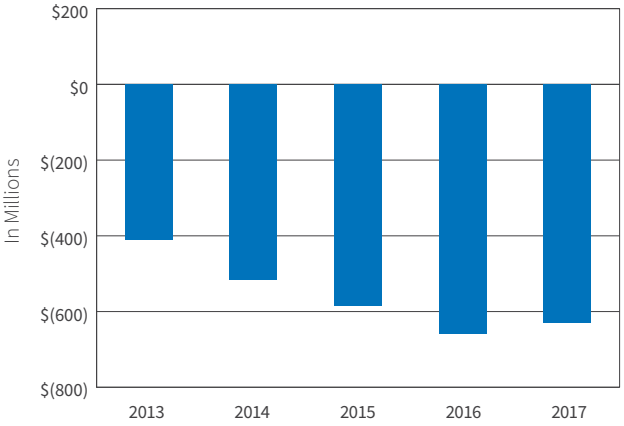
## Cash Resources

The cash resources of the City are its cash and cash equivalents. It includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents are held for meeting short-term obligations rather than for other purposes like investing. During 2017, the City's cash and cash equivalents increased by $62.2 million. This increase resulted primarily because cash and cash equivalents arising from operating activities exceeded that used to construct and purchase tangible capital assets.

## Net Financial Position

Net financial position is the difference between financial assets and liabilities, which indicate the affordability of additional spending. As at December 31, 2017, the City was in a net financial liability position of $630.8 million (2016 – $660.5 million). The change in net financial position during the year resulted primarily from increased cash and cash equivalents.

NET FINANCIAL POSITION

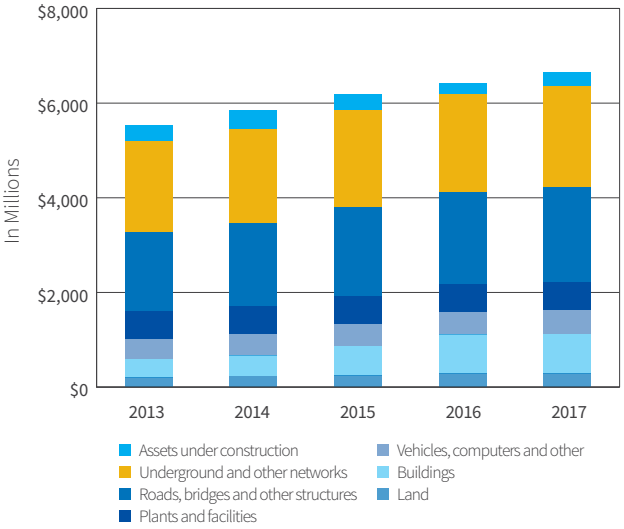



## Non-Financial Assets

Non-financial assets of the City are assets that are, by nature, normally for use in service provision and include purchased, constructed, contributed, developed and leased tangible capital assets, inventories of supplies, and prepaid expenses. Tangible capital assets are the most significant component of non-financial assets.

As indicated in the chart to the right, the City continues to invest in its infrastructure. The acquisition of tangible capital assets is the result of an approved capital budget. The challenge in creating a capital budget is balancing infrastructure needs with fiscal responsibility. On December 13, 2016, City Council adopted the 2017 annual capital budget and the 2018 to 2022 five-year forecast. The six-year plan projected $2.2 billion in City capital projects, with $432.9 million authorized in 2017. Some of the projects included in the 2017 capital budget are:

TANGIBLE CAPITAL ASSETS (NET BOOK VALUE)




- $105.2 million for regional and local street renewal, including $13.4 million for waterway crossings and grade separation.
- $57.8 million in sewage disposal collection and treatment systems and $49.4 million in waterworks systems, including $18.5 million for water main renewals.
- $81.5 million for public transit projects including the expansion of the transit vehicle overhaul and maintenance facilities and the purchase of new transit buses.
- $20.0 million for the North District police station.
- $13.2 million for active transportation facilities, $9.0 million for parks and recreation enhancement and $7.6 million at aquatic facilities, including $2.1 million for spray pad development.
- $4.3 million for Tache Promenade.
- $2.5 million for the Transcona Library.

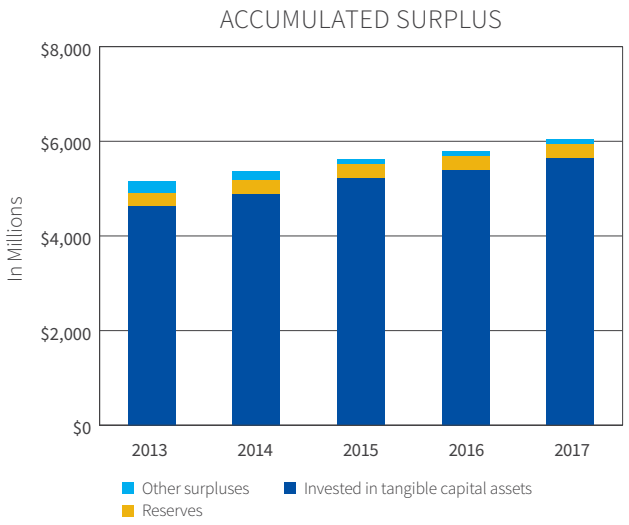
Also included in the capital investment plan over the six-year period (2017 to 2022) is anticipated funding of $431.0 million cash to capital funding, $348.5 million of anticipated provincial funding and $263.0 million under the Federal Gas Tax Agreement.

During 2017, the City acquired $475.9 million of tangible capital assets (2016 – $475.6 million), including contributed roads and underground networks totaling $95.2 million (2016 – $59.0 million). Contributed assets are capitalized at their fair value at the time they are received. Of the assets acquired, $258.2 million was for tax-supported projects (54%). Spending on tax-supported projects was most significantly on roads, a priority of City Council.

### Accumulated Surplus

Another important financial indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. The accumulated surplus represents the net assets of the City, and the yearly change in the accumulated surplus is equal to the annual excess of revenues over expenses for the year (results of operations or annual surplus).

Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements, along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and landfill liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2017 – 93%; 2016 – 93%). Investment in tangible capital assets is a very important aspect of service delivery and is not intended or readily accessible for use in funding ongoing operations.

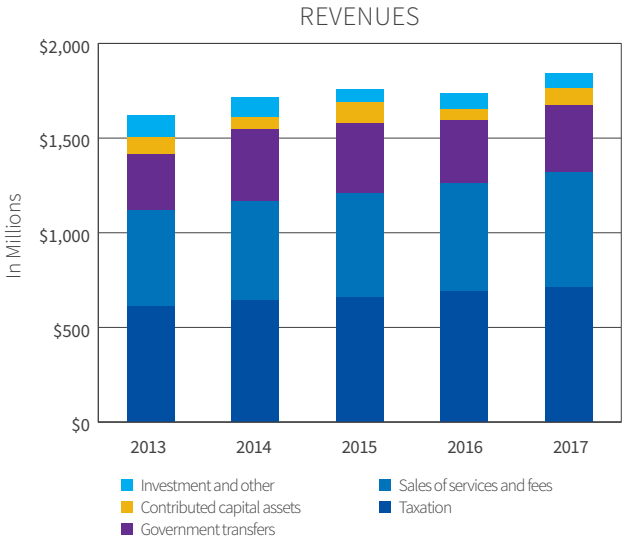



The City's accumulated surplus, through its investment in tangible capital assets, has grown over the period, indicating a strong foundation upon which services will continue to be delivered in the future.

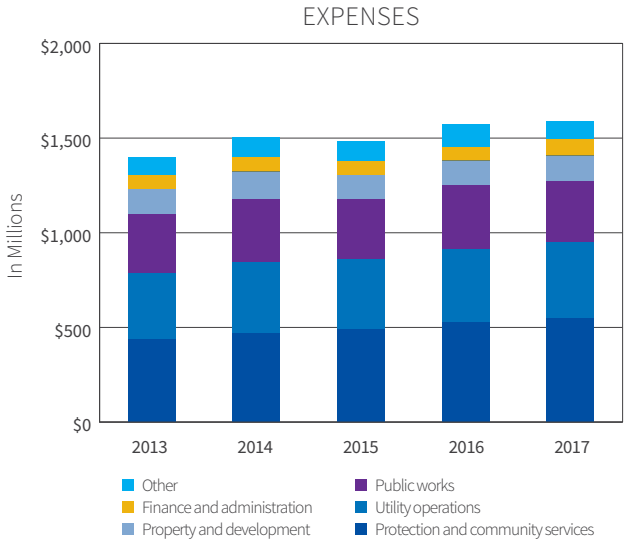
## CONSOLIDATED STATEMENT OF OPERATIONS

Financial statements show how and where the government realizes its revenues. They provide information that is useful in gaining an understanding of a government's revenue sources and their contribution to operations. They also report the nature and purpose of a government's expenses in the period, demonstrating the allocation and consumption of resources.

Beyond government transfers, the City has a good balance of revenue sources, with the majority coming from taxation, sales of services and regulatory fees. PSAB has defined indicators of financial condition to assist users of government financial statements to assess financial condition. Indicators of vulnerability measure a government's risk of over-dependency on sources of funding outside its control or exposure to risks that could impair its ability to meet financial and service commitments. In this regard, over the five year period presented, government transfers as a percentage of total revenue have been stable, ranging from 18% to 22%.




Note: Revenues include capital related transfers and contributions included in the other category on the Consolidated Statement of Operations and Accumulated Surplus.

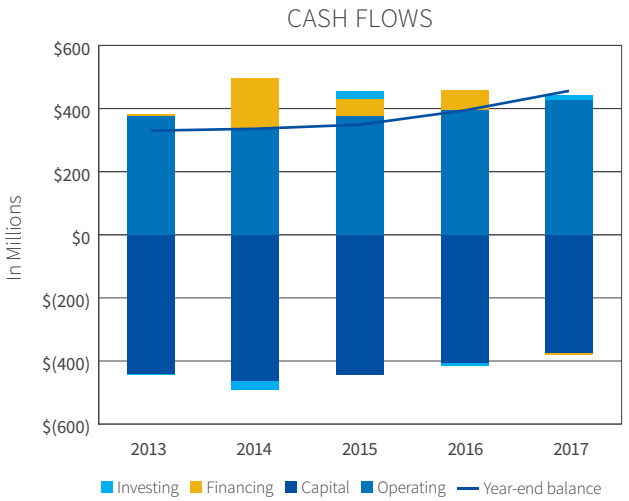



As the table above indicates, the City's protection and community services and public works expenses have increased over the five-year period presented, indicating City Council's priorities of public safety and roads.

## CONSOLIDATED STATEMENT OF CASH FLOWS

A government finances its activities and meets its obligations by generating revenues, through external borrowing and by using existing cash resources. Cash resources are generated and consumed through operating, capital, financing and investing activities.

Capital investments have been more significant over the past five years, financed largely through operations, which include capital-related government transfers and a responsible amount of debt.

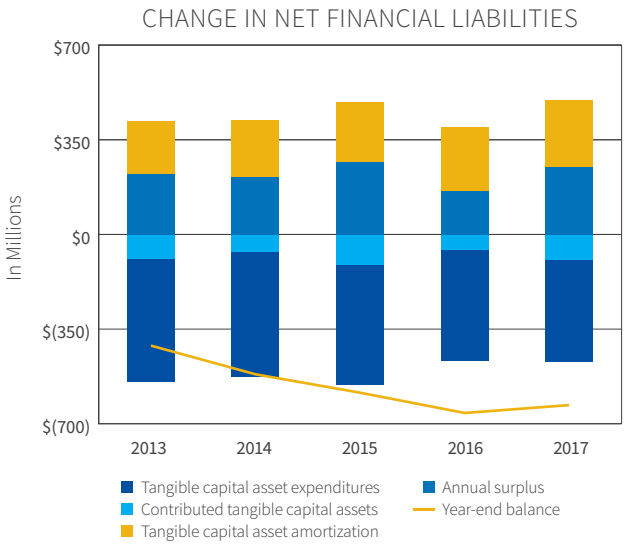



## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

As indicated earlier, net financial liabilities is an important measure for governments. Representing the difference between the government's liabilities and its financial assets readily available to satisfy those liabilities, this statement explains why this change differs from the annual surplus produced by the government.

As previously discussed, the City has been making higher investments in its infrastructure over the past five years. With the investments being made exceeding financial assets generated through operations, the City has partially financed this difference through the assumption of more debt.

Even though the City has assumed more debt in recent years, it has done so responsibly. This statement is reflected in the results of its credit rating review. In late 2017, Standard & Poor's (S&P) affirmed the City's AA credit rating. The rationale for the rating was: "very strong and diversified economy", "exceptional and robust liquidity position", "moderate debt burden" and "strong financial management". However, S&P noted these strengths are offset somewhat by large capital expenditure requirements that limit the otherwise strong budgetary flexibility.




Moody's Investors Service (Moody's) announced in July 2017 it would be maintaining the City's credit rating, at Aa2, noting that the rating benefits from disciplined fiscal planning and a track record of solid operating surpluses, a diverse economy and access to stable and predictable own-source revenues. However, Moody's also noted that the rating is constrained by Winnipeg's debt burden as the City continues to invest in infrastructure. Lastly, Moody's expects the City will maintain strong debt affordability, despite forecasted higher debt levels.

These debt ratings contribute to the City's ability to access capital markets and obtaining competitive and comparable borrowing terms.

Another indicator of financial condition introduced by PSAB measures flexibility. Flexibility is the degree to which the City can issue more debt or increase taxes to meet its existing financial and service commitments. Even with the assumption of more debt, the City's interest expense-to-revenues has remained constant over the past several years at 0.03. This measure indicates the City has sufficient sources of revenue to meet its financial and service commitments. It also demonstrates the low interest rates on debt, not only reflecting the current market but also the City's strong credit rating.

## ANALYSIS OF STATEMENTS

The following analysis provides enhanced detail on the Statements.

### Accounts Receivable

The accounts receivable balance has decreased $0.3 million since the prior year. This is largely due to a decrease in the amount owed by the Province of Manitoba for funding of operating activities and a decrease in receivable from Winnipeg Regional Health Authority relating to ambulance services. These decreases are offset by increased receivables from the Province of Manitoba for funding of capital investments, related to timing of spending and claims submission to the Province.

The largest component of accounts receivable is trade accounts and other receivables at 52% (2016 – 51%). Approximately 41% (2016 – 36%) of trade accounts and other receivables result from water and sewer services. Management has determined credit risk to be low on these outstanding receivables and has provided an allowance for doubtful accounts of $400 thousand (2016 – $400 thousand).

As at December 31, 2017, property, payments-in-lieu and business tax receivables (taxes receivable), net of the estimated allowance for tax arrears, represented 16% (2016 – 16%) of total receivables. Taxation revenue is 39% (2016 – 40%) of total consolidated revenues.

### Taxes Receivable

| *As at December 31 (in thousands of dollars)* | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Taxes receivable | **$ 52,599** | $ 51,550 | $ 58,121 | $ 54,825 | $ 49,592 |
| Allowance for tax arrears | **(756)** | (330) | (4,255) | (6,183) | (3,694) |
| | **$ 51,843** | $ 51,220 | $ 53,866 | $ 48,642 | $ 45,898 |

### Investments

| *As at December 31 (in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| Marketable securities | | |
| Municipal bonds | **$ 56,884** | $ 59,424 |
| Provincial bonds and bond coupons | **16,483** | 13,697 |
| Bank and trust companies | **5,011** | – |
| Government of Canada bonds | **–** | 15,185 |
| | **78,378** | 88,306 |
| Manitoba Hydro long-term receivable | **220,238** | 220,238 |
| Other | **7,324** | 13,646 |
| | **$ 305,940** | $ 322,190 |
| Market value of marketable securities | **$ 83,684** | $ 90,093 |

During 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale included annual payments starting in 2002, which declined gradually to $16 million annually in perpetuity starting in 2011. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province, which coincides with the payments remaining at $16 million in perpetuity.

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

## Debt

| *As at December 31 (in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| Sinking fund debentures | **$ 767,568** | $ 797,568 |
| Equity in sinking funds | **(67,468)** | (65,677) |
| | **700,100** | 731,891 |
| Serial and instalment debt | **9,696** | 14,544 |
| Bank and other loans | **159,075** | 124,948 |
| Capital lease obligations | **23,398** | 24,162 |
| Service concession arrangement obligations | **150,432** | 152,368 |
| | **1,042,701** | 1,047,913 |
| Unamortized premium on debt | **30,938** | 31,931 |
| | **$ 1,073,639** | $ 1,079,844 |

The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter, the City is required to make annual payments towards the retirement of sinking fund debt for which the City maintains two sinking funds. One of the sinking funds is managed by The Sinking Fund Trustees of the City of Winnipeg. The second fund was created as a result of revisions to The City of Winnipeg Charter. This fund has been managed by the City for sinking fund arrangements since December 31, 2002.

The City pays interest on the principal to the investors and contributes a set percentage of the principal into the sinking fund. The sinking fund contribution percentage is set at the time of debt issuance and is estimated to be sufficient to retire the debentures as they mature. The interest rate earnings assumption was set at 4% over the life of the debentures the City issued in 2016. The City has the ability to adjust this interest rate on future debenture issuance to mitigate projected surplus or deficiency positions.

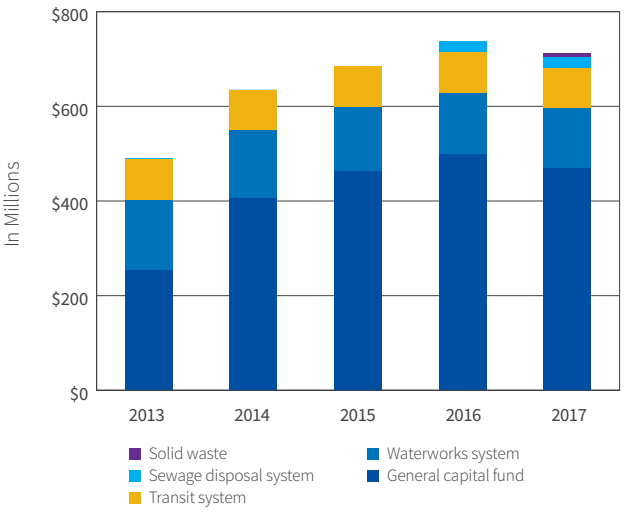
These annual sinking fund payments are invested primarily in government and government-guaranteed bonds and debentures. By investing in bonds and debentures of investees that are considered to be high quality, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations. In November 2017, the remaining debt (series VU) actively managed by the Sinking Fund Trustees matured with a shortfall of $17 million due to the low interest rate environment that has persisted since the global economic crisis of 2008. The City refinanced this deficiency.

The Sinking Fund Trustees of the City of Winnipeg also manage debt related to Winnipeg Hydro, which will be fully retired by 2029. As part of the sales agreement with Manitoba Hydro, this sinking fund is required to hold Manitoba Hydro Electric Board bonds issued by Manitoba Hydro. These bonds were issued to enable the City to repay and defease the Winnipeg Hydro debt. The bonds have identical terms and conditions as to par value, interest and date of maturity as the debt has. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity. This debt has been defeased under this arrangement and, accordingly, is not reported in the Statements.

No additional sinking fund debentures were issued in 2017.

The City has also incurred serial and installment debt that have varying maturities up to 2019, and carry a weighted average interest rate of 4.5% (2016 – 4.5%). Annual interest and principal payments are made on the debt.

NET SINKING FUND DEBENTURES, SERIAL AND INSTALMENT DEBT



In addition, the City has entered into two service concession arrangements with respect to Chief Peguis Trail Extension and Disraeli Bridges. Taking into account the various forms of funding and financing, the effective interest rates incurred by the City are 4.6% and 5.2% for these projects, respectively.

Liquidity is an important measure of an organization's ability to readily service its debt obligations. Liquidity is measured by a debt service coverage ratio, comparing free cash and liquid assets to annual debt servicing (principal and interest). The following table presents the last five years:

| Debt Service Coverage Ratio | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Free Cash and Liquid Assets/ Debt Service | **803.8%** | 733.7% | 618.6% | 578.3% | 427.4% |

In its recent credit rating report, Standard and Poor's commented that the City maintains exceptional liquidity, which they report is expected to continue.

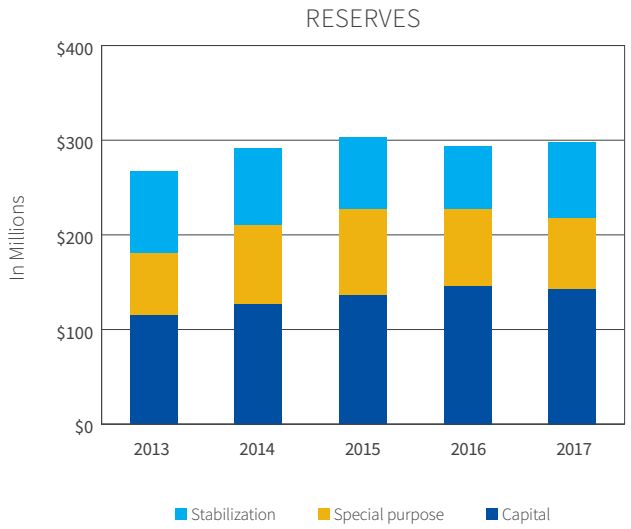
## Reserves

Reserve balances have increased overall by $3.2 million (2016 – $8.3 million decrease) from the prior year. The City's Financial Stabilization Reserve balance increased by $12.4 million, while the Capital Reserves and Special Purpose Reserves decreased by $2.6 million and $6.6 million respectively.

The Financial Stabilization Reserve's accumulated surplus is projected to be $15.3 million (including net interest revenue) over its targeted level of 6% of the General Revenue Fund's adopted 2018 budgeted expenses due to the 2017 General Revenue Fund surplus. The City Council's adopted 2018 budget provides no transfer to the General Revenue Fund.

During 2013, a new reserve was established to track dedicated revenue for the sole purpose of funding the renewal of local streets, back lanes and sidewalks. The long-term proposal, subject to annual City Council approval, is to fund the Local Street Renewal Reserve Fund with dedicated annual 1% property tax increases over the long term. The reserve transferred $24.7 million to the General Capital Fund during 2017 to fund local street, back lane and sidewalk projects.

In the 2014 budget, a similarly dedicated 1% property tax increase was introduced to fund a new Regional Street Renewal Reserve. Approximately 80% of the traffic volume in the City occurs on 1,800 lane kilometers of regional streets. The long-term proposal, subject to annual City Council approval, is to dedicate annual 1% property tax increases to the renewal of regional streets. The reserve transferred $20.3 million to the General Capital Fund during 2017 to fund regional street projects.




## Consolidated Revenue and Expense Comparisons

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2017 on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses. The Statements include a consolidated budget, which provides additional transparency and accountability.

During 2017, the City recorded consolidated revenues of $1.843 billion (2016 – $1.735 billion), which included government transfers, developer contributions-in-kind and other capital contributions related to the acquisition of tangible capital assets. Consolidated expenses totaled $1.592 billion (2016 – $1.573 billion).

Consolidated revenues before government transfers, developer contributions-in-kind and other capital contributions totaled $1.578 billion (2016 – $1.497 billion). As a result, the City reported a deficit before these other items of $14.2 million (2016 – $76.0 million). This deficit is largely a result of accruing for unfunded liabilities such as landfill liabilities and future-oriented employee benefit liabilities. These future-oriented employee benefits, such as unused vacation and sick leave, are recorded on an accrual basis but are budgeted on a pay-as-you-go basis. Similarly, amortization is recorded over the life of the tangible capital asset; however, the budget is developed to consider the cash flows associated with constructing the asset and servicing any associated debt.

### Consolidated Revenues

| *For the years ended December 31 (in thousands of dollars)* | **Budget 2017** | | **Actual 2017** | | Actual 2016 | | Budget to Actual Variance | Actual to Actual Variance |
|---|---|---|---|---|---|---|---|---|
| Taxation | **$ 714,901** | 39% | **$ 712,209** | 39% | $ 691,016 | 40% | $ (2,692) | $ 21,193 |
| Sales of services and regulatory fees | **606,829** | 33% | **607,912** | 33% | 569,641 | 33% | 1,083 | 38,271 |
| Government transfers – Operating | **193,403** | 10% | **194,932** | 11% | 182,243 | 11% | 1,529 | 12,689 |
| Investment, land sales and other revenues | **51,690** | 3% | **62,614** | 3% | 53,848 | 3% | 10,924 | 8,766 |
| Revenue before Other | **1,566,823** | | **1,577,667** | | 1,496,748 | | 10,844 | 80,919 |
| Government transfers – Capital | **176,636** | 10% | **156,326** | 8% | 151,550 | 9% | (20,310) | 4,776 |
| Developer contributions-in-kind | **88,465** | 5% | **95,163** | 5% | 59,020 | 3% | 6,698 | 36,143 |
| Other capital contributions | **6,405** | 0% | **13,611** | 1% | 27,528 | 1% | 7,206 | (13,917) |
| | **271,506** | | **265,100** | | 238,098 | | (6,406) | 27,002 |
| | **$ 1,838,329** | | **$ 1,842,767** | | $ 1,734,846 | | $ 4,438 | $ 107,921 |

Revenues were $107.9 million higher in 2017 due to several factors. One of the major reasons was increased developer contributions-in-kind related to the turnover of these assets from developers. This also contributed to revenues coming in higher than budget.

Taxation revenues increased over the prior year by $21.2 million. Included in taxation revenues are municipal realty taxes, which increased by $23.0 million year-over-year due to assessment roll growth, and a 2.33% increase in property tax rates. The increase in property taxes is attributable to an annual 1% increase to each of the Local and Regional Street Renewal programs, and a 0.33% increase dedicated for future payments for the Southwest Rapid Transitway (Stage 2).

Sales of services and regulatory fees rose over the prior year due to a $37.3 million increase reported in water and sewer sales resulting from increased rates and consumption.

The increase in government transfers - Operating is primarily the result of a new Homelessness Partnership Strategy agreement with the Government of Canada.

Decreased other capital contributions from prior year relates to less contributions received from rail authorities and other contributors.

Government transfers - Capital are less than budget relates to timing of spending on capital investments and resulting claims submission to the Province of Manitoba.

Similarly, it is difficult to predict the timing of land sales which is the primary reason that investment, land sales and other revenues exceeds budget by $10.9 million.

## Consolidated Expenses

| *For the years ended December 31 (in thousands of dollars)* | **Budget 2017** | | **Actual 2017** | | Actual 2016 | | Budget to Actual Variance | Actual to Actual Variance |
|---|---|---|---|---|---|---|---|---|
| Protection and community services | **$ 525,443** | 32% | **$ 549,180** | 35% | $ 528,168 | 34% | $ (23,737) | $ 21,012 |
| Utility operations | **419,283** | 25% | **398,148** | 25% | 383,922 | 25% | 21,135 | 14,226 |
| Public works | **342,517** | 21% | **326,279** | 21% | 338,104 | 21% | 16,238 | (11,825) |
| Property and development | **147,426** | 9% | **134,863** | 8% | 131,921 | 8% | 12,563 | 2,942 |
| Finance and administration | **89,304** | 6% | **84,515** | 5% | 70,011 | 5% | 4,789 | 14,504 |
| Civic corporations | **70,466** | 4% | **71,604** | 4% | 69,847 | 4% | (1,138) | 1,757 |
| General government | **51,329** | 3% | **27,316** | 2% | 50,739 | 3% | 24,013 | (23,423) |
| | **$ 1,645,768** | | **$ 1,591,905** | | $ 1,572,712 | | $ 53,863 | $ 19,193 |

Consolidated expenses increased by $19.2 million or 1.2% from the previous year and were $53.9 million under budget, for the following reasons:

- The protection and community service expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Fire Paramedic Service department reported additional salaries and benefits expenses over the previous year, primarily due to contractual rate increases. Additional expenses for the Homelessness Partnership Strategy and the Jonathon Toews Fieldhouse increased expenses over budget and the prior year.
- Utility operations were under budget mostly related to lower salaries and benefits expenses resulting from turnover and unfilled positions, and the delay in the opening of the Panet 4R Winnipeg depot. As well as, additional savings in bus parts expenditures.
- The decrease in Public Works expenses compared to budget is related to decreased insect control costs and savings in salaries and benefits resulting from vacancy management. Savings in snow clearing and ice control from reduced snow fall contributed to the reduction in expenses from the previous year.
- Property and development expenses are lower than budget primarily because of a decrease in grants.
- Finance and administration costs are higher than 2016 primarily because of a higher provision for assessment appeals, due to a larger number of appeals outstanding. Additionally the provision for uncollectable taxes has increased over 2016, due to recoveries in 2016 of previously provided for balances.
- General government expenses were under budget and decreased from 2016 due to lower environmental liabilities.

## Consolidated Expenses by Object

| *For the years ended December 31 (in thousands of dollars)* | **2017** | | 2016 | | Variance |
|---|---|---|---|---|---|
| Salaries and benefits | **$ 845,087** | 53% | $ 836,857 | 53% | $ 8,230 |
| Goods and services | **412,614** | 26% | 417,643 | 27% | (5,029) |
| Amortization | **245,941** | 15% | 235,235 | 15% | 10,706 |
| Interest | **52,834** | 4% | 51,799 | 3% | 1,035 |
| Other expenses | **35,429** | 2% | 31,178 | 2% | 4,251 |
| | **$ 1,591,905** | | $ 1,572,712 | | $ 19,193 |

- Increases in salaries and benefits expenses resulted primarily from contractual pay increases to employees.
- Goods and services expenses decreased largely due to decreased snow clearing and road maintenance operations.
- Amortization expense has increased due to growing inventory of tangible capital assets.

## RISKS AND RISK MITIGATION

### Comprehensive Asset Management

The City faces a very significant infrastructure deficit to address infrastructure needs relating to the major service areas across the organization. Based on the recently published 2018 State of the Infrastructure Report, an investment of $6.9 billion is required over the next 10 years. To assist in addressing this issue, the City is using the aforementioned dedicated property taxes for local and regional roads (1% each). As well, the City has committed to comprehensive asset management as a key initiative to help address challenges associated with infrastructure maintenance and development. Several near and long term strategies to address the deficit have been outlined in the 2018 City Asset Management Plan, which will set the stage to routinely monitor and improve asset performance and organizational sustainability. Both of these documents are approved by the CAO for all service areas and submitted to Council as information.

The asset management program helps the City to effectively invest limited resources into long-term capital plans by balancing risk, cost, and customer levels of service to ensure our assets are efficiently and properly managed. The program is meant to align investments with infrastructure priorities to deliver established levels of service in a fiscally responsible manner. In short, it allows the City to make the right investment, at the right time, the right way.

In January 2015, City Council approved an Asset Management Policy. This policy guides the City in incorporating best practices in asset management, in support of delivering services. Asset management will align the elements of governance, process and technology to deliver established levels of service at an acceptable level of risk. It is the process of thinking and carrying out business in a robust and transparent fashion. In fulfilling the policy's requirements, the following documents have been delivered:

- Asset Management Administrative Standard: This document establishes the City's approach to managing the City's physical assets.
- Investment Planning Manual: This manual provides a methodology to develop a consistent, efficient and effective process to develop Investment Plans (Capital Budget).
- Project Management Manual: This manual has been developed and is being implemented to provide consistency in project delivery in the City. It is to be used by all business units in all departments for delivery of capital projects in the City. This manual is largely based on the Project Management Body of Knowledge (PMBOK), which is generally considered to be best practices for project management in North America.
- Templates: These templates include various form documents to ensure consistency throughout the Public Service such as Business Case template and Basis of Estimate template. Templates include "how to" instructions.
- Asset Management Plans:
  - Departmental Asset Management Plan: Contains critical asset information pertaining to inventory, replacement value, condition, age and performance. Outlines tactical and financial strategies for managing assets throughout their lifecycle.
  - City Asset Management Plan (CAMP): Provides a summary of asset information, strategies and funding deficits related to the entire portfolio of new and existing infrastructure. It presents a cross-comparison of major City services and facilitates broader decision making across the organization. The plan also outlines corporate strategies and improvement initiatives focusing on people, process, technology and assets across City departments and functional teams.
- State of the Infrastructure Report: High level summary of the CAMP, it reports on 13 major infrastructure elements that the City manages in order to deliver services. The report provides a comparison of asset condition, capital budget allocations and a service area's overall contribution to the deficit based on new and existing infrastructure needs.

The following documents will be delivered as part of the Asset Management Policy's requirements:

- Strategic Asset Management Plan: This document will provide the City's commitment and approach to achieving Council's approved policy. This will be approved by the CAO and submitted to Council as information.
- Customer Levels of Service: This document, which will be approved by Council, will provide the level to which front-line infrastructure supported services will be delivered.

As well, the City has implemented processes that have created better alignment between financial planning and the City's asset management programs.

## Capital Project Management

One of the major functions of the City is the delivery on capital investments. This past year alone, the City invested $0.5 billion in tangible capital assets, rehabilitating and investing in new assets such as roads, bridges and buildings. Tangible capital assets serve as key components to service delivery.

The City understands the value derived from strong project management and has been working diligently to mitigate against capital project delivery problems associated with time, budget and scope by doing the following:

- The Public Service has been vigilant in the establishment of Major Capital Project Steering Committees to ensure project risks are being appropriately identified and addressed. As well, regular reporting to the Standing Policy Committee on Finance enhances public transparency.
- The City is transitioning to a system where all capital budget submissions require a supporting business case that can be challenged on the basis of need (level of service and risk), assumptions and recommended solutions.
- During 2014, City Council requested the external review of the Winnipeg Police Headquarters project. The review provided a series of recommendations approved by City Council. The Public Service has developed an implementation plan that includes periodic reporting to City Council, and it has made significant progress in addressing the recommendations.
- A comprehensive Project Management manual was implemented in 2014. The manual details best practice processes and procedures and defines how projects are to be delivered.
- In 2018, the City rolled out its Open Capital Projects Dashboard. The City's Open Capital Projects Dashboard is a visually engaging, interactive tool that reports on the progress of the City's open capital projects with budgets of $5 million or more. The Dashboard eliminates the complexity of analyzing a capital project's financial and non-financial information. Its schedule and cost variance matrix was custom developed to do this analysis for users.
- The Dashboard complements the Open Budget, which reports fundamental financial information of adopted budget, amended budget, and actual costs categorized by department, category and subcategory for the City's entire portfolio of almost 700 active capital projects.
- In 2018, the City began publishing a list of unfunded major capital projects. The list is meant to provide a longer term outlook of forthcoming, unfunded projects that have been identified as needed investments to sustain the City's infrastructure.
- A Capital Expenditures Monthly Report is posted to the City's website to improve transparency and accountability. A version was made available through the City's Open Data Portal early in 2016.

## Financial Management Plan

Continued sustainability is addressed in the Financial Management Plan (the Plan) adopted by City Council on March 23, 2011. The Plan outlines the City's strategy for guiding financial decision-making, meeting long- term obligations and improving its economic position and financial stability. It sets forth guidelines upon which current and future financial performance can be measured. One of the eight targets included in the Plan is a manageable level of debt. Thus, a review of the City’s forecasted net debt and debt servicing costs, including the financial implications of service concession arrangements, was conducted, and it is monitored on an ongoing basis. An update to the Financial Management Plan is presently underway.

## Debt Strategy

To help manage debt responsibly and transparently, on October 28, 2015, City Council approved an updated debt strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2017 and the forecasted peak based on the City Council-approved borrowing and the 2018 Capital Budget and Five-Year Forecast.

| Debt Metrics | Maximum | As at December 31, 2017 | Forecasted Peak |
|---|---|---|---|
| Debt as a % of revenue | | | |
| City | **90.0%** | 56.6% | 84.0% |
| Tax-supported and other funds | **80.0%** | 55.5% | 64.0% |
| Utilities and other | **220.0%** | 41.5% | 135.4% |
| Debt-servicing as a % of revenue | | | |
| City | **11.0%** | 5.1% | 9.2% |
| Tax-supported and other funds | **10.0%** | 5.3% | 5.5% |
| Utilities and other | **20.0%** | 3.7% | 17.2% |
| Debt per capita | | | |
| City | **$ 2,800** | $ 1,415 | $ 2,379 |
| Tax-supported and other funds | **$ 1,500** | $ 918 | $ 1,111 |
| Utilities and other | **$ 1,500** | $ 382 | $ 1,232 |

Note: "City" includes "tax-supported and other funds", "Utilities and Other" and consolidated entities. "Tax-supported and other funds" includes Municipal Accommodations and Fleet Management. "Utilities and Other" includes Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal. "Forecasted Peak" does not account for the implications of consolidated accounting entries.

## Loan Guarantees

The City has unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2017 is $38.7 million (2016 – $37.6 million). Included in the outstanding balance on guaranteed loans is a $10 million guarantee related to financing provided by the Federation of Canadian Municipalities to the private Fort Rouge Yards project. The City is fully indemnified for this guarantee through an indemnity agreement with First National Financial LP.

Some of the capital projects related to guarantees are in progress at year-end, meaning that the full line of credit has not been used. The at risk amount is $46.9 million (2016 – $53.8 million). The City does not anticipate incurring future payments on these guarantees.

On September 28, 2016 Council adopted a renewed Loan Guarantee policy. The main objectives of this Policy revision were to ensure that loan guarantees are only provided to organizations that assist the City in achieving its goals while minimizing the financial risk associated with the guarantee.

Other revisions include application and standby fees, a cap on the amount of loan guarantees to non- consolidated entities and a minimum threshold for loan guarantee applications.

## Employee Benefit Programs

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

## Pension Plans

The City has two major plans – The Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The Winnipeg Civic Employees' Benefits Program has similar characteristics to a defined contribution pension plan in that it is a multi-employer benefits program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. This structure limits the City's exposure to future unfunded liabilities.

The Winnipeg Civic Employees' Benefits Program's special-purpose reserves have been used to subsidize the cost of benefits. Since the inception of the Program, it has been recognized that these reserves would gradually diminish over time as they were drawn down, unless they were able to be replenished through actuarial surpluses generated by "excess" investment returns. In part due to the 2008 market downturn, the Program's reserve position is currently insufficient to continue to subsidize the cost of benefits on a sustainable basis.

As a result, a multi-faceted approach was approved consisting of increased employer and employee contributions and benefit adjustments, while considering forecasted investment returns and reserve balances. Contribution rate increases of one-half per cent each year for four years were approved, starting September 1, 2011, to an average of 10% of pensionable earnings for each of the participating employers and contributing plan members. The increases in 2012 to 2014 were effective January 1st.

The future service cost of the Winnipeg Civic Employees' Benefits Program in 2017 was 22.4% of pensionable earnings.

The Winnipeg Police Pension Plan (the Plan) is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2017, the market value of this pension fund's assets was $1,537.6 million (2016 – $1,403.6 million), which is $98.9 million more (2016 – $84.3 million more) than the accrued pension obligation.

Based on a valuation of the Plan as at December 31, 2016, the cost of benefits accruing under this Plan in 2017 represent 26.8% of pensionable earnings, of which the employees contributed 8% of earnings. In accordance with Provincial pension legislation, the Plan's Contribution Stabilization Reserve can be used to reduce the City's contributions to match the employees' contributions if this reserve is in excess of 5% of the Plan's solvency liabilities. The balance in the Contribution Stabilization Reserve has been below this threshold since May 2012. Further, in accordance with the Plan provisions and the actuarial report on the valuation, 0.90% of earnings was not required to be contributed. Therefore, the City contributed the balance of the cost – that is, 17.88% of pensionable earnings.

The date of the next actuarial valuation of the Plan required to be prepared and filed with the Manitoba Office of the Superintendent – Pension Commission is December 31, 2019. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. As of the last valuation date, December 31, 2016, the plan had a solvency deficiency under this wind-up scenario.

This deficiency had to be addressed over the five years following the valuation date by the City, either through an increase in contributions starting in 2017, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively required. City Council has previously approved the letter of credit option and has obtained a letter of credit for $35.4 million as of December 31, 2017 with respect to the December 2016 valuation.

In December 2011, City Council approved a report entitled "Winnipeg Police Plan – Solvency Exemption". One of the recommendations of that report stated that in the event solvency exemption was not achieved, the City was to explore all options to reduce the significant financial impact related to solvency deficiency rules. In early 2013, the members of the Police Pension Plan voted in significant numbers to reject the election for solvency exemption. The City has engaged consulting assistance to explore options.

## Group Life Insurance Plans

The City's group life insurance plan (GLIP) was established in 1975 and is comprised of two separate plans: the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan. The GLIP historically treated its income as non-taxable since the net assets were considered to be an extension of the City's government. However, as a result of enquiries from one of the GLIP's investment managers seeking confirmation of this, the City engaged a tax professional to review the tax status of the GLIP. The review determined the GLIP may not be tax exempt. The City then voluntarily approached the Canada Revenue Agency (CRA) to discuss the issue. CRA informed the City that, in its view, the assets held in the two plans constitute trust funds and, therefore, the income should be considered taxable. CRA agreed to grandfather the tax-exempt status assumed by the present GLIP and, acknowledging that the City was actively working to address this issue, granted an extension until the end of December 2015.

In 2015, City Council approved by-law 80/2015 in respect of the Plans. The purpose of the by-law was to transfer the plans' administration from the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board to The Civic and Police Employees' Group Life Insurance Plans Corporation (CPEGLIPCo). The Province of Manitoba approved the establishing of the CPEGLIPCo as a municipal corporation. The benefits offered by the plans have not changed. This new structure intends to maintain the tax-exempt status of the GLIP.

Full valuations of both Plans were undertaken as at December 31, 2016, and reflected favourable financial positions. The Board of the CPEGLIPCo reviewed the results of the valuations and the Plan's surplus policies, and approved reductions in the employer and member contribution rates effective January 2018. The next full valuations of the Plans are expected to be as at December 31, 2019.

## Environmental Matters

The City's water distribution and treatment system is governed by a licence issued under The Drinking Water Safety Act, and the sewage treatment plants are governed by licences issued under The Environment Act.

The 2005 to 2017 capital budgets for the utilities and their 2018 to 2022 capital forecasts anticipate $890.6 million of future debt to fund projects mandated by the Province. During 2003, at the request of the Minister of Conservation, the Clean Environment Commission (CEC) conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants.

In 2011 "The Save Lake Winnipeg Act" (Bill 46) was passed, which further enforces limits and imposes treatment options for the North End Sewage Treatment Plant. In 2013, an additional licence was issued under the Environment Act, which governs combined sewers and overflow structures. With this direction, a wastewater upgrade program is underway that will address nutrient control, combined sewer overflow mitigation and biosolids management. Based on preliminary assessments, the upgrade program is estimated to cost approximately $1.4 billion, depending on market factors and interpretation of the compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, the Canada Strategic Infrastructure Fund, the Green Infrastructure Fund and accumulated surplus.

The City of Winnipeg operates one landfill, located at the Brady Road Resource Management Facility, and maintains and monitors several former landfill sites. The City estimates costs associated with future landfill closure and post-closure care requirements in the determination of its environmental liability. The Environment Act Licence issued on April 23, 2014 provides direction on closure and post closure requirements. In estimating future landfill closure costs, management has estimated the total cost to cover, landscape and maintain the site based upon remaining life and capacity. The liability is measured on a discounted basis using the City's average, long-term borrowing rate.

The City records liabilities under Section 3260 Liability for Contaminated Sites. The City recognizes a liability for remediation of contaminated sites when conditions are identified that indicate non-compliance with environmental legislation. At December 31, 2017, the City recorded a $12.7 million (2016 – $15.1 million) liability related to contaminated sites.

### Labour Negotiations

For the year ended December 31, 2017, 53% (2016 – 53%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,444 (2016 – 10,426). The majority of employees are represented by the eight unions and associations as follows:

| Union/Association | Average Annual Headcount | Agreement Expiry Date |
|---|---|---|
| ATU | 1,411 | January 12, 2019 |
| CUPE | 4,654 | February 28, 2021 |
| MGEU | 359 | February 18, 2017 |
| UFFW | 950 | December 31, 2020 |
| WAPSO | 758 | December 31, 2019 |
| WFPSOA | 49 | August 31, 2021 |
| WPA | 1,958 | December 31, 2021 |
| WPSOA | 34 | December 31, 2021 |
| Other (non-union/association) | 271 | Not applicable |

ATU – Amalgamated Transit Union Local 1505; CUPE – Canadian Union of Public Employees Local 500; MGEU – Manitoba Government and General Employees' Union, The Paramedics of Winnipeg, Local 911; UFFW – United Fire Fighters of Winnipeg Local 867; WAPSO – Winnipeg Association of Public Service Officers; WFPSOA – Winnipeg Fire Paramedic Senior Officers' Association; WPA – Winnipeg Police Association; and WPSOA – Winnipeg Police Senior Officers' Association.

The collective agreements provide a process to revise wage and employee benefit levels through negotiations. In addition, collective bargaining disputes with certain bargaining units are resolved through compulsory arbitration at the request of either or both parties. The City benefited from negotiated Council approved collective agreements with several unions this past year.

### Corporate Risk Management Division

The City has a separate Risk Management Division reporting to the Chief Financial Officer. This division provides services designed to control and minimize the adverse financial effects of accidental or unforeseen events. Working with City departments and SOAs, this division strengthens the City's long-term financial performance through the development and provision of a solid framework of risk management and loss control techniques based on an informed balance of risk and cost. Identifying, understanding and evaluating the City's risks allows the City to measure and prioritize them, and respond with appropriate actions to manage the risk through loss prevention and reduction strategies, insurance programs and contractual transfer.

## FINANCIAL ACCOUNTABILITY

### Audit Department

The Audit Department is classified as an independent external auditor under Government Auditing Standards due to statutory safeguards that require the City Auditor to report directly to Council, through the Audit Committee.

A key role of the Audit Department is to provide independent assurance on the performance of civic services in support of open, transparent and accountable government. The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

The department will continue to focus resources on the provision of assurance and investigation services. These services are based on periodic risk assessments, and a result of council directed projects and requests from the Public Service.

### Budget Process

Executive Policy Committee (EPC), the executive committee of City Council, is responsible for budget development. The budget is presented to City Council for consideration and adoption. Each year, both an operating and a capital budget are approved by City Council. Both budgets contain multi-year views. The capital budget includes six years of budget information, including the current-year adopted budget and five forecast years. The operating budget contains three years of budget information, including the current-year adopted budget and two projection years. The 2018 budget document includes a 2017 consolidated budget section that is prepared on the same basis as the consolidated financial statements.

## LOOKING FORWARD

### 2018 Operating and Capital Budgets

On December 12, 2017, City Council adopted both budgets for The City of Winnipeg – the 2018 capital and operating budgets. In addition, the 2019-2023 capital forecast was approved in principle and the 2019 and 2020 operating projections were received as the preliminary financial plan for those years.

The 2018 capital budget and the 2019 to 2023 five-year forecast includes $2.2 billion in City capital projects with $0.4 billion authorized in 2018. Some of the projects included in the 2018 capital budget are $116.0 million for regional and local street renewal, $31.9 million for Transit capital investment, including $28.4 million for new transit buses.

The six-year capital investment plan includes $214.1 million for the transit system; $78.5 million for public safety; $111.1 million for community services, including libraries and recreation facilities; $58.3 million for parks and open spaces; $38.1 million for land drainage and flood control; $32.4 million for active transportation facilities; and $18.7 million for the solid waste disposal system. Section 284(2) of The City of Winnipeg Charter requires that before December 31 of each fiscal year, City Council must adopt a capital budget for that year and a capital forecast for the next five fiscal years.

The 2018 operating budget continues with 1.0% tax increases for each of the Local Street Renewal and Regional Street Renewal Reserves. As well, a 0.33% property tax increase was approved for future payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway underpass project.

The 2018 budget plan decreases business tax rates from 5.25% to 5.14% and provides for the expansion of the small business tax credit program. The program provides a full municipal business tax rebate to business with a rental value of $33,300 or less (2017 – $32,220 or less), impacting 47% of Winnipeg businesses. The budget remains focused on the continuing priorities of public safety and city streets. Section 284(1) of The City of Winnipeg Charter requires City Council to approve the operating budget before March 31 of each fiscal year.

The City has a structural deficit in the tax-supported operating budget. In keeping taxes affordable, it has included one-time revenues and deferral of spending and maintenance costs in City budgets. The City was most recently able to balance its 2018 tax-supported operating budget in large part by reducing transfers of cash to capital from operating to capital but this is not sustainable in the long-term. Achieving financial sustainability requires a restructuring of City finances going-forward, involving difficult choices. The Public Service will support Council through this process, helping to solidify the City's financial ability to deliver service to its citizens.

The City of Winnipeg has gone through a period of growth that has impacted the City's operating and capital costs and revenues. This growth is placing pressure on public infrastructure and the need for City Council to invest in additional capacity to accommodate growth. At the same time, the condition of existing infrastructure is deteriorating.

On October 26, 2016, Council passed the Impact Fee By-law that allowed for the phased-in implementation of the impact fee. The impact fee is being phased in over a period of three years. During the initial phase, the impact fee only applies to new residential developments in New Communities and Emerging Communities as set out in *OurWinnipeg*. Collection of impact fees began May 1, 2017. The impact fee revenue collected has been deposited into the Impact Fee Reserve Fund and will be used to fund growth-related capital projects to the extent that they are approved by Council. A total of $4.1 million was collected in 2017, representing the balance in the Impact Fee Reserve Fund as at December 31, 2017.

A working group comprised of elected officials, city administrative staff, and industry and community stakeholders has been established to advise on the implementation of the impact fee over the three-year phase-in period. This working group will provide for ongoing industry and community participation, input into future impact fee rates and their manner of application. The working group will also provide input to the Chief Financial Officer concerning projects to be funded from revenue generated by the impact fee.

## General Revenue Fund – Adopted Budget

| *For the years ended December 31 (in thousands of dollars)* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Property tax | $ 585,584 | $ 569,316 | $ 549,345 | $ 529,168 | $ 510,569 |
| Government transfers | 133,530 | 127,789 | 123,619 | 118,290 | 113,763 |
| Street renewal frontage levy | 63,017 | 62,837 | 62,374 | 49,129 | 41,731 |
| Sale of goods and services | 54,477 | 62,796 | 63,170 | 59,008 | 64,486 |
| Business tax | 56,916 | 57,484 | 57,267 | 58,366 | 59,688 |
| Transfer from other funds | 23,969 | 41,512 | 55,203 | 45,779 | 56,787 |
| Regulation fees | 58,072 | 59,210 | 50,758 | 45,329 | 43,227 |
| Other taxation | 25,602 | 25,342 | 24,955 | 24,290 | 25,390 |
| Interest | 20,202 | 18,102 | 17,102 | 13,387 | 11,228 |
| Other | 60,719 | 55,121 | 51,337 | 51,351 | 42,315 |
| | 1,082,088 | 1,079,509 | 1,055,130 | 994,097 | 969,184 |
| Expenses | | | | | |
| Police service | 291,449 | 288,000 | 280,670 | 263,978 | 259,113 |
| Public works | 241,375 | 229,991 | 215,521 | 204,447 | 187,638 |
| Fire paramedic service | 193,457 | 199,219 | 190,274 | 178,321 | 167,801 |
| Community services | 109,946 | 114,892 | 111,408 | 118,569 | 122,838 |
| Corporate | 73,751 | 59,197 | 72,356 | 46,866 | 60,284 |
| Planning, property and development | 40,430 | 45,598 | 45,528 | 48,513 | 40,554 |
| Corporate support services | 34,811 | 35,996 | 37,254 | 34,092 | 33,038 |
| Water and waste | 22,335 | 32,293 | 30,399 | 30,923 | 31,110 |
| Assessment and taxation | 22,433 | 20,856 | 19,986 | 20,520 | 19,623 |
| City clerk's | 13,161 | 14,947 | 14,550 | 12,948 | 13,465 |
| Street lighting | 13,306 | 13,399 | 12,963 | 12,522 | 11,970 |
| Corporate finance | 9,112 | 9,073 | 9,015 | 9,130 | 9,310 |
| Other departments | 16,522 | 16,048 | 15,206 | 13,268 | 12,440 |
| | 1,082,088 | 1,079,509 | 1,055,130 | 994,097 | 969,184 |
| | $ – | $ – | $ – | $ – | $ – |

Prior year figures have not been reclassified to conform with the 2018 figures.

2017 and prior years include revenues and expenses from land drainage activities. Effective January 1, 2018 these activities are no longer part of the General Revenue Fund and are now reported as a separate utility fund.

### Accounting Pronouncements

PSAB has issued several pronouncements that may impact the City's future financial statements. The pronouncements that the City will be reviewing to determine their impact on the Statements are as follows:

- In June 2011, PSAB approved two new standards: Section 3450 Financial Instruments and Section 2601 Foreign Currency Translation. Both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2021. Upon adoption, the City must also adopt the related financial statement presentation changes in Section 1201 Financial Statement Presentation.
- In March 2015, PSAB issued two new standards: Section 2200 Related Party Disclosures and Section 3420 Inter-entity Transactions. The standards address recognition, measurement and disclosure of related party transactions. The new standards are effective for fiscal years beginning on or after April 1, 2017.
- Also in June 2015, PSAB issued section 3430 Restructuring Transactions. This standard addresses recognition, measurement and disclosure of restructuring transactions, including amalgamations and transfers of programs/operations. The new standard is effective for fiscal years beginning on or after April 1, 2018.
- In March 2018, PSAB issued section 3280 Asset Retirement Obligations. This standard addresses recognition, measurement and disclosure of asset retirement costs. The new standards are effective for fiscal years beginning on or after April 1, 2021.
- This past year, the City early adopted PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights.

## REQUEST FOR INFORMATION

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



**Michael Ruta, FCA**
Chief Financial Officer
May 15, 2018

# RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian public sector accounting standards.

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

Prior to their submission to City Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee. The Consolidated Financial Statements contained herein were approved by Audit Committee on May 15, 2018. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Audit Committee is readily accessible to external and internal auditors.

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



**Michael Ruta, FCA**
Chief Financial Officer
May 15, 2018

# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The City of Winnipeg ('the City'), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2017, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

**Chartered Professional Accountants**
May 15, 2018
Winnipeg, Canada

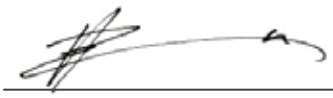
KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *As at December 31 (in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents (Note 3) | **$ 456,078** | $ 393,863 |
| Accounts receivable (Note 4) | **320,008** | 320,321 |
| Land held for resale | **1,156** | 5,931 |
| Investments (Note 5) | **305,940** | 322,190 |
| Investment in government businesses (Note 6) | **30,213** | 30,150 |
| | **1,113,395** | 1,072,455 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Note 7) | **261,545** | 258,153 |
| Deferred revenue (Note 8) | **48,441** | 49,622 |
| Debt (Note 9) | **1,073,639** | 1,079,844 |
| Other liabilities (Note 10) | **138,931** | 133,462 |
| Accrued employee benefits and other (Note 11) | **221,625** | 211,842 |
| | **1,744,181** | 1,732,923 |
| **Net Financial Liabilities** | **(630,786)** | (660,468) |
| **Non-Financial Assets** | | |
| Tangible capital assets (Note 13) | **6,638,195** | 6,418,998 |
| Inventories | **21,068** | 19,397 |
| Prepaid expenses and deferred charges | **6,972** | 6,660 |
| | **6,666,235** | 6,445,055 |
| **Accumulated Surplus** (Note 14) | **$ 6,035,449** | $ 5,784,587 |
| Commitments and contingencies (Notes 10, 15 and 16) | | |

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

Approved on behalf of the Audit Committee:



Mayor



Chairperson
Standing Policy Committee on Finance

# CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

| *For the years ended December 31 (in thousands of dollars)* | **Budget 2017** (Note 21) | **Actual 2017** | Actual 2016 |
|---|---|---|---|
| **Revenues** | | | |
| Taxation (Note 16) | **$ 714,901** | **$ 712,209** | $ 691,016 |
| Sales of services and regulatory fees (Note 17) | **606,829** | **607,912** | 569,641 |
| Government transfers (Note 18) | **193,403** | **194,932** | 182,243 |
| Land sales and other revenue (Note 19) | **23,559** | **32,128** | 27,018 |
| Investment income | **28,131** | **30,486** | 26,830 |
| Total Revenues | **1,566,823** | **1,577,667** | 1,496,748 |
| **Expenses** | | | |
| Protection and community services | **525,443** | **549,180** | 528,168 |
| Utility operations | **419,283** | **398,148** | 383,922 |
| Public works | **342,517** | **326,279** | 338,104 |
| Property and development | **147,426** | **134,863** | 131,921 |
| Finance and administration | **89,304** | **84,515** | 70,011 |
| Civic corporations | **70,466** | **71,604** | 69,847 |
| General government | **51,329** | **27,316** | 50,739 |
| Total Expenses (Note 20) | **1,645,768** | **1,591,905** | 1,572,712 |
| Annual Deficit Before Other | **(78,945)** | **(14,238)** | (75,964) |
| **Other** | | | |
| Government transfers related to capital (Note 18) | **176,636** | **156,326** | 151,550 |
| Developer contributions-in-kind related to capital (Note 13) | **88,465** | **95,163** | 59,020 |
| Other capital contributions | **6,405** | **13,611** | 27,528 |
| | **271,506** | **265,100** | 238,098 |
| Annual Surplus | **$ 192,561** | **250,862** | 162,134 |
| **Accumulated Surplus, Beginning of Year** | | **5,784,587** | 5,622,453 |
| **Accumulated Surplus, End of Year** | | **$ 6,035,449** | $ 5,784,587 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| *For the years ended December 31 (in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Net Inflow (Outflow) of Cash Related to the Following Activities:** | | |
| **Operating** | | |
| Annual surplus | **$ 250,862** | $ 162,134 |
| Add (deduct) items not impacting cash and cash equivalents | | |
| Amortization of tangible capital assets | **245,941** | 235,235 |
| Developer contributions-in-kind related to capital | **(95,163)** | (59,020) |
| Change in other liabilities and employee benefits | **15,252** | 57,119 |
| Gain on sale tangible capital assets | **(405)** | (1,630) |
| Other | **(63)** | (15) |
| | **416,424** | 393,823 |
| Net change in non-cash working capital balances related to operations | **9,754** | 2,156 |
| Cash provided by operating activities | **426,178** | 395,979 |
| **Capital** | | |
| Acquisition of tangible capital assets | **(377,099)** | (409,121) |
| Proceeds on disposal of tangible capital assets | **3,091** | 3,931 |
| Cash used in capital activities | **(374,008)** | (405,190) |
| **Financing** | | |
| Increase (decrease) in bank loans and other debt | **34,127** | (8,167) |
| Debenture and serial debt retired | **(34,848)** | (4,848) |
| Increase in sinking fund investments | **(1,791)** | (12,561) |
| Sinking fund and serial debenture issued | **–** | 80,000 |
| Other | **(3,693)** | 8,643 |
| Cash (used in) provided by financing activities | **(6,205)** | 63,067 |
| **Investing** | | |
| (Increase) decrease in investments | **16,250** | (8,988) |
| Cash (used in) provided by investing activities | **16,250** | (8,988) |
| Increase in cash and cash equivalents | **62,215** | 44,868 |
| **Cash and Cash Equivalents, Beginning of Year** | **393,863** | 348,995 |
| **Cash and Cash Equivalents, End of Year** | **$ 456,078** | $ 393,863 |

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

# CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

| *For the years ended December 31 (in thousands of dollars)* | **Budget 2017** (Note 21) | **Actual 2017** | Actual 2016 |
|---|---|---|---|
| **Annual Surplus** | **$ 192,561** | **$ 250,862** | $ 162,134 |
| Amortization of tangible capital assets | **246,784** | **245,941** | 235,235 |
| Proceeds on disposal of tangible capital assets | **5,340** | **3,091** | 3,931 |
| (Gain) loss on disposal of tangible capital assets | **1,682** | **(405)** | (1,630) |
| Change in inventories, prepaid expenses and deferred charges | **(1,021)** | **2,455** | (7,199) |
| Tangible capital assets received as contributions (Note 13) | **(88,465)** | **(95,163)** | (59,020) |
| Acquisition of tangible capital assets | **(536,134)** | **(377,099)** | (409,121) |
| **Decrease (Increase) In Net Financial Liabilities** | **(179,253)** | **29,682** | (75,670) |
| **Net Financial Liabilities, Beginning of Year** | **(660,468)** | **(660,468)** | (584,798) |
| **Net Financial Liabilities, End of Year** | **$ (839,721)** | **$ (630,786)** | $ (660,468) |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2017**

*(All tabular amounts are in thousands of dollars, unless otherwise noted.)*

## 1. Status of The City of Winnipeg

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

## 2. Significant Accounting Policies

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

### a) Basis of consolidation

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

#### i) Consolidated entities

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

- Assiniboine Park Conservancy Inc.
- CentreVenture Development Corporation
- The Convention Centre Corporation
- Winnipeg Arts Council Inc.
- Winnipeg Enterprises Corporation
- Winnipeg Public Library Board

#### ii) Government partnerships

Economic Development Winnipeg Inc. is reported as a government partnership with the proportionate consolidation method being used. Accordingly, fifty percent of the assets, liabilities, revenues and expenses have been included.

#### iii) Government businesses

The investments in North Portage Development Corporation, River Park South Developments Inc. and Park City Commons are reported as government business partnerships and Winnipeg Housing Rehabilitation Corporation as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the City and inter-corporate transactions are not eliminated (Note 6).

#### iv) Employees' pension funds

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

#### v) Group life insurance funds

The group life insurance funds of the City are administered on behalf of group life insurance plans' participants by the Civic and Police Employees' Group Life Insurance Plans Corporation for the payment of life insurance benefits and accordingly are not included in the consolidated financial statements.

## 2. Significant Accounting Policies (continued)

### b) Basis of accounting

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

### c) Cash equivalents

Cash equivalents consist of crown corporation bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, and bankers' acceptances; schedule 2 bankers' acceptances; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

### d) Land held for resale

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

### e) Investments

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

### f) Unamortized premium on debt

Debt is reported at face value and is adjusted by premiums which are amortized on a straight-line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as interest expense.

### g) Solid waste landfills

The obligation to close and maintain solid waste landfill sites is based on the present value of estimated future expenses, adjusted for estimated inflation, and is charged to expenses as the landfill site's capacity is used.

### h) Contaminated sites

The City recognizes a liability for remediation of contaminated sites when conditions are identified which indicate non-compliance with environmental legislation. The liability reflects the City’s best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date.

Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred.

### i) Deferred revenue

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

### j) Employee benefit plans

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

In the case of the Winnipeg Police Pension Plan, this plan’s by-law provides that, in the event of a funding surplus or deficiency, within certain prescribed constraints, the contribution stabilization reserve will be utilized and amendments made to the rate of cost-of-living adjustments to pensions according to specific rules set out in the by-law. Consequently, actuarial gains and losses are recognized immediately to the extent that they are offset by changes in the contribution stabilization reserve and changes in the plan’s accrued benefit obligation for future cost-of-living adjustments to pensions.

## 2. Significant Accounting Policies (continued)

### k) 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 annual surplus, provides the consolidated change in net financial liabilities for the year.

#### i) Tangible capital assets

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

| | |
|---|---|
| Buildings | 10 to 50 years |
| Vehicles | |
| Transit buses | 18 years |
| Other vehicles | 5 to 10 years |
| Computer hardware and software | 5 to 10 years |
| Other | |
| Machinery and equipment | 5 to 40 years |
| Land improvements | 10 to 100 years |
| Water and waste plants and facilities | |
| Underground networks | 50 to 100 years |
| Sewage treatment plants and lift stations | 50 to 75 years |
| Water pumping stations and reservoirs | 50 to 75 years |
| Flood stations and other infrastructure | 20 to 75 years |
| Transportation | |
| Roads | 10 to 50 years |
| Bridges and other structures | 25 to 75 years |

Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1.25% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by the City.

Works of art and historical treasures are not recorded as tangible capital assets.

##### a) Contributions of tangible capital assets

Developer-contributed tangible capital assets are recorded at their fair value at the date of receipt. The contribution is recorded as revenue.

##### b) 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 leased tangible capital assets. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

##### c) Service concession arrangements

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

## 2. Significant Accounting Policies (continued)

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

### ii) Inventories

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

### l) Tax revenues

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the assets, liabilities, revenues and expenses, with respect to the operations of the school boards.

Property taxation revenue is based on market assessments that are subject to appeal. Therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made for property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2n).

### m) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the consolidated financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City’s behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

### n) Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions in such areas as employee benefits, the useful life of tangible capital assets, assessment appeals, lawsuits and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

### o) Budget

The 2017 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actual results presented herein.

### p) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the City for the fiscal year beginning January 1, 2018. As permitted in the standards, the City adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements (Note 24).

## 3. Cash and Cash Equivalents

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash | $ | **32,596** | $ | 5,869 |
| Cash equivalents | | **423,482** | | 387,994 |
| | $ | **456,078** | $ | 393,863 |

The average effective interest rate for cash equivalents at December 31, 2017 is 1.31% (2016 – 0.91%).

Cash and cash equivalents exclude $226.6 million (2016 – $118.4 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $30.5 million (2016 – $27.5 million).

## 4. Accounts Receivable

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Property, payments-in-lieu and business taxes receivable | $ | **52,599** | $ | 51,550 |
| Allowance for property, payments-in-lieu and business taxes receivable | | **(756)** | | (330) |
| | | **51,843** | | 51,220 |
| Trade accounts and other receivables | | **165,455** | | 162,465 |
| Province of Manitoba | | **101,111** | | 103,433 |
| Government of Canada | | **24,572** | | 20,657 |
| Allowance for doubtful accounts | | **(22,973)** | | (17,454) |
| | | **268,165** | | 269,101 |
| | $ | **320,008** | $ | 320,321 |

## 5. Investments

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Marketable securities | | | | |
| Municipal bonds | $ | **56,884** | $ | 59,424 |
| Provincial bonds and bond coupons | | **16,483** | | 13,697 |
| Bank and trust companies | | **5,011** | | – |
| Government of Canada Bonds | | **–** | | 15,185 |
| | | **78,378** | | 88,306 |
| Manitoba Hydro long-term receivable | | **220,238** | | 220,238 |
| Other | | **7,324** | | 13,646 |
| | $ | **305,940** | $ | 322,190 |

### a) Marketable securities

The aggregate market value of marketable securities at December 31, 2017 is $83.7 million (2016 – $90.1 million) and their maturity dates range from 2018 to 2053.

### b) Manitoba Hydro long-term receivable

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

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

## 6. Investment in Government Businesses

### a) North Portage Development Corporation

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

The condensed supplementary financial information of NPDC is disclosed in schedule 1.

### b) River Park South Developments Inc.

On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

The condensed supplementary financial information of River Park South Developments Inc. is disclosed in schedule 1.

### c) Winnipeg Housing Rehabilitation Corporation

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

The condensed supplementary financial information of WHRC is disclosed in schedule 1.

During the year, the City paid WHRC an operating grant of $180 thousand (2016 – $180 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2016 – $2.0 million). As at March 31, 2017, WHRC has utilized $1.3 million of this line of credit (2016 – $341 thousand).

### d) Park City Commons

On February 17, 2016 the City and EdgeCorp Developments Ltd. entered into an agreement to form Park City Commons joint venture to develop and sell certain land owned by the participants in the community of Transcona.

The condensed supplementary financial information of Park City Commons is disclosed in schedule 1.

**Summary of investment in government businesses**

| | | **2017** | | 2016 |
|---|---|---|---|---|
| North Portage Development Corporation (1/3 share) | **$** | **18,975** | $ | 18,852 |
| River Park South Developments Inc. (1/2 share) | | **1,231** | | 3,799 |
| Winnipeg Housing Rehabilitation Corporation | | **6,632** | | 6,374 |
| Park City Commons (1/2 share) | | **3,375** | | 1,125 |
| | **$** | **30,213** | $ | 30,150 |

**Summary of results of operations**

| | | **2017** | | 2016 |
|---|---|---|---|---|
| North Portage Development Corporation (1/3 share) | **$** | **124** | $ | (137) |
| River Park South Developments Inc. (1/2 share) | | **1,431** | | 2,964 |
| Winnipeg Housing Rehabilitation Corporation | | **258** | | 567 |
| | **$** | **1,813** | $ | 3,394 |

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue.

## 7. Accounts Payable and Accrued Liabilities

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Accrued liabilities | $ | **142,000** | $ | 135,644 |
| Trade accounts payable | | **113,203** | | 115,688 |
| Accrued interest payable | | **6,342** | | 6,821 |
| | $ | **261,545** | $ | 258,153 |

## 8. Deferred Revenue

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Federal gas tax transfer | $ | **20,539** | $ | 17,043 |
| Province of Manitoba | | **9,670** | | 9,594 |
| Prepayment for services | | **18,232** | | 22,985 |
| | $ | **48,441** | $ | 49,622 |

## 9. Debt

### Sinking fund debentures outstanding

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | 2017 | 2016 |
|---|---|---|---|---|---|---|
| 1997–2017 | Nov. 17 | 6.250 | VU | 7000/97 183/04 | **$ –** | $ 30,000 |
| 2006–2036 | Jul. 17 | 5.200 | VZ | and 72/06 72/06B | **60,000** | 60,000 |
| 2008–2036 | Jul. 17 | 5.200 | VZ | and 32/07 | **100,000** | 100,000 |
| 2010–2041 | Jun. 3 | 5.150 | WB | 183/08 72/06, 183/08 | **60,000** | 60,000 |
| 2011–2051 | Nov. 15 | 4.300 | WC | and 150/09 | **50,000** | 50,000 |
| 2012–2051 | Nov. 15 | 3.853 | WC | 93/11 120/09, 93/11 | **50,000** | 50,000 |
| 2012–2051 | Nov. 15 | 3.759 | WC | and 138/11 93/11 | **75,000** | 75,000 |
| 2013–2051 | Nov. 15 | 4.391 | WC | and 84/13 144/11, 23/13 | **60,000** | 60,000 |
| 2014–2045 | Jun. 1 | 4.100 | WD | and 149/13 100/12, 23/13 | **60,000** | 60,000 |
| 2014–2045 | Jun. 1 | 3.713 | WD | and 149/13 93/11 | **60,000** | 60,000 |
| 2014–2051 | Nov. 15 | 3.893 | WC | and 145/13 144/11, 100/12, 23/13, 149/13, | **52,568** | 52,568 |
| 2015–2045 | Jun. 1 | 3.828 | WD | 5/15 and 61/15 72/06, 23/13, 149/13, 5/15, | **60,000** | 60,000 |
| 2016–2045 | Jun. 1 | 3.303 | WD | 96/15 and 40/16 | **80,000** | 80,000 |
| | | | | | **767,568** | 797,568 |
| Equity in The Sinking Funds (Notes 9a and b) | | | | | **(67,468)** | (65,677) |
| Net sinking fund debentures outstanding | | | | | **700,100** | 731,891 |
| **Other debt outstanding** | | | | | | |
| Serial and instalment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2016 – 4.50%) | | | | | **9,696** | 14,544 |
| Bank loans, Province and other with varying maturities up to 2046 and a weighted average interest rate of 2.90% (2016 – 3.19%) | | | | | **159,075** | 124,948 |
| Obligations for leased tangible capital assets (Note 9c) | | | | | **23,398** | 24,162 |
| Service concession arrangement obligations (Notes 9d and 15d) | | | | | **150,432** | 152,368 |
| | | | | | **1,042,701** | 1,047,913 |
| Unamortized premium on debt (Note 9e) | | | | | **30,938** | 31,931 |
| | | | | | **$ 1,073,639** | $ 1,079,844 |

## 9. Debt (continued)

Debt segregated by fund/organization:

| | 2017 | 2016 |
|---|---|---|
| General Capital Fund | **$ 708,855** | $ 712,560 |
| Waterworks System | **125,847** | 130,217 |
| Transit System | **105,222** | 88,531 |
| Consolidated entities | **38,549** | 38,741 |
| Fleet Special Operating Agency | **30,817** | 29,834 |
| Solid Waste Disposal | **29,162** | 31,400 |
| Sewage Disposal | **23,875** | 24,351 |
| Other | **11,312** | 24,210 |
| | **$ 1,073,639** | $ 1,079,844 |

Debt to be retired over the next five years:

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023+ |
|---|---|---|---|---|---|---|
| Sinking fund debentures | **$ –** | $ – | $ – | $ – | $ – | $ 767,568 |
| Other debt | **31,800** | 28,126 | 32,428 | 13,682 | 12,449 | 224,116 |
| | **$ 31,800** | $ 28,126 | $ 32,428 | $ 13,682 | $ 12,449 | $ 991,684 |

a) As at December 31, 2017, sinking fund assets have a market value of $108.5 million (2016 – $101.8 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $26.0 million (2016 – $32.4 million) and a market value of $28.8 million (2016 – $33.7 million).

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees of The City of Winnipeg on debt outstanding as at December 31, 2002. At the end of 2017, all outstanding debt that required annual payments by the City to the Sinking Fund Trustees have matured. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The City is currently paying between 1 to 3% on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Future minimum lease payments together with the balance of the obligation for leased tangible capital assets are as follows:

| | Capital Leases |
|---|---|
| 2018 | **$ 2,553** |
| 2019 | **2,563** |
| 2020 | **2,680** |
| 2021 | **2,794** |
| 2022 | **2,930** |
| Thereafter | **24,059** |
| Total future minimum lease payments | **37,579** |
| Amount representing interest at a weighted average rate of 8.18% | **(14,181)** |
| Capital lease obligations | **$ 23,398** |

d) Service concession arrangement obligations are as follows:

| | 2017 | 2016 |
|---|---|---|
| DBF2 Limited Partnership – Chief Peguis Trail Extension | **$ 46,881** | $ 47,509 |
| Plenary Roads Winnipeg GP – Disraeli Bridges | **103,551** | 104,859 |
| | **$ 150,432** | $ 152,368 |

## 9. Debt (continued)

### Chief Peguis Trail Extension

The City has entered into a fixed-price contract with DBF2 Limited Partnership (DBF2) to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

The $107.7 million project has been financed through a grant of $23.9 million from PPP Canada Inc., a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.1 million. As at December 31, 2017, $107.4 million was capitalized (Note 13). Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full $107.7 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make a monthly performance-based maintenance payment to DBF2 as disclosed in Note 15d.

### Disraeli Bridges

The City has entered into a fixed-price contract with Plenary Roads Winnipeg GP (PRW) to design, build, finance and maintain the Disraeli Bridges. The contract was executed in March 2010 and terminates in October 2042. The Disraeli Bridges were commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge following in 2013.

The $195.0 million project has been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and net cash consideration paid by the City of $10.6 million. As at December 31, 2017, $195.0 million was capitalized for commissioned works (Note 13). Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

The City will also make a monthly performance-based maintenance payment to PRW as disclosed in Note 15d.

e) Included in the Consolidated Statement of Financial Position are investments of $33.3 million (2016 – $30.5 million) that will be used for making semi-annual debt service payments on the sinking fund debentures issued with a premium.

f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2017 is $52.8 million (2016 – $51.8 million) and cash paid for interest during the year is $53.3 million (2016 – $51.8 million).

g) On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. As part of the purchase agreement The City of Winnipeg Sinking Fund Trustee's are required to hold Manitoba Hydro Electric Bonds issued by Manitoba Hydro to the City of Winnipeg in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity. This debt has been defeased under this arrangement, and accordingly, is not reported in the Consolidated Statement of Financial Position. The book value of this debt as at December 31, 2017 is $60.0 million (2016 – $80.0 million).

## 10. Other Liabilities

| | 2017 | 2016 |
|---|---|---|
| Expropriation | $ 59,419 | $ 54,273 |
| Landfill | 48,717 | 49,054 |
| Contaminated sites | 12,656 | 15,050 |
| Veolia agreement (Note 15e) | 9,383 | 7,273 |
| Developer deposits and other | 8,756 | 7,812 |
| | $ 138,931 | $ 133,462 |

Included in landfill liabilities is the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for future closure and post-closure care activities discounted at the City's average, long-term, borrowing rate of 4.5% (2016 – 4.5%).

Landfill closure and post-closure care requirements have been defined in accordance with The Environment Act and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 108-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 91% (2016 – 92%) of its total capacity and its remaining life is approximately 108 years (2016 – 108 years) after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2017, the reserve had a balance of $7.4 million (2016 – $6.6 million). This reserve was closed effective January 1, 2018 with the funds in this reserve being transferred to a new reserve, the Landfill Rehabilitation Reserve. The purpose of this reserve is to provide funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for all active and closed landfills maintained under the responsibility of the City.

## 11. Accrued Employee Benefits and Other

| | 2017 | 2016 |
|---|---|---|
| Retirement allowance – accrued obligation | $ 86,138 | $ 93,983 |
| Unamortized net actuarial gain (loss) | 2,527 | (3,927) |
| Retirement allowance – accrued liability | 88,665 | 90,056 |
| Vacation | 58,304 | 55,805 |
| Workers' compensation | 48,109 | 43,242 |
| Compensated absences | 20,197 | 16,833 |
| Other | 6,350 | 5,906 |
| | $ 221,625 | $ 211,842 |

Under the retirement allowance programs, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). In addition, adjustments arising from plan amendments, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 15.7 years (2016 – 15.3 years), which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year the actuarial gains or losses occur.

## 11. Accrued Employee Benefits and Other (continued)

The City measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation of the obligation was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 using year-end assumptions.

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

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Retirement allowance – accrued liability | | | | |
| Balance, beginning of year | **$** | **90,056** | $ | 90,143 |
| Current service cost | | **5,359** | | 5,321 |
| Interest cost | | **2,848** | | 2,716 |
| Amortization of net actuarial loss | | **543** | | 930 |
| Plan amendments | | **(94)** | | – |
| Benefit payments | | **(10,047)** | | (9,054) |
| Balance, end of year | **$** | **88,665** | $ | 90,056 |

Retirement allowance expense consists of the following:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Current service cost | **$** | **5,359** | $ | 5,321 |
| Interest cost | | **2,848** | | 2,716 |
| Amortization of net actuarial loss | | **543** | | 930 |
| Plan amendments | | **(94)** | | – |
| | **$** | **8,656** | $ | 8,967 |

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

| | **2017** | 2016 |
|---|---|---|
| Discount rate on liability | **3.00%** | 3.00% |
| General increases in pay | **2.50–3.00%** | 2.50–3.00% |

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

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

## 12. Pension Costs and Obligations

### a) Winnipeg Civic Employees' Benefits Program

The Winnipeg Civic Employees' Benefits Program (the Benefits Program) is a multi-employer benefit program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. Accordingly, the Benefits Program is accounted for similar to a defined contribution benefits program. The Benefits Program provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers.

Members' contribution rates were 9.5% of their Canada Pension Plan earnings and 11.8% of pensionable earnings in excess of Canada Pension Plan earnings in 2017, and for future years, consistent with 2016. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Benefits Program was prepared as at December 31, 2016, which indicated an excess of actuarial value of program assets over actuarial liabilities of $200.7 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute actuarial surpluses to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

The balance of the City Account at December 31, 2017 was $3.8 million (2016 – $15.6 million).

Total contributions by the City to the Benefits Program in 2017 were $37.1 million (2016 – $34.4 million), which were expensed as incurred.

### b) Winnipeg Police Pension Plan

The Winnipeg Police Pension Plan (the Plan) is a contributory defined benefit plan, providing pension benefits to police officers. Members are required to make contributions at the rate of 8% of pensionable earnings. The City is required to finance the cost of the Plan's benefits other than cost-of-living adjustments and to contribute 2% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City's contribution rate at 8% of pensionable earnings, when permitted under provincial pension legislation. The Plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve. Thereafter, actuarial surpluses are shared equally between the City and Plan members. Funding deficiencies are resolved through reductions in the contribution stabilization reserve and the rate of cost-of-living adjustments to pensions.

An actuarial funding valuation of the Plan was prepared as of December 31, 2016. The valuation revealed a funding surplus, which, in accordance with the terms of the Plan, was resolved by an increase in the contribution stabilization reserve and by increasing the rate of cost-of-living adjustments to pensions from 39.5% to 46.7% of the inflation rate.

An actuarial valuation of the Plan as of December 31, 2017 is to be prepared and filed with the Office of the Superintendent – Pension Commission. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. As of the date of the last valuation of the Plan that was filed with the Office of the Superintendent – Pension Commission, December 31, 2016, the actuarial valuation showed that the Plan has a solvency deficiency at December 31, 2016 under this wind-up scenario, which needs to be addressed by the City over a period not to exceed five years either by an increase in contributions starting in 2017, or by obtaining a yearly renewable letter of credit with face value equal to the value of additional contributions with interest cumulatively otherwise required.

City Council has previously secured the letter of credit option and has obtained a letter of credit with respect to the December 2016 valuation.

The results of the December 31, 2016 actuarial valuation of the Plan were extrapolated to December 31, 2017. In accordance with the terms of the Plan, extrapolated surpluses and deficiencies are resolved through transfers to and from the contribution stabilization reserve and increases or reductions in the rate of cost-of-living adjustments to pensions. The principal long-term assumptions on which the extrapolation was based were: discount rate of 5.25% per year (2016 – 5.50%); inflation rate of 2.00% per year (2016 – 2.00%); and general pay increases of 3.25% per year (2016 – 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services.

## 12. Pension Costs and Obligations (continued)

Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

| | 2017 | 2016 |
|---|---|---|
| Plan assets: | | |
| Fair value, beginning of year | **$ 1,403,598** | $ 1,300,291 |
| Employer contributions | **28,288** | 28,655 |
| Employee contributions and transfers | **13,524** | 13,402 |
| Benefits and expenses paid | **(51,173)** | (49,874) |
| Net investment income | **143,405** | 111,124 |
| Fair value, end of year | **1,537,642** | 1,403,598 |
| Actuarial adjustment | **(98,854)** | (84,301) |
| Actuarial value, end of year | **$ 1,438,788** | $ 1,319,297 |
| Accrued pension obligation: | | |
| Beginning of year | **$ 1,299,066** | $ 1,218,904 |
| Interest on accrued pension obligation | **71,229** | 66,842 |
| Current period benefit cost | **43,188** | 42,689 |
| Actuarial loss | **51,311** | 20,505 |
| Benefits and expenses paid | **(51,173)** | (49,874) |
| End of year | **$ 1,413,621** | $ 1,299,066 |
| Funded status | **$ 25,167** | $ 20,231 |
| Less: city account | **(274)** | (62) |
| Less: contribution stabilization reserve | **(24,893)** | (20,169) |
| Actuarial surplus | **$ –** | $ – |
| Expenses related to pensions: | | |
| Current period benefit cost | **$ 43,188** | $ 42,689 |
| Amortization of actuarial gains | **(301)** | (649) |
| Less: employee contributions and transfers | **(13,524)** | (13,402) |
| Pension benefit expense | **29,363** | 28,638 |
| Interest on accrued benefit obligation | **71,229** | 66,842 |
| Expected return on plan assets | **(72,304)** | (66,825) |
| Pension interest expense (income) | **(1,075)** | 17 |
| Total expenses related to pensions | **$ 28,288** | $ 28,655 |

The actuarial value of the Plan's assets is determined by averaging over five years differences between the pension fund's net investment income and expected investment income based on the expected rate of return.

Total contributions made by the City to the Plan in 2017 were $28.3 million (2016 – $28.7 million). Total employee contributions to the Plan in 2017 were $12.8 million (2016 – $13.4 million). Benefits paid from the Plan in 2017 were $50.2 million (2016 – $49.9 million).

The expected rate of return on Plan assets in 2017 was 5.50% (2016 – 5.50%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2017 was 10.25% (2016 – 8.57%).

As the City's contributions to the Plan each year are equal to its pension expense, no accrued pension asset or liability is reflected in the Consolidated Statement of Financial Position. As noted above, the Plan provides that within certain prescribed constraints, in the event of a funding deficiency, a transfer from the contribution stabilization reserve and amendments to the rate of cost-of-living adjustments to pensions will be utilized to resolve the deficiency, and vice versa in the event of surplus. The above extrapolation anticipates that the funding surplus at December 31, 2017 will be resolved through an increase in the rate of cost-of-living adjustment and an allocation to the contribution stabilization reserve.

## 12. Pension Costs and Obligations (continued)

### c) Councillors' Pension Plan

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

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2017, the City paid out $0.3 million (2016 – $0.3 million). An actuarially determined pension obligation of $3.9 million (2016 – $3.9 million) has been reflected in the Consolidated Statement of Financial Position.

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

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg.

### d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan or the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan, (the Plans) respectively. These plans provide life insurance for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance until retirement. An actuarial valuation as of December 31, 2016 indicated that this post-retirement liability is fully funded.

During 2015, City Council approved by-law 80/2015 in respect of the Plans. The purpose of the by-law was to transfer the plans' administration from the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board to The Civic and Police Employees' Group Life Insurance Plans Corporation (CPEGLIPCo). The Province of Manitoba approved the establishing of CPEGLIPCo as a municipal corporation. The benefits offered by the plans have not changed.

An actuarial valuation of the Plans was prepared as of December 31, 2016 and the results were extrapolated to December 31, 2017. The principal long-term assumptions on which the valuation was based were: discount rate of 4.50% per year (2016 – 4.50%); and general pay increases of 3.50% per year (2016 – 3.50%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plans is as follows:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Group life insurance plan assets, at actuarial value | **$** | **160,451** | $ | 153,122 |
| Accrued post-retirement life insurance obligations | **$** | **95,648** | $ | 92,204 |

## 13. Tangible Capital Assets

| | Net Book Value | |
|---|---|---|
| | **2017** | 2016 |
| General | | |
| Land | **$ 288,906** | $ 283,762 |
| Buildings | **840,360** | 824,579 |
| Vehicles | **180,429** | 167,234 |
| Computer | **41,892** | 30,488 |
| Other | **274,201** | 274,246 |
| Infrastructure | | |
| Plants and facilities | **588,423** | 587,367 |
| Roads | **1,420,521** | 1,361,701 |
| Underground and other networks | **2,146,093** | 2,075,634 |
| Bridges and other structures | **580,104** | 586,868 |
| | **6,360,929** | 6,191,879 |
| Assets under construction | **277,266** | 227,119 |
| | **$ 6,638,195** | $ 6,418,998 |

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 2).

During the year, $0.1 million (2016 – $nil) of tangible capital assets were written-down. Interest capitalized during 2017 was $4.0 million (2016 – $3.8 million). In addition, roads and underground networks contributed to the City totalled $95.2 million in 2017 (2016 – $59.0 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $273.6 million (2016 – $278.7 million) of tangible capital assets that were acquired through service concession arrangements. The amount includes estimated, yet to be determined settlements for land expropriations.

Works of art and historical treasures are held by the City in various locations. Due to the subjective nature of the assets they are not included in the values shown on these statements.

## 14. Accumulated Surplus

Accumulated surplus consists of the following:

| | **2017** | 2016 |
|---|---|---|
| Invested in tangible capital assets | **$ 5,638,975** | $ 5,396,951 |
| Reserves (Schedule 3) | **297,785** | 294,624 |
| Manitoba Hydro long-term receivable (Note 5) | **220,238** | 220,238 |
| Other surplus accumulated in utility operations, consolidated entities and other | **139,230** | 123,730 |
| Equity in government businesses (Note 6) | **30,213** | 30,150 |
| Unfunded expenses to be funded from future revenues: | | |
| Accrued employee benefits and other | **(223,849)** | (210,312) |
| Landfill | **(48,717)** | (49,054) |
| Contaminated sites | **(12,656)** | (15,050) |
| Canadian Museum for Human Rights grant | **(5,770)** | (6,690) |
| | **$ 6,035,449** | $ 5,784,587 |

Invested in tangible capital assets represents equity in non-financial assets, which is either a portion or the entire accumulated surpluses of specific funds consolidated in these statements. For those funds, where a portion of their accumulated surplus is allocated to invested in tangible capital assets, the amount is determined based on tangible capital assets less debt.

## 15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2017 are as follows:

### a) Operating leases

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

| | Operating Leases | |
|---|---|---|
| 2018 | $ | 8,344 |
| 2019 | | 8,335 |
| 2020 | | 7,950 |
| 2021 | | 7,751 |
| 2022 | | 7,522 |
| Thereafter | | 71,546 |
| | $ | 111,448 |

### b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2017 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements. Where the occurrence of future events is considered undeterminable, no amount has been accrued in the financial statements.

### c) Loan guarantees

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2017 is $38.7 million (2016 – $37.6 million).

### d) Service concession arrangements

(i) As disclosed in Note 9d, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling $1.8 million annually is to be adjusted by CPI and is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

(ii) As disclosed in Note 9d, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment totalling $1.5 million annually is to be adjusted by CPI and is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

(iii) The City has entered into a project agreement with Plenary Roads Winnipeg Transitway LP, Plenary Roads Winnipeg Transitway GP Inc. and PCL BRT (Winnipeg) GP Inc. (together, 'PRWT') to design, build, finance, (operate) and maintain the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass. The contract was executed in June 2016 and terminates 30 years after substantial completion of the project.

The project is currently under construction with commissioning anticipated to be in the fall of 2019. The $467.3 million project is budgeted to be financed through a Provincial government transfer of $187.0 million, a $137.2 million service concession arrangement obligation to PRWT, a payment of $93.3 million from PPP Canada Inc., City-issued debt of $40.0 million, and other cash consideration of $9.8 million.

Upon commissioning the project, the City will commence repayment of the service concession agreement obligation to PRWT through monthly capital and interest performance-based payments totaling $8.35 million annually over the 30-year contract. The City will also pay PRWT over the term of the contract, a monthly performance-based maintenance payment averaging $3.16 million annually, to be adjusted by CPI.

## 15. Commitments and Contingencies (continued)

### e) Veolia agreement

On April 20, 2011, the City entered into an agreement (Agreement) with VWNA Winnipeg Inc. (Veolia) for the provision of expert advice to the City to assist with construction and operating improvements to the City's sewage treatment system (the Program). The Agreement commenced May 1, 2011, and has a term of 30 years, subject to certain termination provisions.

The City's sewage treatment system treats and handles wastewater and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Water Pollution Control Centres (the Facilities). Veolia's role is to provide services to the City. Representatives of Veolia are working collaboratively with representatives of the City providing advice and recommendations in respect of the City's (i) management and operation of the Facilities (ii) assessment, planning and delivery of upgrades and capital modification to the Facilities; and (iii) assessment, planning and delivery of operational improvement to the Facilities during the term of this agreement. The Program does not include the City's supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the Agreement, the City: retains complete ownership of all the sewage system assets; continues to exercise control over the sewage treatment systems by means of City Council budget approvals and by setting service quality standards that will be reported publicly on a regular basis; continues to control operating and maintenance parameters by which the sewage system shall operate; and retains full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system are made by the City based upon the best advice of City management and Veolia experts working together.

The Agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

Compensation to Veolia under the Agreement includes the following components:

1. Reimbursement of Veolia's actual direct costs related to the Program (Direct Costs);
2. An agreed-upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost (Fee);
3. For capital projects and operations under the Program, a target cost is to be set. Veolia is to receive a share of the savings when actual operating costs and/or capital costs are below target costs (Gainshare). Veolia is to receive a share of the expense when actual operating costs and/or capital costs are above target costs (Painshare); and
4. Key performance indicators (KPIs) will be established under the Program. Veolia is to earn amounts for achieving or completing established KPIs (KPI earnings), and to be deducted amounts for failing to achieve minimum KPIs (KPI Deductions).

The Agreement only guarantees payment to Veolia in respect of the Direct Costs incurred in providing services as indicated in item 1 in the above paragraph.

Amounts earned by Veolia over the term of the Agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account (EARA) – (Note 10). Painshare and KPI deductions reduce the EARA. All of these amounts remain at risk for the duration of the Agreement and are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

Veolia's withdrawals of amounts from the EARA are subject to certain limits and security posting requirements.

If at the end of the 30-year term the EARA is negative, Veolia must repay the City this amount.

The Agreement requires a Performance Guarantee Security (PGS), which is a letter of credit and performance bond that together provide security to the City. In addition to the PGS, Veolia provides a Parental Guarantee by its parent company.

### f) Forgivable loans

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2017, the forgivable loans totalled $3.1 million (2016 – $3.4 million).

## 16. Taxation

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Municipal and school property taxes | $ | **1,175,939** | $ | 1,130,639 |
| Payments-in-lieu of property (municipal and school) and business taxes | | **51,125** | | 52,082 |
| | | **1,227,064** | | 1,182,721 |
| Payments to Province and school divisions | | **(667,369)** | | (645,823) |
| Net property taxes and payments-in-lieu of property taxes available for municipal purposes | | **559,695** | | 536,898 |
| Local improvement and frontage levies | | **63,120** | | 63,129 |
| Business taxes and license-in-lieu of business taxes | | **55,844** | | 57,254 |
| Electricity and natural gas sales taxes | | **20,383** | | 20,145 |
| Amusement and accommodation taxes and mobile home licences | | **13,167** | | 13,590 |
| | $ | **712,209** | $ | 691,016 |

The property tax roll includes school taxes of $636.9 million (2016 – $614.6 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2017 totalled $30.5 million (2016 – $31.2 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

Business taxes do not include the amount of levy imposed for business improvement zones of $5.4 million (2016 – $4.9 million).

## 17. Sales of Services and Regulatory Fees

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Water sales and sewage services | $ | **297,703** | $ | 260,440 |
| Other sales of goods and services | | **144,956** | | 146,838 |
| Regulatory fees | | **86,175** | | 83,743 |
| Transit fares | | **79,078** | | 78,620 |
| | $ | **607,912** | $ | 569,641 |

## 18. Government Transfers

| | 2017 | 2016 |
|---|---|---|
| **Operating** | | |
| Province of Manitoba | **$ 180,860** | $ 177,117 |
| Government of Canada | **14,072** | 5,126 |
| **Total Operating** | **194,932** | 182,243 |
| | | |
| **Capital** | | |
| Province of Manitoba | **96,439** | 94,467 |
| Government of Canada | **59,887** | 57,083 |
| **Total Capital** | **156,326** | 151,550 |
| | **$ 351,258** | $ 333,793 |

Included in Government of Canada capital transfers above is $39.0 million relating to transfers received from Federal Gas Tax revenue (2016 – $39.8 million).

In accordance with the recommendations of the Public Sector Accounting Board, government transfers, to the extent a liability does not exist, and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

## 19. Land Sales and Other Revenue

| | 2017 | 2016 |
|---|---|---|
| Land sales | **$ 15,550** | $ 11,334 |
| Contributions in lieu of land dedication | **5,055** | 1,220 |
| Investment in government businesses (Note 6) | **1,813** | 3,394 |
| Other | **9,710** | 11,070 |
| | **$ 32,128** | $ 27,018 |

## 20. Expenses by Object

| | 2017 | 2016 |
|---|---|---|
| Salaries and benefits | **$ 845,087** | $ 836,857 |
| Goods and services | **412,614** | 417,643 |
| Amortization of tangible capital assets | **245,941** | 235,235 |
| Interest | **52,834** | 51,799 |
| Other expenses | **35,429** | 31,178 |
| | **$ 1,591,905** | $ 1,572,712 |

## 21. Budget

On December 12, 2017 Council approved the 2018 budget for the City of Winnipeg, including operating budgets for tax supported, utility, special operating agency and reserve operations as well as a capital budget. Included in the Council approved 2018 budget document is the 2017 consolidated budget that considers inter-fund transaction eliminations, tangible capital asset based revenues and amortization, controlled entity operations and the accrual of unfunded expenses. The resulting 2017 consolidated budget has been utilized in these consolidated financial statements.

## 22. Property and Liability Insurance

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve (Schedule 3) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year.

## 23. Segmented Information

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

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

### Protection

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

### Community Services

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

### Planning

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

### Public Works and Water

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

### Transit System Fund

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

### Water and Waste Funds

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information, see the Consolidated Schedule of Segment Disclosure – Service (Schedule 4).

## 24. Contractual Rights

The significant contractual rights that existed at December 31, 2017 are as follows:

### a) Developer contributions

The City has entered into a number of property development agreements which require the developers to contribute various infrastructure assets to the City, including roads and underground networks. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at time of contribution, which cannot be determined with certainty at this time.

## 25. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation made in the current year.

# CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESSES Schedule 1

*As at and for the years ended (in thousands of dollars)*

| | North Portage Development Corporation | | River Park South Developments Inc. | | Winnipeg Housing Rehabilitation Corporation | | Park City Commons* | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | March 31 | | December 31 | | March 31 | | December 31 | | | |
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| **FINANCIAL POSITION** | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Current | **$ 7,969** | $ 10,079 | **$ 6,510** | $ 12,746 | **$ 3,367** | $ 3,136 | **$ 2,387** | $ 979 | **$ 20,233** | $ 26,940 |
| Capital | **73,639** | 72,494 | **–** | – | **18,309** | 20,283 | **5,054** | 1,865 | **97,002** | 94,642 |
| Other | **715** | 1,018 | **–** | – | **4,916** | 4,988 | **–** | – | **5,631** | 6,006 |
| | **$ 82,323** | $ 83,591 | **$ 6,510** | $ 12,746 | **$ 26,592** | $ 28,407 | **$ 7,441** | $ 2,844 | **$ 122,866** | $ 127,588 |
| Liabilities | | | | | | | | | | |
| Current | **$ 3,663** | $ 3,836 | **$ 4,049** | $ 5,148 | **$ 3,083** | $ 3,098 | **$ 691** | $ 594 | **$ 11,486** | $ 12,676 |
| Long-term | **21,734** | 23,200 | **–** | – | **16,877** | 18,935 | **–** | – | **38,611** | 42,135 |
| | **25,397** | 27,036 | **4,049** | 5,148 | **19,960** | 22,033 | **691** | 594 | **50,097** | 54,811 |
| **Net equity** | **56,926** | 56,555 | **2,461** | 7,598 | **6,632** | 6,374 | **6,750** | 2,250 | **72,769** | 72,777 |
| | **$ 82,323** | $ 83,591 | **$ 6,510** | $ 12,746 | **$ 26,592** | $ 28,407 | **$ 7,441** | $ 2,844 | **$ 122,866** | $ 127,588 |
| **City share** (Note 6) | **$ 18,975** | $ 18,852 | **$ 1,231** | $ 3,799 | **$ 6,632** | $ 6,374 | **$ 3,375** | $ 1,125 | **$ 30,213** | $ 30,150 |
| **RESULTS OF OPERATIONS** | | | | | | | | | | |
| Revenues | **$ 13,281** | $ 11,926 | **$ 5,038** | $ 12,470 | **$ 8,466** | $ 8,338 | **$ –** | $ – | **$ 26,785** | $ 32,734 |
| Expenses | **12,910** | 12,338 | **2,176** | 6,542 | **8,208** | 7,771 | **–** | – | **23,294** | 26,651 |
| **Net income (loss)** | **$ 371** | $ (412) | **$ 2,862** | $ 5,928 | **$ 258** | $ 567 | **$ –** | $ – | **$ 3,491** | $ 6,083 |
| **City share** (Note 6) | **$ 124** | $ (137) | **$ 1,431** | $ 2,964 | **$ 258** | $ 567 | **$ –** | $ – | **$ 1,813** | $ 3,394 |

*No income or expenses were incurred during the year.

# CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS Schedule 2

*As at December 31 (in thousands of dollars)*

| | General | | | | | Infrastructure | | | | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land* | Buildings | Vehicles | Computer | Other | Plants and Facilities | Roads | Under-ground and Other Networks | Bridges and Other Structures | Assets Under Construc-tion | **2017** | 2016 |
| **Cost** | | | | | | | | | | | | |
| Balance, beginning of year | $ 283,762 | $ 1,206,573 | $ 400,083 | $ 152,849 | $ 473,671 | $ 889,627 | $ 2,505,223 | $ 3,159,452 | $ 842,121 | $ 227,119 | **$10,140,480** | $ 9,712,420 |
| Add: Additions during the year | 13,787 | 51,201 | 39,797 | 20,509 | 33,048 | 17,892 | 125,175 | 116,566 | 7,789 | 50,147 | **475,911** | 475,619 |
| Less: Disposals during the year | 8,643 | 3,017 | 21,968 | 3,700 | 959 | – | 2,681 | 5,605 | – | – | **46,573** | 47,559 |
| Balance, end of year | 288,906 | 1,254,757 | 417,912 | 169,658 | 505,760 | 907,519 | 2,627,717 | 3,270,413 | 849,910 | 277,266 | **10,569,818** | 10,140,480 |
| **Accumulated amortization** | | | | | | | | | | | | |
| Balance, beginning of year | – | 381,994 | 232,849 | 122,361 | 199,425 | 302,260 | 1,143,522 | 1,083,818 | 255,253 | – | **3,721,482** | 3,531,505 |
| Add: Amortization | – | 35,189 | 25,443 | 9,058 | 33,103 | 16,836 | 66,074 | 45,685 | 14,553 | – | **245,941** | 235,235 |
| Less: Accumulated amortization on disposals | – | 2,786 | 20,809 | 3,653 | 969 | – | 2,400 | 5,183 | – | – | **35,800** | 45,258 |
| Balance, end of year | – | 414,397 | 237,483 | 127,766 | 231,559 | 319,096 | 1,207,196 | 1,124,320 | 269,806 | – | **3,931,623** | 3,721,482 |
| **Net Book Value of Tangible Capital Assets** | $ 288,906 | $ 840,360 | $ 180,429 | $ 41,892 | $ 274,201 | $ 588,423 | $ 1,420,521 | $ 2,146,093 | $ 580,104 | $ 277,266 | **$ 6,638,195** | $ 6,418,998 |

* Included in land additions is $3.6 million of land transfers from land held for resale.
Included in land disposals is $8.1 million of land transfers to land held for resale.

# CONSOLIDATED SCHEDULE OF RESERVES Schedule 3

| *As at December 31 (in thousands of dollars)* | | **2017** | | 2016 |
|---|---|---|---|---|
| **RESERVES** | | | | |
| **Capital Reserves** | | | | |
| Environmental Projects | **$** | **93,934** | $ | 93,167 |
| Transit Bus Replacement | | **11,281** | | 16,250 |
| Brady Landfill Site Rehabilitation | | **7,421** | | 6,609 |
| Waste Diversion | | **7,202** | | 6,612 |
| Sewer System Rehabilitation | | **6,546** | | 9,826 |
| SWRT Payment | | **5,016** | | 1,700 |
| SWRT Corridor | | **4,220** | | 4,209 |
| Impact Fee | | **4,102** | | – |
| Watermain Renewal | | **2,279** | | 5,583 |
| Computer Replacement | | **967** | | 475 |
| Federal Gas Tax Revenue | | **235** | | 182 |
| Regional Street Renewal | | **115** | | 576 |
| Local Streets Renewal | | **95** | | 438 |
| Golf Course | | **–** | | 343 |
| | | **143,413** | | 145,970 |
| **Special Purpose Reserves** | | | | |
| Perpetual Maintenance Fund – Brookside Cemetery | | **16,811** | | 16,393 |
| Destination Marketing | | **14,148** | | 13,340 |
| Land Dedication | | **10,310** | | 7,468 |
| Housing Rehabilitation Investment | | **7,170** | | 2,780 |
| Workers Compensation | | **4,886** | | 5,081 |
| Insurance (Note 21) | | **4,626** | | 2,691 |
| Commitment | | **4,329** | | 1,742 |
| Multi-Family Dwelling Tax Investment | | **3,572** | | 5,216 |
| Insect Control Urgent Expenditures | | **3,000** | | 2,228 |
| Permit | | **2,000** | | 2,000 |
| Heritage Investment | | **1,935** | | 2,743 |
| Economic Development Investment | | **1,756** | | 1,375 |
| Perpetual Maintenance Fund – St.Vital Cemetery | | **1,182** | | 1,152 |
| Perpetual Maintenance Fund – Transcona Cemetery | | **824** | | 797 |
| General Purpose | | **150** | | 149 |
| Land Operating* | | **(2,091)** | | 16,089 |
| | | **74,608** | | 81,244 |
| **Stabilization Reserve** | | | | |
| Financial Stabilization | | **79,764** | | 67,410 |
| **TOTAL RESERVES** | **$** | **297,785** | $ | 294,624 |

*This excludes the investments held for the River Park South Developments Inc. and Park City Commons government business partnerships.

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Reserve balance as disclosed above | **$** | **(2,091)** | $ | 16,089 |
| Investments held in government business (Note 6) | | **4,606** | | 4,924 |
| | **$** | **2,515** | $ | 21,013 |

# CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE—SERVICE Schedule 4

*For the year ended December 31, 2017 (in thousands of dollars)*

| | General Revenue Fund | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Protection | Community Services | Planning | Public Works and Water | Finance and Administration | Transit System Fund | Water and Waste Funds | Other Funds and Corporations | Eliminations | Consolidated |
| **Revenues** | | | | | | | | | | |
| Taxation | $ 314,926 | $ 80,544 | $ – | $ 208,357 | $ 110,414 | $ – | $ – | $ 13,810 | $ (15,842) | $ 712,209 |
| Sales of services and regulatory fees | 56,370 | 14,815 | 29,358 | 9,717 | 21,007 | 82,940 | 345,576 | 103,625 | (55,496) | 607,912 |
| Government transfers (Note 18) | 82,839 | 9,515 | – | 20,029 | 15,266 | 54,299 | 23,322 | 170,241 | (24,253) | 351,258 |
| Transfer from other funds | 1,888 | 1,416 | 13,943 | 12,961 | 1,801 | 67,848 | 61,928 | 403,200 | (564,985) | – |
| Other | 23,225 | 5,637 | 2,392 | 14,212 | 16,141 | 835 | 25,058 | 119,985 | (36,097) | 171,388 |
| | 479,248 | 111,927 | 45,693 | 265,276 | 164,629 | 205,922 | 455,884 | 810,861 | (696,673) | 1,842,767 |
| **Expenses** (Note 20) | | | | | | | | | | |
| Salaries and benefits | 404,575 | 40,566 | 25,254 | 75,668 | 48,125 | 110,442 | 71,468 | 59,993 | 8,996 | 845,087 |
| Goods and services | 41,634 | 8,829 | 3,663 | 113,752 | 15,434 | 51,520 | 119,169 | 110,768 | (52,155) | 412,614 |
| Interest | 6,722 | 2,076 | 22 | 5,144 | 77 | 4,973 | 10,184 | 43,024 | (19,388) | 52,834 |
| Transfer to other funds | 20,153 | 39,721 | 16,848 | 85,731 | 81,364 | 6,919 | 105,382 | 229,861 | (585,979) | – |
| Other | 6,164 | 20,735 | (94) | (15,019) | 19,629 | 21,040 | 42,407 | 233,273 | (46,765) | 281,370 |
| | 479,248 | 111,927 | 45,693 | 265,276 | 164,629 | 194,894 | 348,610 | 676,919 | (695,291) | 1,591,905 |
| **Annual Surplus** | $ – | $ – | $ – | $ – | $ – | $ 11,028 | $ 107,274 | $ 133,942 | $ (1,382) | $ 250,862 |

# CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE—SERVICE Schedule 4

*For the year ended December 31, 2016 (in thousands of dollars)*

| | General Revenue Fund | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Protection | Community Services | Planning | Public Works and Water | Finance and Administration | Transit System Fund | Water and Waste Funds | Other Funds and Corporations | Eliminations | Consolidated |
| **Revenues** | | | | | | | | | | |
| Taxation | $ 305,544 | $ 77,133 | $ – | $ 205,859 | $ 103,845 | $ – | $ – | $ 15,330 | $ (16,695) | $ 691,016 |
| Sales of services and regulatory fees | 58,618 | 15,007 | 28,359 | 12,016 | 19,858 | 82,387 | 307,058 | 98,053 | (51,715) | 569,641 |
| Government transfers (Note 18) | 77,826 | 9,409 | – | 19,331 | 16,239 | 55,512 | 29,678 | 151,313 | (25,515) | 333,793 |
| Transfer from other funds | 11,450 | 3,383 | 15,481 | 22,009 | 7,873 | 76,971 | 48,784 | 378,605 | (564,556) | – |
| Other | 22,130 | 5,317 | 2,511 | 12,517 | 14,960 | 6,121 | 13,362 | 98,342 | (34,864) | 140,396 |
| | 475,568 | 110,249 | 46,351 | 271,732 | 162,775 | 220,991 | 398,882 | 741,643 | (693,345) | 1,734,846 |
| **Expenses** (Note 20) | | | | | | | | | | |
| Salaries and benefits | 403,236 | 40,021 | 24,113 | 77,056 | 46,011 | 108,100 | 69,110 | 59,935 | 9,275 | 836,857 |
| Goods and services | 38,838 | 9,014 | 3,057 | 126,359 | 14,811 | 49,535 | 113,805 | 110,876 | (49,652) | 417,643 |
| Interest | 6,673 | 1,734 | 29 | 4,841 | 309 | 5,003 | 9,419 | 40,385 | (16,594) | 51,799 |
| Transfer to other funds | 21,800 | 39,955 | 18,195 | 79,542 | 85,892 | 26,969 | 99,776 | 11,083 | (383,212) | – |
| Other | 5,021 | 19,525 | 957 | (16,066) | 15,752 | 20,403 | 38,456 | 218,624 | (36,259) | 266,413 |
| | 475,568 | 110,249 | 46,351 | 271,732 | 162,775 | 210,010 | 330,566 | 441,903 | (476,442) | 1,572,712 |
| **Annual Surplus** | $ – | $ – | $ – | $ – | $ – | $ 10,981 | $ 68,316 | $ 299,740 | $ (216,903) | $ 162,134 |

# CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW

| *December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)* | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| 1. Population (as restated per Statistics Canada) | **749,500** | 735,600 | 718,400 | 709,253 | 698,696 |
| Unemployment rate (as restated per Statistics Canada) | | | | | |
| - Winnipeg | **5.8%** | 6.5% | 6.0% | 5.8% | 5.9% |
| - National average | **6.4%** | 6.9% | 6.9% | 6.9% | 7.1% |
| 2. Average annual headcount | **10,444** | 10,426 | 10,253 | 10,206 | 10,143 |
| 3. Number of taxable properties | **231,360** | 228,941 | 226,736 | 223,411 | 220,942 |
| Payments-in-lieu of taxes | | | | | |
| Number of properties | **1,433** | 1,469 | 1,195 | 988 | 1,042 |
| 4. Assessment (see note below) | | | | | |
| - Residential | **$ 67,339,104** | $ 66,197,564 | $ 60,492,101 | $ 59,439,781 | $ 51,599,866 |
| - Commercial and industrial | **17,649,138** | 17,637,524 | 15,295,925 | 15,102,472 | 13,501,469 |
| - Farm and golf | **356,731** | 369,954 | 330,042 | 313,569 | 245,037 |
| | **$ 85,344,973** | $ 84,205,042 | $ 76,118,068 | $ 74,855,821 | $ 65,346,372 |
| Assessment per capita (in dollars) | **$ 113,869** | $ 115,302 | $ 105,955 | $ 105,542 | $ 93,526 |
| Commercial and industrial as a percentage of assessment | **20.68%** | 20.95% | 20.09% | 20.18% | 20.66% |
| 5. Tax arrears | **$ 52,599** | $ 51,550 | $ 58,121 | $ 54,825 | $ 49,592 |
| 6. Tax arrears – per capita (in dollars) | **$ 70.18** | $ 70.08 | $ 80.90 | $ 77.30 | $ 70.98 |
| 7. Municipal mill rate | **13.063** | 12.766 | 13.682 | 13.372 | 14.600 |
| - Adjustment for tax increase | **2.3%** | 2.3% | 2.3% | 3.0% | 3.9% |
| - Adjustment for general assessment | **0.0%** | -8.8% | 0.0% | -11.0% | 0.0% |
| 8. Winnipeg consumer price index (per Statistics Canada – annual average) | | | | | |
| - 2002 base year 100 | **130.2** | 128.1 | 126.6 | 124.9 | 122.6 |
| - Percentage increase | **1.6%** | 1.2% | 1.3% | 1.9% | 2.2% |
| 9. Consolidated revenues | | | | | |
| - Taxation | **$ 712,209** | $ 691,016 | $ 660,323 | $ 640,801 | $ 611,813 |
| - User charges | **607,912** | 569,641 | 545,637 | 526,330 | 507,869 |
| - Government transfers | **351,258** | 333,793 | 372,987 | 378,847 | 292,258 |
| - Interest and other revenue | **171,388** | 140,396 | 176,338 | 170,558 | 207,318 |
| | **$ 1,842,767** | $ 1,734,846 | $ 1,755,285 | $ 1,716,536 | $ 1,619,258 |
| 10. Consolidated expenses by function | | | | | |
| - Municipal operations | **$ 1,122,153** | $ 1,118,943 | $ 1,053,957 | $ 1,067,090 | $ 994,365 |
| - Public utilities | **398,148** | 383,922 | 370,219 | 378,584 | 347,652 |
| - Civic corporations | **71,604** | 69,847 | 61,810 | 58,185 | 54,783 |
| | **$ 1,591,905** | $ 1,572,712 | $ 1,485,986 | $ 1,503,859 | $ 1,396,800 |
| 11. Growth in accumulated surplus | **$ 250,862** | $ 162,134 | $ 269,299 | $ 212,677 | $ 222,458 |

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2014 and 2016. In the year of a general assessment, the mill rate is adjusted to offset the effect of market value changes of the entire assessment base.

# CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW

## Continued

| *December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)* | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| 12. Consolidated expenses by object | | | | | |
| Salaries and benefits | **$ 845,087** | $ 836,857 | $ 805,889 | $ 779,586 | $ 730,133 |
| Goods and services | **412,614** | 414,575 | 387,853 | 428,012 | 376,614 |
| Amortization | **245,941** | 235,235 | 221,358 | 208,074 | 198,106 |
| Interest | **52,834** | 51,799 | 56,130 | 53,715 | 54,732 |
| Other expenses | **35,429** | 34,246 | 14,756 | 34,472 | 37,215 |
| | **$ 1,591,905** | $ 1,572,712 | $ 1,485,986 | $ 1,503,859 | $ 1,396,800 |
| 13. Payments to school authorities | **$ 667,369** | $ 645,823 | $ 606,821 | $ 579,245 | $ 550,039 |
| 14. Debt | | | | | |
| Tax-supported | **$ 702,014** | $ 725,602 | $ 688,484 | $ 687,586 | $ 557,781 |
| Transit | **112,019** | 93,594 | 93,669 | 97,125 | 103,936 |
| City-owned utilities | **214,010** | 216,250 | 185,789 | 198,737 | 248,719 |
| Other | **82,126** | 78,144 | 81,135 | 84,816 | 74,848 |
| Total gross debt | **1,110,169** | 1,113,590 | 1,049,077 | 1,068,264 | 985,284 |
| Less: Sinking Funds | **67,468** | 65,677 | 53,116 | 125,630 | 195,237 |
| Total net long-term debt | **$ 1,042,701** | $ 1,047,913 | $ 995,961 | $ 942,634 | $ 790,047 |
| Percentage of total assessment | **1.22%** | 1.24% | 1.31% | 1.26% | 1.21% |
| 15. Acquisition of tangible capital assets | **$ 475,911** | $ 475,619 | $ 558,409 | $ 525,559 | $ 543,938 |
| 16. Net financial (liabilities) assets | **$ (630,786)** | $ (660,468) | $ (584,798) | $ (517,041) | $ (411,063) |
| 17. Accumulated surplus | | | | | |
| Invested in tangible capital assets | **$ 5,638,975** | $ 5,396,951 | $ 5,217,274 | $ 4,890,347 | $ 4,637,548 |
| Reserves | | | | | |
| Capital | **143,413** | 145,970 | 135,829 | 127,051 | 114,548 |
| Special Purpose | **74,608** | 81,244 | 91,471 | 82,810 | 77,863 |
| Stabilization | **79,764** | 67,410 | 75,632 | 81,784 | 85,753 |
| | **297,785** | 294,624 | 302,932 | 291,645 | 278,164 |
| Surpluses | | | | | |
| Manitoba Hydro long-term receivable | **220,238** | 220,238 | 220,238 | 220,238 | 220,238 |
| Other surpluses | **169,443** | 153,880 | 140,001 | 185,214 | 221,901 |
| Unfunded expenses | **(290,992)** | (281,106) | (257,992) | (227,104) | (210,188) |
| | **98,689** | 93,012 | 102,247 | 178,348 | 231,951 |
| | **$ 6,035,449** | $ 5,784,587 | $ 5,622,453 | $ 5,360,340 | $ 5,147,663 |
| 18. Government-specific indicators | | | | | |
| Assets-to-liabilities | **4.46** | 4.34 | 4.47 | 4.49 | 4.79 |
| Financial assets-to-liabilities | **0.64** | 0.62 | 0.64 | 0.66 | 0.70 |
| Public debt charges-to-revenues | **0.03** | 0.03 | 0.03 | 0.03 | 0.04 |
| Own-source revenues-to-taxable assessment | **0.02** | 0.02 | 0.02 | 0.02 | 0.02 |
| Government transfers-to-revenues | **0.19** | 0.19 | 0.21 | 0.22 | 0.18 |




# City Contact Information

Information on the City of Winnipeg is available at **winnipeg.ca**
Inquiries may also be directed to **311** | Outside of Winnipeg: **1-877-311-4974**

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