



City of Winnipeg

2018 Annual Financial Report

Winnipeg, Manitoba, Canada

Winnipeg

For the fiscal year ended December 31, 2018

City of Winnipeg 2018 Annual Financial Report

Winnipeg, Manitoba, Canada

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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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Winnipeg at a glance



753,700[¤] | Population

12,000[¤] | Annual population change *(2017-2018)*

38.8[¤] | Median age

$40.2 billion[+] | GDP

2.4%[¤] | CPI

$45,300[+] | Personal income per capita

467,600[+] | Labour force

438,200[+] | Employment

6.3%[¤] | Unemployment rate

$296,560[*] | Average home assessment

$1,733[*] | Average municipal property taxes *(excluding school taxes)*

3,757[‡] | Housing starts

294,245[¤] | Total households

6,897[*] | Total residential permits issued

3,351[*] | Total non-residential permits issued

$1,035 million[*] | Residential permit values

$833 million[*] | Non-residential permit values

¤ Statistics Canada

\+ Conference Board of Canada, Metropolitan Outlook (Spring 2019)

‡ CMHC Starts and Completions Survey (2018)

* City of Winnipeg

Message from the Mayor



There has never been a more exciting time, or a more motivating time, to be a Winnipegger. Fuelled by immigration and entrepreneurship, our population and economy continued their steady, robust growth in 2018. Our job as a City is to meet the challenges of growth head-on, and help our community make the most of this singular moment in our history.

From 2017 to 2018, the City's population grew by 1.6 per cent, to 753,700. The Conference Board of Canada describes the growth in our construction sector as "stunning," including a 16.7 per cent expansion in 2018. Winnipeg's economy grew by 13,100 new jobs over the past two years, with the creation of another 14,600 jobs forecast for 2019-20.

This growth is excellent news – but it also presents us with a tremendous challenge. Our exceptional population growth has led to a marked financial imbalance between the sources of revenue available to meet the demand for new infrastructure, and the costs generated by growth.

We are determined to address this problem in a balanced, fiscally disciplined way.

Our 2018 budget received international recognition, in the form of the Distinguished Budget Presentation Award from the Government Finance Officers Association. Now we're preparing to improve the process further by introducing multi-year budgeting. This will bring long-term issues into sharp focus, and force us to think beyond annual quick fixes.



Mayor Brian Bowman
City of Winnipeg

We are undertaking an analysis of our services, to help us ensure our expenditures are mission-driven and on target. The 2019 Budget identifies targets for vacancy management savings ($18.4 million), efficiency savings ($12.2 million) and expenditure management savings assigned to tax-supported departments ($1.6 million). And, while our 2019 budget is balanced, water and sewer rates are not increased, and property tax increases are limited to 2.33 percent all of which is used to address infrastructure challenges. We also continue to invest in the services that matter most to Winnipeggers, like public safety. Our 2019 budget has allocated the highest level of funding to the Winnipeg Police Service, in its history.

This is a great time for Winnipeg. From the Jets' playoff run, to the advent of the Valour Football Club; from the Inuit Art Centre rising on Memorial Boulevard, to the Canadian Museum for Human Rights' award-winning *Mandela: Struggle for Freedom*; from the brilliant successes of our entrepreneurs, to the compassion of Winnipeggers from across our city who are determined to end homelessness in our community…we are reclaiming our heritage and our future, as a great Canadian city.

This report tells how we, as a City, are working to support all those gifted and passionate people who are making Winnipeg shine. With the courage to face our challenges honestly, the creativity to find new and innovative solutions, and the compassion to make our community welcoming for everyone: we are succeeding and will continue to succeed.

2014–2018

14th Council of the City of Winnipeg Members and appointments

(As at November 6, 2018)



Mayor Brian Bowman
Chairperson, Executive Policy Committee



Matt Allard
ST. BONIFACE
Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works



Jeff Browaty
NORTH KILDONAN



Shawn Dobson
ST. CHARLES



Ross Eadie
MYNARSKI



Jenny Gerbasi
FORT ROUGE-EAST FORT GARRY
Deputy Mayor
Deputy Speaker
Chairperson, Winnipeg Housing Steering Committee



Scott Gillingham
ST. JAMES-BROOKLANDS-WESTON
Chairperson, Standing Policy Committee on Finance



Cindy Gilroy
DANIEL MCINTYRE
Acting Deputy Mayor
Chairperson, Standing Policy Committee on Innovation



Janice Lukes
SOUTH WINNIPEG-ST. NORBERT



Brian Mayes
ST. VITAL
Chairperson, Standing Policy Committee on Water and Waste, Riverbank Management and the Environment

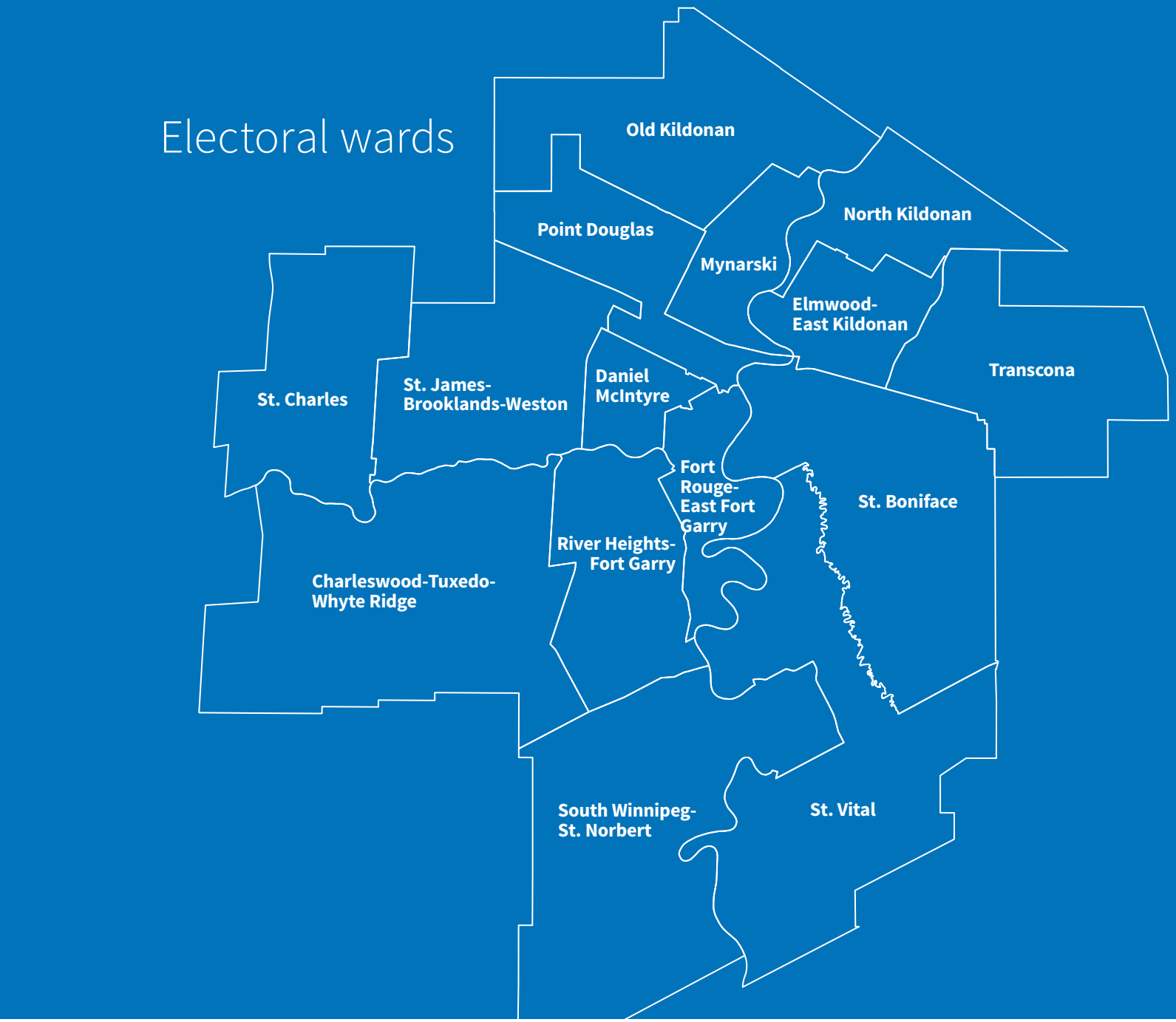


Marty Morantz
CHARLESWOOD-TUXEDO-WHYTE RIDGE



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

Electoral wards





Mike Pagtakhan
POINT DOUGLAS
Chairperson, Standing Policy Committee on Protection, Community Services and Parks



Jason Schreyer
ELMWOOD-EAST KILDONAN



Devi Sharma
OLD KILDONAN
Speaker



Russ Wyatt
TRANSCONA

2018–2022

15th Council of the City of Winnipeg Members and appointments

(As at December 31, 2018)



Mayor Brian Bowman
Chairperson, Executive Policy Committee



Matt Allard
ST. BONIFACE
Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works



Jeff Browaty
NORTH KILDONAN



Markus Chambers
ST. NORBERT – SEINE RIVER
Deputy Mayor



Ross Eadie
MYNARSKI



Scott Gillingham
ST. JAMES
Chairperson, Standing Policy Committee on Finance



Cindy Gilroy
DANIEL MCINTYRE
Chairperson, Standing Policy Committee on Water and Waste, Riverbank Management and the Environment



Kevin Klein
CHARLESWOOD – TUXEDO – WESTWOOD



Janice Lukes
WAVERLEY WEST
Deputy Speaker



Brian Mayes
ST. VITAL
Chairperson, Standing Policy Committee on Property and Development, Heritage and Downtown Development

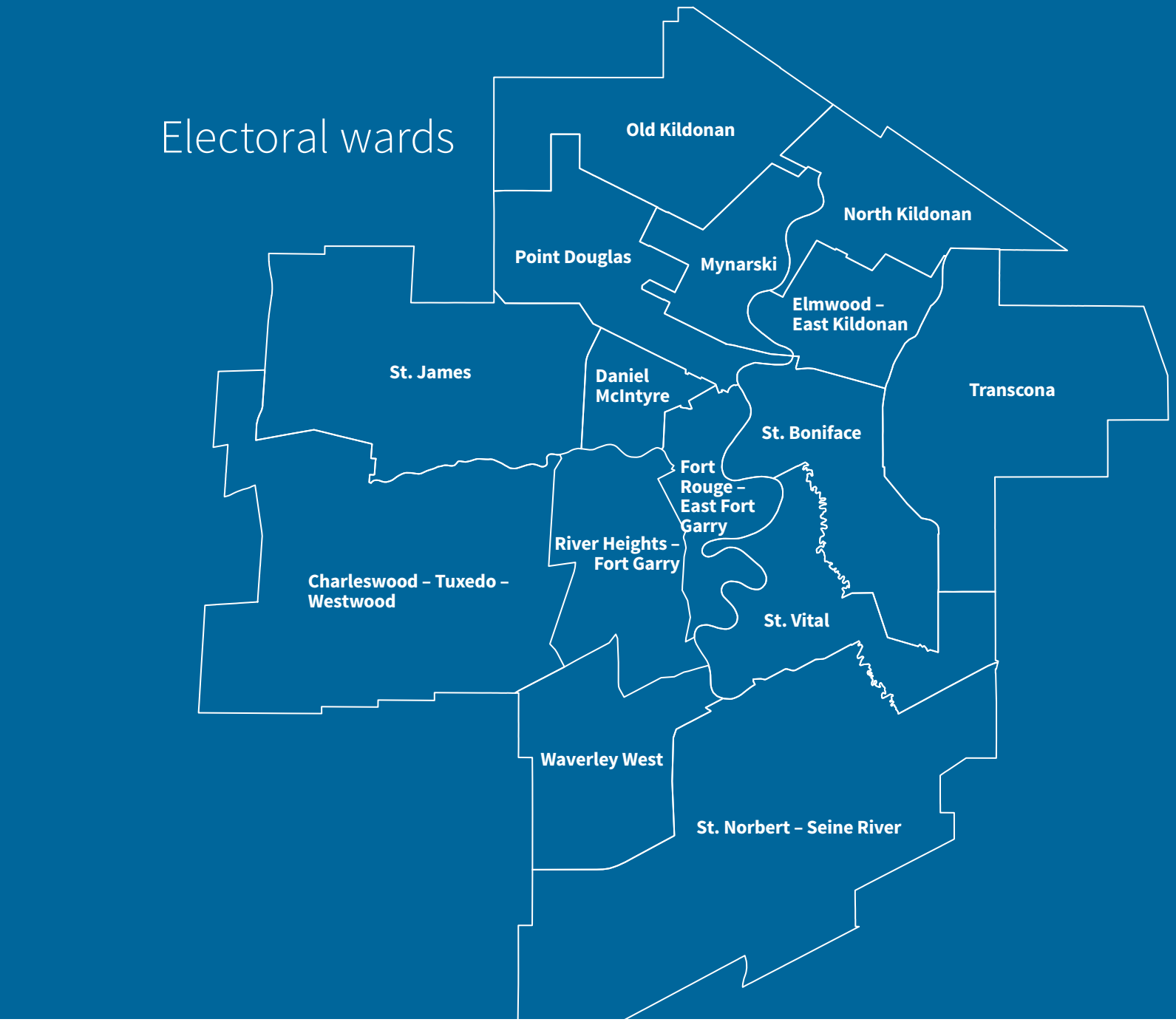


Shawn Nason
TRANSCONA



John Orlikow
RIVER HEIGHTS – FORT GARRY
Chairperson, Standing Policy Committee on Innovation

Electoral wards





Sherri Rollins
FORT ROUGE – EAST FORT GARRY
Chairperson, Standing Policy Committee on Protection, Community Services and Parks



Vivian Santos
POINT DOUGLAS
Acting Deputy Mayor



Jason Schreyer
ELMWOOD – EAST KILDONAN



Devi Sharma
OLD KILDONAN
Speaker

City of Winnipeg governance

City Council ("Council") is the governing body of the City of Winnipeg ("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* ("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 bylaw 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 are 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, bylaws, 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.

WARD BOUNDARIES REALIGNMENT

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

In December 2017, the Commission released its final report establishing the boundaries and names of the 15 Council 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 ensured the existence of viable nearby transportation options, such as bridges.

All the Council wards are now within eight percent of the average ward size, and will be able to absorb projected growth in the coming years.

The changes to the ward boundaries came into effect in September 2018, at the close of the nomination period for the 2018 Municipal and School Boards Election.

2018 MUNICIPAL AND SCHOOL BOARDS ELECTION

On October 24, 2018, the 15th Council of the City of Winnipeg was elected for the 2018-2022 term. Voters turned out in record numbers to take advantage of advance voting opportunities. A total of 39,480 voters participated in advance voting, marking a 30 percent increase from the 30,619 voters who cast an early ballot in 2014. In total, 216,003 eligible voters, or 42.33 percent, cast their ballots for the 2018 Municipal and School Boards Election. Polls remained open on Election Day past 8 p.m. as required to ensure everyone in line at that time was able to exercise their electoral right.

On Election Day, approximately 2,000 election workers were deployed throughout the 193 polling locations. A Voting Officer was present at each of the polling locations. Ward Captains in the field throughout Election Day assisted 113 Elections Compliance Officers to ensure compliance with all election legislation and a fair, open, and positive experience for voters.

Election observer Jean-Pierre Kingsley, former Chief Electoral Officer of Canada, provided oversight and scrutiny of the overall electoral process. Mr. Kingsley reported very favourably in regards to the City's level of control over the voting process and its ability to quickly identify and address issues that arose.

OPENNESS & TRANSPARENCY

The *City of Winnipeg Open Government Policy* 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
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 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 10 new datasets throughout 2018.

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 917 FIPPA applications in 2018, which marked an increase from the 859 processed in 2017.

OFFICE OF THE INTEGRITY COMMISSIONER

The Integrity Commissioner forms an important part of the accountability framework which has been put in place for members of Council.

The Integrity Commissioner reports to Council through the Governance Committee except when presenting investigative reports where a member of Council has been found to have breached the Code of Conduct, in which case the Integrity Commissioner reports directly to Council.

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 is appointed by Council for a minimum two-year renewable term, and is required to publish an annual report of their activities.

Their 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 bylaws and policies relating to ethical conduct, including the Code of Conduct.

The authority to investigate matters raised relating to members of Council falls to the Integrity Commissioner; however, 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

The voluntary lobbyist registry was created to publish information on any meetings where 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 a City employee, to try and influence a decision on governmental matters, outside of the standard process.

The Integrity Commissioner has oversight of the registry and is responsible for reviewing any future changes to the registry process.

As of December 31, 2018, there were 29 registrations of lobbyist activity noted on the Voluntary Lobbyist Registry, of which 13 were registered in 2018.





2018 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 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 committees of Council, 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 (Community Services; Legal Services; Planning, Property & Development; Winnipeg Fire Paramedic Service; and Winnipeg Police Service), and two SOAs (Animal Services Agency and Golf Services). Key divisions such as Human Resources, Indigenous Relations, 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.

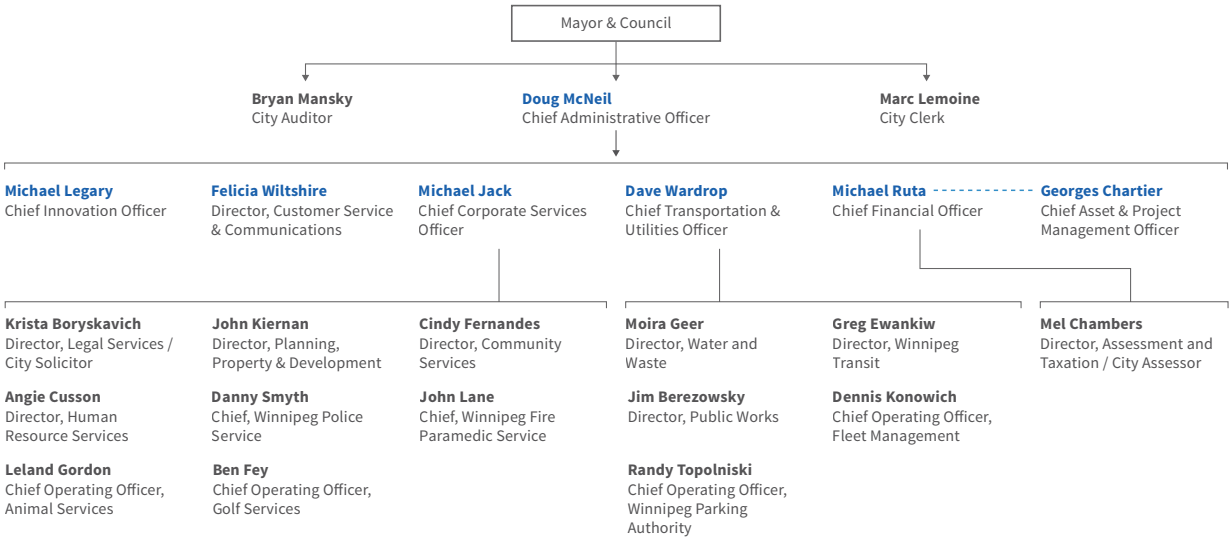
The Chief Innovation Officer sets the strategic direction of organizational innovation through technology to enhance the City's service delivery capabilities. This position provides leadership for service delivery activities and operational transformation activities across the City, ensuring the best 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 (Public Works, Water and Waste, and Winnipeg Transit) along with two SOAs (Fleet Management Agency and Winnipeg Parking Authority).

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, French Language Services, Marketing & Branding, Office of Public Engagement, and Web & Social Media).

2018 ORGANIZATION CHART

(As at December 31, 2018)



Message from the Chief Administrative Officer



Doug McNeil, P.Eng.
Chief Administrative Officer

When I began my term as Winnipeg's Chief Administrative Officer just over four years ago, I pledged to make innovation, infrastructure, and customer service my top priorities. While the horizon for improvement (and the need for continuous improvement) is limitless, I'm encouraged by how much the Winnipeg Public Service has been able to accomplish, assisting Council in each of these areas.

Looking at infrastructure, the City invested a record $116 million in the Regional and Local Streets Renewal Program in 2018. This past year, the City presented its first *State of the Infrastructure Report* to Council – which was the culmination of years of work to develop and implement a robust Asset Management Program. In 2018, we made major progress on the Waverley Underpass Project and the Southwest Transitway (Stage 2) and Pembina Highway Underpass. And, 2018 also saw advances on many significant community infrastructure projects, including major upgrades to the Pan Am Pool, and the opening of the new Windsor Park Library.

We've been working to improve our customer service in every department, over the past four years. I'm thinking of things like the establishment of our Transportation Management Centre; the opening of our three 4R Winnipeg Depots; service improvements to Winnipeg Transit Plus; and continuous growth and improvement in our public engagement processes, culminating in the development of the draft Engage Winnipeg Policy – a key step toward a stronger and more participatory community.

I've been proud to champion innovation during my time as CAO. In 2018, we launched the City's Open Budget tool, and the award-winning Open Capital Projects Dashboard. The City's MyUtility Bill was introduced in 2018, enabling customers to manage their utility bills using any connected device, including smartphones. Also in 2018, the Winnipeg Fire Paramedic Service launched its Unmanned Aerial Vehicle program, which uses drones to assist in a variety of crucial tasks, including fire safety assessments and reconnaissance, water rescues, and hazardous materials responses. Examples like these are only the beginning – the Winnipeg Public Service will continue to seek out transformational ideas through the newly-established Innovation, Transformation and Technology Department.

All of this has been taking place against the background of careful fiscal planning, and strong financial management. Moody's Investors Service and S&P Global have reaffirmed Winnipeg's credit rating, at Aa2 stable and AA/Stable, respectively, with Moody's citing "disciplined fiscal planning and a track record of operating surpluses, despite recent funding pressures," as well as a "strong governance and management structure." It says a great deal about our Public Service team that the City has recently received not one, but *three* Government Finance Officers Association awards: for the 2018 budget, the 2017 annual report, and the Open Capital Projects Dashboard.

And so, as I retire from Winnipeg's Public Service, I have every confidence in the future of this organization, in its people, and in its capacity for continued progress. I would like to thank Mayor Bowman and City Council, all the great public servants I've worked with over the years, and, most of all, the people of Winnipeg, for this extraordinary and unforgettable opportunity.

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 2018, 600 Winnipeggers, aged 18 and older, provided their thoughts on what the City is doing well and what needs improvement.

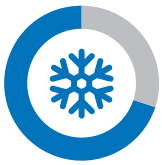
93% rate **quality of life** as very good or good

79% rate **customer service** as very good or good*

71% rate **value of tax dollar** as very good or good

Citizen satisfaction with City services

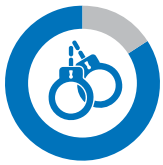
87% rate **overall City services** as very good or good



70% are very satisfied or somewhat satisfied with **snow removal**



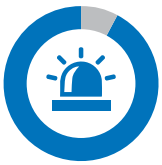
98% are very satisfied or somewhat satisfied with **condition of major parks****



84% are very satisfied or somewhat satisfied with **efforts in crime control**



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



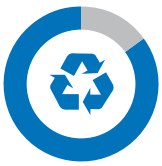
92% are very satisfied or somewhat satisfied with **level of City preparedness to respond, assist**



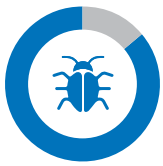
66% are very satisfied or somewhat satisfied with **public transit****



92% are very satisfied or somewhat satisfied with **garbage collection**



85% are very satisfied or somewhat satisfied with **recycling program**



86% are very satisfied or somewhat satisfied with **insect control**

To see more results from the survey, please visit: **winnipeg.ca/citizensatisfaction**

* Those who indicated they have contacted the City

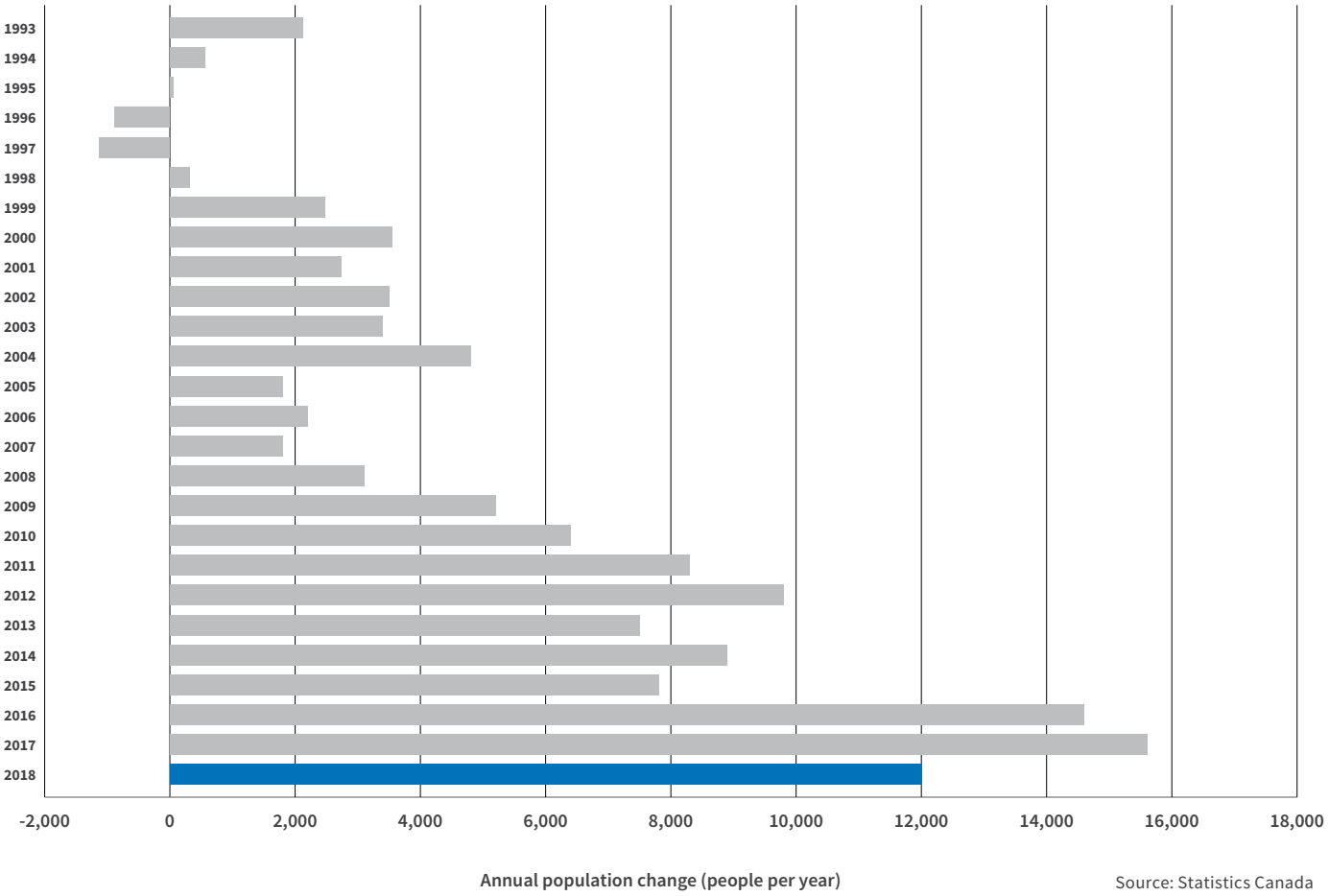
**Those who indicated they have used the service



City of Winnipeg service highlights

Winnipeg is growing. The city is in a cycle of strong growth, a pace not seen for decades as evidenced by the table below.

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 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 2018, Winnipeg's population was 753,700*. 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 2018 Budget, based in part on residents' priorities identified through the budget consultation process, focused on the following areas:

- Maintain record street renewal investment
- Investing in community assets
- Investing in safe & secure communities
- Efficiencies & 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 2018 Budget dedicated a record $116 million towards the Regional and Local Streets Renewal programs, the largest annual investment in Winnipeg's history. Fifteen (15) regional streets projects worth over $50 million were undertaken in 2018, and the remaining $60.3 million went towards 22 local street projects that included more than 160 locations.

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 2018, 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, two projects were undertaken worth $4.75 million.

2018 roadway construction & maintenance statistics



66.3
(LANE-KM)
Capital rehabilitation of local streets

24.0
(LANE-KM)
Capital reconstruction of regional streets

9.6
(LANE-KM)
Capital rehabilitation of regional streets

28.1
(LANE-KM)
Capital reconstruction of local streets

1.6
(KM)
Capital addition of surfaced alleys

7.6
(KM)
Capital reconstruction of alleys

31.3
(LANE-KM)
Roadway transferred from developers



14.143
(KM)
New pedestrian/ cycle pathways

3.19
(KM)
Capital reconstruction of regional sidewalks

3.851
(KM)
Capital addition of non-regional sidewalks



INVESTING IN COMMUNITY ASSETS

The City must balance a multitude of competing spending priorities with limited resources. As Winnipeg continues to grow at historically high rates, the need to make sustainable, well-timed infrastructure investments is essential to ensure the City can continue to deliver high-quality services for residents.

2018 State of the Infrastructure Report

In 2018, the City presented the *2018 State of the Infrastructure Report* ("SOIR") to Council – a high-level summary of the detailed findings of Winnipeg's first *City Asset Management Plan* ("CAMP").

The process toward creating the CAMP began in January 2015, when Council approved the City's *Asset Management Policy*, making asset management a core business function. This policy supports asset management as a systematic process that facilitates decision-making in regards to the construction, acquisition, operation, maintenance, renewal, replacement, and disposition of assets in the most cost-effective manner.

Providing detailed information about the City's infrastructure as a whole had never been performed on a comparable scale within the organization before. In order to develop its own CAMP, the City consolidated and analyzed information on assets across all civic departments, including the historic distribution of capital funding for these assets over the last decade. For the first time, the City was able to strategically categorize asset types and grade the physical condition of its main infrastructure elements.

Adopting a holistic overview, the City's condition grade for tax-supported and Transit infrastructure is C+, whereas water and waste utilities' asset conditions are B.

The difference is primarily due to the fact that the Water and Waste utilities have dedicated funding and are governed by significant regulatory and level of service requirements, compared to the tax-supported and transit asset base. Combined, the City's condition grade is B-. According to the SOIR, the City's asset inventory has a replacement value of approximately $35 billion.

The amalgamation of each department's spending plans and needs over ten years (2018-2027) was used to calculate the City's infrastructure deficit. Total capital investment needs for each department were based on a 10-year horizon and included both existing and new infrastructure. The gap between total capital investment requirements and estimated future capital funding resulted in an approximately $6.9 billion deficit.

While the shortfall seems difficult to overcome, it is encouraging to note that compared to the reported 2009 deficit, progress has been made by investing in priority projects and focusing on maintaining existing infrastructure. In 2009, the reported capital infrastructure deficit was estimated at approximately $7.0 billion. Converted to 2018 dollars, this equates to approximately $9.9 billion and provides a more accurate comparison to the 2018 deficit, estimated at approximately $6.9 billion.

For more information, see:
winnipeg.ca/infrastructure

2018 State of the Infrastructure Report detail

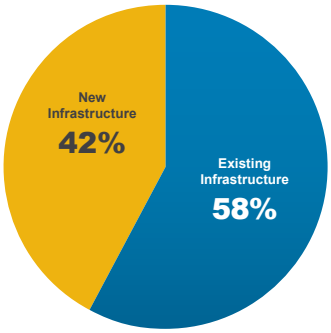
Overall replacement-level grade of City assets

C+
TAX-SUPPORTED AND TRANSIT INFRASTRUCTURE

B
WATER & WASTE UTILITIES

B-
CITY'S OVERALL CONDITION GRADE

Infrastructure deficit 2018-2027



$6.9 billion*

Summary grade of infrastructure elements

Roads C+	**Bridges** B-	**Parks & Open Space** C+	**Water Utility** B-	**Sewer Utility** B
Land Drainage Utility B	**Solid Waste Utility** B	**Police Services** B	**Fire & Paramedic Services** C	**Community Services** C
Municipal Properties D	**Transit** C+	**Information Technology** B-		

* The deficit is based on capital investment needs spanning a 10-year period from 2018 to 2027



INVESTING IN SAFE & SECURE COMMUNITIES

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.

The review and update of *OurWinnipeg* was publicly launched in 2017. 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 throughout 2018. 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.

The City made significant investments to the Winnipeg Police Service and Winnipeg Fire Paramedic Service in 2018. The City invested $291.5 million in its police service, and $193.5 million in fire paramedic service this past year.

In 2018, 13 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 106 Advanced Care Paramedics.

A welcoming community

In July, the City participated in the third 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 2,000 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.

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 2018, the landfill gas capture system at the Brady Road Resource Management Facility captured and flared 11.5 million cubic metres of gas resulting in a Greenhouse Gas ("GHG") reduction equivalent to 78,602 tonnes of carbon dioxide equivalents – the equivalent to 16,688 passenger cars per year. Expansion of the system, which began in late 2017 and was commissioned in 2018, has substantially expanded the system's capacity to capture and flare landfill gas in the future.

The City opened its third 4R Winnipeg Depot on Panet Road in February 2018. The 4R Winnipeg Depots served 155,000 vehicles in 2018, which is an increase of 41 percent over 2017. Since opening, the 4R Winnipeg Depots have diverted over 9,800 tonnes of materials.

Climate change represents one of the world's greatest environmental challenges. Responding to growing global concerns around climate change, governments at all levels are taking actions to both mitigate their impacts on the environment and adapt municipal plans and infrastructure to meet the physical demands of a changing climate.

In September 2018, Council adopted *Winnipeg's Climate Action Plan: Planning for Climate Change. Acting for People*. The plan provides a framework to proactively, meaningfully, and effectively mitigate climate change by reducing GHG emissions.

The plan is based on four base principles that the City will consider as it moves forward with implementation:

- It is a first step, not the last step
- It is a flexible and living document
- Corporate collaboration and alignment are key components
- It involves the entire community

The plan includes strategic opportunities, along with key directions and actions that support the City's vision and targets. Together, they provide a comprehensive package of solutions to enable climate mitigation action and help the city on a path to its desired future.

For more information, see:
winnipeg.ca/climateaction

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 continued on the *Winnipeg Recreation & Parks Strategies* in 2018. Once completed, the strategies will help guide future decision-making and investment in recreation and parks services and infrastructure throughout the city.

One of the City's busiest recreation facilities, the Pan Am Pool, underwent major upgrades in 2018 to ensure it remains a safe and enjoyable facility for residents. The $3.4 million capital project included installation of a new acoustic ceiling, wall panels, and lighting above the main pool; removal of asbestos in the ceiling; facility-wide audio system replacement; and new paint in select areas around the building.

Winnipeg Library Services provides residents of the city with valuable supports for 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.

2018 recreation, leisure & library statistics



7,788
Number of paid aquatics courses

3,538
Number of recreation and leisure paid courses

151,073
Number of public swim visits to outdoor pools

22,483
Number of hours of wading pool free programming

23,947
Number of hours of spray pad free programming



4,879,201
Number of library items circulated

2,832,351
Number of library in-person visits

3,603
Number of library programs offered

95,272
Number of library program attendees

Windsor Park Library

In 2018, the new Windsor Park Library opened its doors at 1195 Archibald St. to meet the needs of today's library users. The new library is designed to LEED silver standards, and is approx. 8,000 sq. ft.



In July 2018, the City officially opened the ideaMILL at the Millennium Library – a collaborative makerspace to support Winnipeg's growing arts, technology, and innovation communities. The ideaMILL, open to visitors of all ages, offers access to maker tools and technology to encourage people to create, experiment, and collaborate in a self-directed environment. It includes a media studio, sound booths, digital conversion tools, photography and videography equipment, 3D printers, and a craft room with sewing machines and space for creative arts.

Winnipeg Library Services made several exciting announcements throughout 2018 about renovated, enhanced, and brand new facilities. Windsor Park Library, which was identified for a new location in the Council-approved *Library Redevelopment Strategy*, made its anticipated move to a brand new facility in March 2018. Soon after, the City announced completed renovations at the historic St. Vital Library. Over the summer, the future site of the Bill & Helen Norrie Library in River Heights was announced, and the West End Library at the Cindy Klassen Recreation Complex was renamed after the former long-serving area Councillor, Harvey Smith.



Public transportation

The City is served by Winnipeg Transit, which provides a network of 640 buses servicing 93 routes and 5,173 bus stops throughout the city. Ensuring this service meets the needs of its users and expanding service capabilities is of the utmost importance, which is why Council approved $193.7 million in operating expenses for 2018.

There were several initiatives undertaken by Winnipeg Transit in 2018, which were introduced or recommended to improve service across the city and to enhance safety for both passengers and operators.

Two new Transit Inspector shelters were installed at set strategic locations along busy Downtown routes to assist operators and passengers, and be a resource for the public to seek assistance if needed. Winnipeg Transit also partnered with the Winnipeg Police Service to provide training to all Transit Inspectors on important de-escalation techniques.

Following the completion of Winnipeg Transit's pilot project on safety shields in 2018, Transit made a formal recommendation to Council to install safety shields on all City buses.

Winnipeg Transit announced changes to its Handi-Transit service, including a refreshed name to include more inclusive language and an updated scheduling system. Through an engagement process with members of the public and the Handi-Transit Policy Advisory Committee, the name *Winnipeg Transit Plus* was chosen.

Development of frequent and rapid transit 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. In 2018 on the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass. Significant progress was made on the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass. In 2018, detailed design of all major project elements was completed, and construction at sites over the entire length of the project were underway. Notable milestones in 2018 included the reconstruction of Southpark Drive, and the completion of all CN track work and relocations, including the new rail bridge over Pembina Highway. By the end of 2018, the City was able to achieve approximately 65% completion of the Southwest Rapid Transitway (Stage 2) project.

2018 Winnipeg Transit 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

When Council approved the *Vehicles for Hire By-law* on December 13, 2017, responsibility for regulating the vehicle for hire industry within Winnipeg transitioned to the Winnipeg Parking Authority, to be administered on behalf of the City, effective February 28, 2018. The bylaw includes regulatory oversight for taxicabs, limousines, accessible transport vehicles, and Personal Transportation Providers. The policies and regulations in the bylaw maintain four objectives and sets minimum standards in Winnipeg for passenger safety; driver safety; consumer protection; and, accessibility.

The bylaw restricts the number of individual taxi licences in Winnipeg, in accordance with a ratio established by Council. In order to increase the number of available accessible vehicles for hire in Winnipeg, the City opened its second intake of taxi licence applicants exclusively to those applying to provide accessible taxi service. Through this process, the City was able to add 60 accessible taxi licences to the operating fleet in Winnipeg.

As the regulator for vehicles for hire in Winnipeg, the City prioritizes safety and accessibility for both residents and drivers. Complaints issued to the Winnipeg Parking Authority concerning safety are taken very seriously and every complaint received is investigated and followed up on by City officials. Compiled through to the end of December 2018, there were 111 vehicle for hire complaints filed with the City through the designated process

EFFICIENCIES & INNOVATION

The City launched its Open Budget tool and the custom-developed Open Capital Projects Dashboard in March 2018, so that Winnipeggers can get further insight into the City's active capital projects in a visually engaging and interactive way. The online tools rely on the financial data shared through open data to generate visual representations of the City's capital projects, improving transparency and accountability in capital project management.

The Open Budget tool reports fundamental financial information of the adopted budget, amended budget, and actual costs categorized by department, category, and subcategory for the City's entire portfolio of more than 700 open capital projects. The first of its kind, the Open Capital Projects Dashboard complements Open Budget by reporting on the performance of the City's active capital projects with budgets of $5 million or more. Project performance is a complex process that requires analysis of both financial and non-financial information. The dashboard's schedule/cost variance matrix was custom-developed to do this analysis and measures all projects' performances based on costs and schedule criteria.

Thanks to a new online portal launched by the Water and Waste Department, Winnipeg residents can now manage their City utility accounts online at any time with MyUtilityBill. Set up as a convenient online resource, customers can manage their City utility bills using any connected device, including smartphones. MyUtilityBill allows customers to perform a number of tasks related to their utilities, including viewing bills, submitting meter readings, viewing household water consumption history, and signing-up for pre-authorized payments and paperless billing. The online self-service tool is designed to help customers budget and identify ways to reduce their water consumption.

The City launched a pilot project in April 2018, which introduced free Wi-Fi access for passengers on 12 Winnipeg Transit buses operating on rotating routes. This innovative technology was introduced in order to enhance the customer experience by allowing riders to connect to Wi-Fi, free of charge. Over the course of the pilot project, which has continued into 2019, Winnipeg Transit has been consulting with the Transit Advisory Committee to determine how the technology can be used to enhance safety and security for both bus operators and passengers. The Public Service will be reporting back to the Standing Policy Committee on Innovation at the conclusion of the pilot project.

In June 2018, the Winnipeg Fire Paramedic Service launched a pilot project of its Unmanned Aerial Vehicle program, which allows for safer, quicker, and more efficient response to a variety of emergency situations. Equipped with a thermal imaging camera, the unmanned aerial vehicle—otherwise known as a drone—assists first responders in locating individuals and fire hot spots, as well as identifying potential structural issues. The drone can be deployed by the Winnipeg Fire Paramedic Service in a variety of scenarios, including water rescues, hazardous materials responses, fire scene safety assessments and reconnaissance, as well as wildland fire monitoring. It can also be used in post-incident analysis and investigation.

AWARDED EXCELLENCE

Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Canadian Award for Financial Reporting to the City for its annual financial report for the fiscal year ended December, 31, 2017. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

To be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.


Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

The City of Winnipeg

Manitoba

For its Annual Financial Report for the Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

Capital projects

6-year capital investment plan of $2,189.2 million (2018 Budget & 5-year forecast)



$1,066.9
Public Works & local improvements

$386.7
Sewer projects

$214.1
Winnipeg Transit

$191.8
Water & solid waste projects

$173.8
Community Services, Planning, Property & Development, Municipal Accommodations

$78.5
Public safety

$77.4
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 ("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, 2018, 42 organizations, businesses, groups, and individuals joined the City and all other signatories in their commitment to the ongoing Journey of Reconciliation in Winnipeg by formally becoming partners to the Accord, bringing the total to 123.

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, see:
winnipeg.ca/journeyofreconciliation


GOJETSGO
Just
End
Their
Season



Winnipeg Jets Whiteout street parties

In anticipation of an exciting run for the Winnipeg Jets in the 2018 Stanley Cup Playoffs, the City partnered with the Jets' ownership group, True North Sports & Entertainment, and Economic Development Winnipeg to organize and host a series of Whiteout street parties, which were designed to attract large crowds to the Downtown area surrounding Bell MTS Place to cheer on the Jets during all home playoff games.

The Jets went on a historic run in the 2018 Stanley Cup Playoffs, advancing to the third round of the playoffs, marking the most successful NHL playoff run in the franchise's history. Winnipeg hosted nine home games and Whiteout street parties along the way. The team's success brought an unparalleled sense of pride and excitement among residents, which was captured in real-time on national television broadcasts with views of the exuberant Whiteout street parties.

Crowds gathered at the Whiteout street parties next to Bell MTS Place and watched the games live on large projection screens while their home team battled next to them in the arena. Over 15,000 people watched the games from inside Bell MTS Place, while another 5,000 to 12,000 watched outside. In total, the Whiteout street parties brought anywhere from 20,000 to 30,000 people to the Downtown on home game days.

Given the volume of people attending these events, the City took several measures to ensure people's safety and the smooth operation of City services in the surrounding area to help make the events a success.

Report from the Chief Financial Officer

FINANCIAL STATEMENT DISCUSSION & 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.

For its December 31, 2017 annual report, the City received the prestigious Canadian Award for Financial Reporting ("CAnFR") from the Government Finance Officers Association ("GFOA"). The CAnFR recognizes excellence in governmental accounting and financial reporting and represents a significant accomplishment for the City and its management. The award reflects the tremendous effort not only of our staff in Corporate Finance, but also of all our departments, Special Operating Agencies ("SOAs") and elected officials in producing high quality documents for use by our residents and community.

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, SOAs, and 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 accounts 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, Waterworks, Sewage Disposal, Land Drainage and Solid Waste Disposal Funds. Each utility accounts for its own operations and capital program. The Land Drainage utility was established for 2018 to report on the land drainage operations previously reported in the General Revenue Fund.

There are four 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 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, River Park South Developments Inc. and Park City Commons are are included in the Statements as investments in government businesses.

Winnipeg Housing Rehabilitation Corporation was previously included as an investment in government business. During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation and it was determined that the City no longer controlled the entity. As a result of this assessment, the City removed the investment and incurred an accounting loss of $6.6 million.

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 ability 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)	2018	2017	Variance
Cash and cash equivalents	$ 433,985	$ 456,078	$ (22,093)
Other financial assets	656,082	657,317	(1,235)
Financial assets	1,090,067	1,113,395	(23,328)
Liabilities	1,768,982	1,744,181	(24,801)
Net financial position	(678,915)	(630,786)	(48,129)
Non-financial assets	7,009,634	6,666,235	343,399
Accumulated surplus	$ 6,330,719	$ 6,035,449	$ 259,270

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 2018, the City's cash and cash equivalents decreased by $22.1 million. This decrease resulted primarily because cash and cash equivalents used to construct and purchase tangible capital assets exceeded cash from operating and financing activities.

Net Financial Position

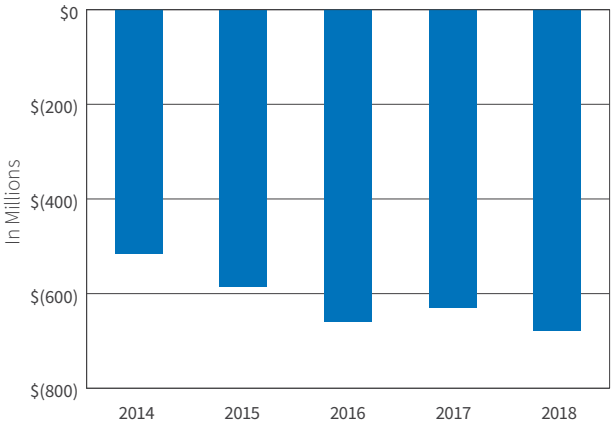
Net financial position is the difference between financial assets and liabilities, which indicate the affordability of additional spending. As at December 31, 2018, the City was in a net financial liability position of $678.9 million (2017 – $630.8 million). The change in net financial position during the year resulted primarily from decreased cash and cash equivalents.

Non-Financial Assets

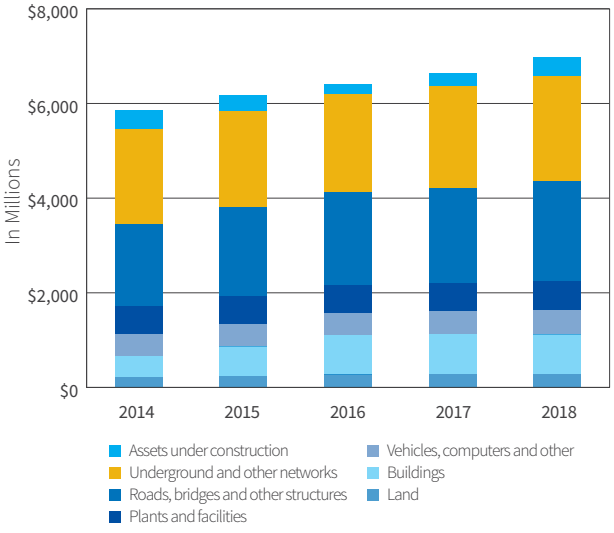
Non-financial assets of the City are assets that are, by nature, normally for use in service provision and include purchased, constructed, contributed, developed and leased tangible capital assets, inventories of supplies, and prepaid expenses. Tangible capital assets are the most significant component 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 12, 2017, City Council adopted the 2018 annual capital budget and the 2019 to 2023 five-year forecast. The six-year plan projected $2.2 billion in City capital projects, with $357.4 million authorized in 2018.

NET FINANCIAL POSITION



TANGIBLE CAPITAL ASSETS (NET BOOK VALUE)



Some of the projects included in the 2018 capital budget are:

- $116.0 million for regional and local street renewal, and $15.8 million for waterway crossings and grade separation
- $68.4 million in sewage disposal collection and treatment systems and $28.5 million in waterworks systems, including $16.5 million for water main renewals
- $31.9 million for public transit projects including transit safety management practices, and the purchase of new transit buses
- $2.4 million for St. James Civic Centre renewal and expansion
- $11.2 million for parks and open spaces including $7.1 million for reforestation improvements and the urban forest enhancement program

Also included in the capital investment plan over the six-year period (2018 to 2023) is anticipated funding of $372.7 million cash to capital funding, $305.6 million of anticipated provincial funding and $271.4 million under the Federal Gas Tax Agreement.

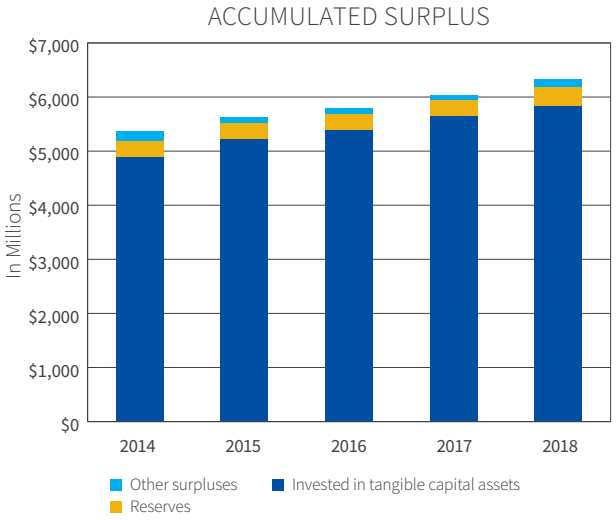
Council's 2018 approved capital budget included $50 million of the Province's capital commitment to support roads projects. This approval was pursuant to the Province's five year roads commitment made to the City in 2014, with 2018 being the final year. The Province fulfilled its commitment for the first four years. The Province has allocated $10 million of its 2018 capital commitment to roads and has indicated it will not be funding the remaining $40 million. The City's 2019 and 2020 capital budget and forecast for the local and regional street renewal program have been reduced by $20 million for each year in order to fund the streets proceeded with under the 2018 capital budget. This funding reduction by itself results in reduced budgeted spending on local and regional roads in those years.

The Province has also indicated it will be not be making any further payments on the Manitoba-Winnipeg Infrastructure Agreement, leaving significant unfunded expenses. The estimated funding shortfall could be as high as $30 million.

During 2018, the City acquired $613.8 million of tangible capital assets (2017 – $475.9 million), including contributed roads and underground networks totaling $82.7 million (2017 – $95.2 million). Contributed assets are capitalized at their fair value at the time they are received. Of the assets acquired, $235.9 million was for tax-supported projects (38%). 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).



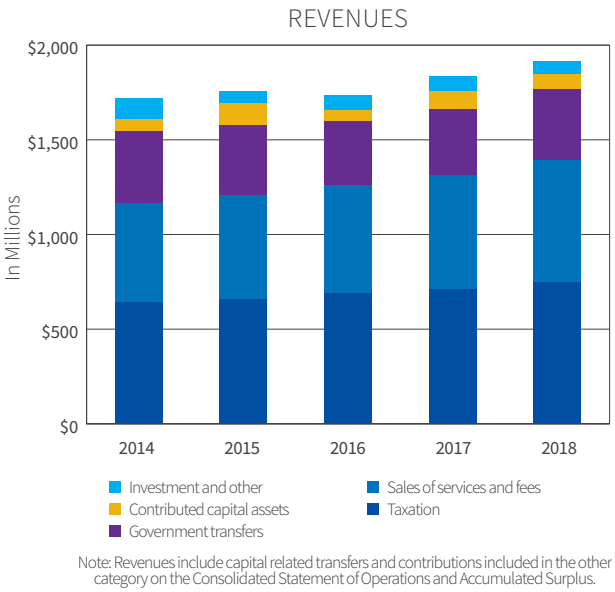
Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements, along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and landfill liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2018 – 92%; 2017 – 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.

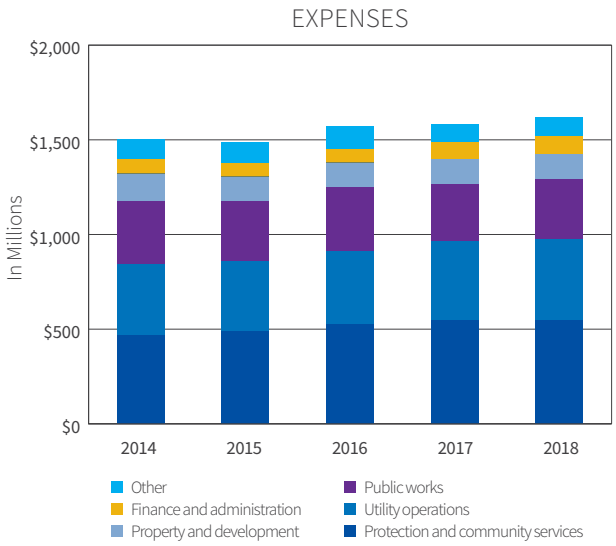
CONSOLIDATED STATEMENT OF OPERATIONS

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.

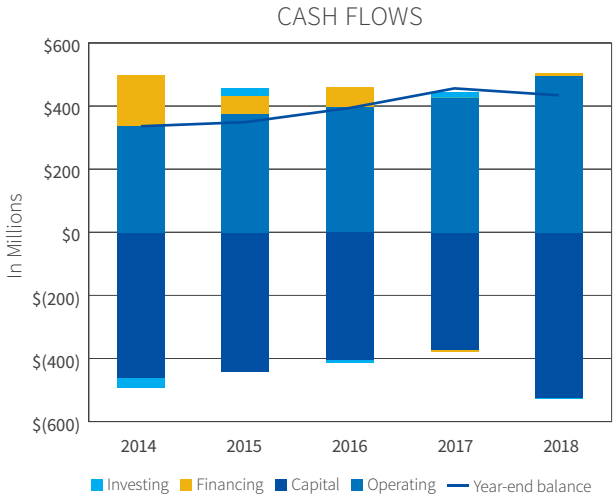


As the table above indicates, the City's combined protection and community services and public works expenses have increased over the five-year period presented, indicating City Council's priorities of public safety and roads.

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.

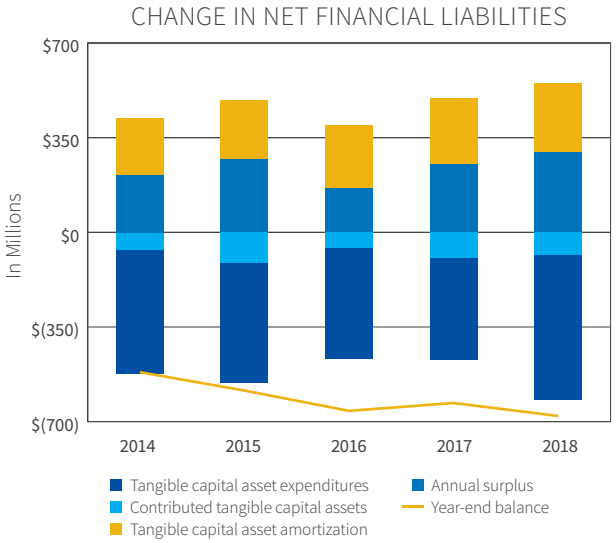
Capital investments have been more significant over the past five years, financed largely through operations, which include capital-related government transfers and a responsible amount of debt.



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.

Also, as previously discussed, the City has been making significant 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 2018, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was: "dynamic 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 2018 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 obtain favourable 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 3%. 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 $1.8 million from the prior year. While funding reductions have resulted in a decreased amount owed by the Province of Manitoba for funding of capital investments, the amounts owed for similar purposes by the Government of Canada has offset this decrease.

The largest component of accounts receivable is trade accounts and other receivables at 51% (2017 – 52%). Approximately 44% (2017 – 41%) 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 (2017 – $400 thousand). The largest component of the total allowance for doubtful accounts is in respect of ambulance services.

As at December 31, 2018, property, payments-in-lieu and business tax receivables (taxes receivable), net of the estimated allowance for tax arrears, represented 18% (2017 – 16%) of total receivables. Taxation revenue is 39% (2017 – 39%) of total consolidated revenues.

Taxes Receivable

As at December 31 (in thousands of dollars)	**2018**	2017	2016	2015	2014
Taxes receivable	**$ 56,704**	$ 52,599	$ 51,550	$ 58,121	$ 54,825
Allowance for tax arrears	**(813)**	(756)	(330)	(4,255)	(6,183)
	$ 55,891	$ 51,843	$ 51,220	$ 53,866	$ 48,642

Investments

As at December 31 (in thousands of dollars)	**2018**	2017
Marketable securities		
Municipal bonds	**$ 72,577**	$ 56,884
Provincial bonds and bond coupons	**8,416**	16,483
Bank and trust companies	**2,003**	5,011
	82,996	78,378
Manitoba Hydro long-term receivable	**220,238**	220,238
Other	**4,833**	7,324
	$ 308,067	$ 305,940
Market value of marketable securities	**$ 85,516**	$ 83,684

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 this 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)	**2018**	2017
Sinking fund debentures	**$ 767,568**	$ 767,568
Equity in sinking funds	**(82,065)**	(67,468)
	685,503	700,100
Serial and instalment debt	**4,848**	9,696
Bank and other loans	**157,003**	159,075
Capital lease obligations	**22,519**	23,398
Service concession arrangement obligations	**183,839**	150,432
	1,053,712	1,042,701
Unamortized premium on debt	**29,946**	30,938
	$ 1,083,658	$ 1,073,639

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.

For the City managed sinking fund 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.

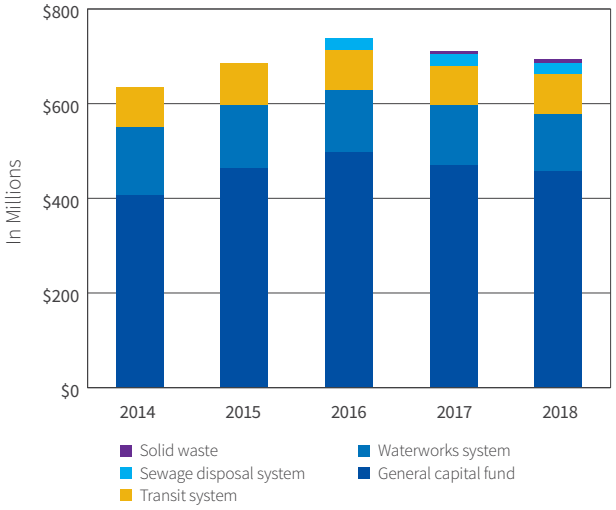
These annual sinking fund payments are invested primarily in government and government-guaranteed bonds and debentures. By investing in bonds and debentures of investees that are considered to be high quality, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

The Sinking Fund Trustees of the City of Winnipeg 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. 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 2018.

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% (2017 – 4.5%). Annual interest and principal payments are made on the debt.

NET SINKING FUND DEBENTURES, SERIAL AND INSTALMENT DEBT



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.

Additionally, the City has entered into a service concession arrangement for the Southwest Rapid Transitway and Pembina Highway Underpass Project. The project is under construction and the actual effective interest rates will be unknown until the project is complete. The budgeted effective interest rate on the project is 1.9%. Specifically, the sinking fund debt and service concession arrangement obligation bear a budgeted combined weighted average interest rate of 4.8%.

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:

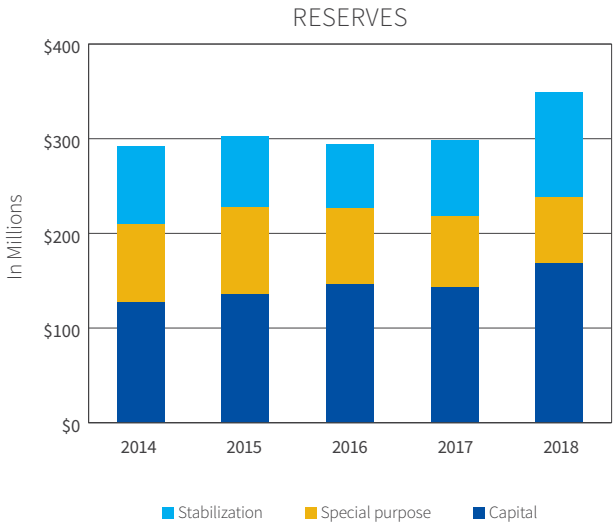
Debt Service Coverage Ratio	**2018**	2017	2016	2015	2014
Free Cash and Liquid Assets/ Debt Service	**774.4%**	803.8%	733.7%	618.6%	578.3%

In its recent credit rating report, Standard and Poor's commented that the City maintains robust liquidity, which they expect will continue.

Reserves

Reserve balances have increased overall by $50.8 million (2017 – $3.2 million increase) from the prior year. The City's Financial Stabilization Reserve balance increased by $31.2 million, and Capital Reserves increased $25.2 million while Special Purpose Reserves decreased $5.6 million.

The Financial Stabilization Reserve's accumulated surplus is projected to be $33.4 million (including net interest revenue) over its targeted level of 6% of the General Revenue Fund adopted 2019 budgeted expenses. This surplus is due to the 2017 and 2018 General Revenue Fund surpluses. The City Council's adopted 2019 budget provides a $10.3 million 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 $29.8 million to the General Capital Fund during 2018 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 $25.3 million to the General Capital Fund during 2018 to fund regional street projects.

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. Subject to Council approval, 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 used to fund growth-related capital projects to the extent that they are approved by Council. A total of $12.4 million was collected in 2018 (2017 – $4.1 million), the balance in the Impact Fee Reserve Fund as at December 31, 2018 is $16.5 million (2017 – $4.1 million). Council has not approved expenditures from the reserve during the year.

A working group of elected officials, city administrative staff, and industry and community stakeholders is being 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.

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 2018 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 2018, the City recorded consolidated revenues of $1.914 billion (2017 – $1.843 billion), which included government transfers, developer contributions-in-kind, and other capital contributions related to the acquisition of tangible capital assets. Consolidated expenses totaled $1.619 billion (2017 – $1.583 billion).

Consolidated revenues before government transfers, developer contributions-in-kind and other capital contributions totaled $1.633 billion (2017 – $1.569 billion). As a result, the City reported a surplus before these other items of $13.8 million (2017 deficit of $14.2 million). This surplus includes the results 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 2018**		**Actual 2018**		Actual 2017		Budget to Actual Variance	Actual to Actual Variance
Taxation	**$ 733,693**	38%	**$ 746,089**	39%	$ 712,209	39%	$ 12,396	$ 33,880
Sales of services and regulatory fees	**641,842**	33%	**645,356**	34%	599,342	33%	3,514	46,014
Government transfers – Operating	**190,332**	9%	**193,088**	10%	194,932	11%	2,756	(1,844)
Investment, land sales and other revenues	**49,377**	3%	**48,346**	3%	62,614	3%	(1,031)	(14,268)
Revenue before Other	**1,615,244**		**1,632,879**		1,569,097		17,635	63,782
Government transfers – Capital	**235,128**	12%	**181,757**	9%	156,326	8%	(53,371)	25,431
Developer contributions-in-kind	**91,540**	5%	**82,654**	4%	95,163	5%	(8,886)	(12,509)
Other capital contributions	**5,500**	0%	**17,010**	1%	13,611	1%	11,510	3,399
	332,168		**281,421**		265,100		(50,747)	16,321
	$ 1,947,412		**$ 1,914,300**		$ 1,834,197		$ (33,112)	$ 80,103

Revenues were $80.1 million higher in 2018 due to several factors. One of the major reasons was increased taxation revenues over the prior year by $33.9 million. Included in taxation revenues are municipal realty taxes, which increased by $19.6 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 for each of the Local and Regional Street Renewal programs, and a .33% increase dedicated for future payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project. As well, tax revenue from supplementary tax bills issued during the year resulted in approximately $10 million more than budgeted.

Sales of services and regulatory fees are $46 million higher than 2017. This increase is due in part to higher sewer revenues attributable to both increased rates and consumption. Increased Transit revenues resulting from a 25 cent fare increase and a full year of impact fees also contributed to the increase.

Investment, land sales and other revenue decreased $14 million mainly due to fewer land sales in 2018.

Government transfers – capital have increased $25 million over 2017. This increase is the result of $45 million in additional transfers from the Government of Canada under its Public Transit Infrastructure Fund program and funding of the Waverley Underpass project. Transfers from the Province of Manitoba have decreased $20 million.

In the City's 2018 Capital Budget, Council approved $50 million of the Province's capital commitment to support roads projects. This approval was pursuant to the Province's five year roads commitment made to the City in 2014, with 2018 being the final year. The Province has allocated $10 million of its 2018 capital commitment to roads and has indicated it will not be funding the remaining $40 million. These consolidated financial statements do not include the $40 million in government transfers revenue.

Consolidated Expenses

For the years ended December 31 (in thousands of dollars)	**Budget 2018**		**Actual 2018**		Actual 2017		Budget to Actual Variance	Actual to Actual Variance
Protection and community services	**$ 542,224**	32%	**$ 544,557**	33%	$ 549,180	35%	$ (2,333)	$ (4,623)
Utility operations	**456,060**	27%	**433,215**	27%	417,361	26%	22,845	15,854
Public works	**322,105**	19%	**315,897**	20%	298,507	19%	6,208	17,390
Property and development	**141,469**	9%	**131,918**	8%	134,852	9%	9,551	(2,934)
Finance and administration	**97,329**	6%	**92,009**	6%	84,515	5%	5,320	7,494
Civic corporations	**78,971**	5%	**74,004**	4%	71,604	4%	4,967	2,400
General government	**32,142**	2%	**27,430**	2%	27,316	2%	4,712	114
	$ 1,670,300		**$ 1,619,030**		$ 1,583,335		$ 51,270	$ 35,695

Consolidated expenses increased by $35.7 million or 2.3% from the previous year and were $51.3 million under budget, for the following reasons:

- Utility expenses increased $15.9 million over 2017 mostly because of higher salary and benefit costs, increased diesel fuel costs and increased expenses resulting from the new recycling collection contract and the extension of the recycling processing contract. In spite of higher salary and benefit costs compared to the prior year, salary and benefit costs were lower than budget due to challenges and delays in hiring, as well as savings in bus parts and delays in the implementation of the biosolids land application program.
- Public Works expenses have increased by $17.4 million over 2017. This is attributable to increased tangible capital asset amortization, snow clearing and garbage collection expenses.
- Property and development expenses are lower than budget primarily because of a decrease in land sales and costs related to Municipal Accommodations.

Consolidated Expenses by Object

For the years ended December 31 (in thousands of dollars)	**2018**		2017		Variance
Salaries and benefits	**$ 860,556**	53%	$ 845,087	53%	$ 15,469
Goods and services	**420,798**	26%	404,044	26%	16,754
Amortization	**257,362**	16%	245,941	16%	11,421
Interest	**51,962**	3%	52,834	3%	(872)
Other expenses	**28,352**	2%	35,429	2%	(7,077)
	$ 1,619,030		$ 1,583,335		$ 35,695

- Increases in salaries and benefits expenses resulted primarily from contractual pay increases to employees.
- Goods and services expenses increase resulted primarily from increased diesel fuel costs and increased contract expenses. Also contributing was increased snow clearing and election costs.
- Amortization expense has increased due to growing inventory of tangible capital assets.

RISKS AND RISK MITIGATION

Financial Sustainability

Over the past several years, the city has prepare a Community Trends and Performance Report as part of the budget process. Included in the report is a financial trends section setting out details concerning the City's structural deficit which has been described as financially unsustainable. The City has been contributing cash from its operating budget to the capital budget for many years, which at times has averaged over $60 million. This cash has been used to pay for capital projects which otherwise would require debt financing or further support from federal and provincial partners. However, the City reduced its contribution to the capital budget by $23.2 million ($78.8 million to $55.6 million) commencing in 2017, $57.0 million ($80.3 million to $23.3 million) in 2018 and $44.6 million ($65.9 million to $21.3 million) in 2019.

In 2020 onwards cash to capital planned contributions remain at values over $60 million even though the City's contribution levels have fallen to $21.3 million. In turn, the budget forecast reflects higher value cash to capital contributions leading to growing structural deficits of $105.2 million in 2020 and $131.9 million in 2021.

If the City is unable to contribute cash to capital in excess of $60 million in 2020 onwards, in order to maintain the capital program at its planned levels included in the budget forecast, it will need to consider increased debt, significant reductions in the capital program, reduced expenses or increased revenues.

In 2018, City Council approved the initiation of a process to implement a multi-year budget approach effective for the 2020 budget year, with a particular focus on addressing the structural deficit in tax-supported operations. Multi-year budgeting is considered a best practice by the GFOA and has been embraced by several Canadian municipalities. It is a practice applicable to both operating and capital budgets as well as tax-supported and utility rate-based operations. A multi-year operating budget is a document that authorizes a government’s planned expenditures and anticipated revenues for two or more consecutive budgetary years.

The advantages of multi-year budgeting include improved financial management, long-range strategic planning and reduced staff time associated with budget preparation. One disadvantage of this approach might be the perceived loss of budgetary control and oversight at Council. Dependent on timing, this practice may also commit a newly elected Council to priorities set by previous Councils. However in response, Council will still approve budgets annually and direct revisions as required.

In anticipation of and to prepare for the first balanced multi-year budget in 2020, City Council has directed the Chief Administrative Officer to report in 2019 on:

- a review of the City's core service delivery responsibilities under the City of Winnipeg Charter and any other relevant legislation
- an evaluation framework to review all current and any future City grants. This framework will include, but not necessarily be limited to, a review of each grants' alignment with the core service responsibilities of the City as well as an assessment of the outcomes that are or will be achieved from each of the grants
- recommendations on any changes to the City's current fees and charges based on an assessment of best practices in other jurisdictions and the cost of service delivery
- a prioritization list of unfunded major capital projects

Comprehensive Asset Management

The City faces a 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 City's Chief Administrative Officer ("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. 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. 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 provides 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. The fourth version is set to be released shortly.
- Templates: Templates such as a Business Case Template and Basis of Estimate Template were created to ensure consistency throughout the Public Service when working on investment planning or project management.
- Asset Management Plans:
  - Departmental Asset Management Plan: This plan contains critical asset information pertaining to inventory, replacement value, condition, age and performance. It outlines tactical and financial strategies for managing assets throughout their lifecycle.
  - City Asset Management Plan ("CAMP"): This plan 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: This report provides a high level summary of the CAMP and 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 ("SAMP"): This document will provide the City's commitment and approach to achieving Council's approved policy. The SAMP will summarize the City's strategy for asset management and will outline how organizational objectives will be converted into asset management objectives. 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.

Capital Project Management

One of the major functions of the City is the delivery on capital investments. This past year alone, the City invested $0.6 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.
- 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 Open Capital Projects Dashboard was awarded GFOA's Award for Excellence in Government Finance. This award recognizes this initiative as a contribution to the practice of government finance that exemplifies outstanding financial management.
- 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 more than 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. Therefore, 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, 2018; and the forecasted peak based on the City Council-approved borrowing and the 2019 Capital Budget and Five-Year Forecast.

Debt Metrics	Maximum	As at December 31, 2018	Forecasted Peak
Debt as a % of revenue			
City	**90.0%**	52.5%	77.6%
Tax-supported and other funds	**80.0%**	52.4%	65.2%
Utilities and other	**220.0%**	48.4%	155.4%
Debt-servicing as a % of revenue			
City	**11.0%**	4.9%	6.8%
Tax-supported and other funds	**10.0%**	5.0%	5.5%
Utilities and other	**20.0%**	4.5%	11.9%
Debt per capita			
City	**$ 2,800**	$ 1,398	$ 2,319
Tax-supported and other funds	**$ 1,500**	$ 878	$ 1,137
Utilities and other	**$ 1,500**	$ 408	$ 1,385

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, 2018 is $34.0 million (2017 – $38.7 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 $36.7 million (2017 – $46.9 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 2018 was 23.2% 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, 2018, the market value of this pension fund's assets was $1,527.5 million (2017 – $1,537.6 million), which is $10.6 million more (2017 – $98.9 million more) than the accrued pension obligation.

Based on a valuation of the Plan as at December 31, 2017, the cost of benefits accruing under this Plan in 2018 represent 27.8% 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, 1.49% of earnings was not required to be contributed. Therefore, the City contributed the balance of the cost – that is, 18.31% 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, 2020. 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, 2017, the plan had a solvency excess under this wind-up scenario. As a result the City was not required to obtain a letter of credit.

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 GLIP 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 GLIP. The purpose of the by-law was to transfer the GLIP's 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 establishing the CPEGLIPCo as a municipal corporation. The benefits offered by the GLIP have not changed. This new structure intends to maintain the tax-exempt status of the GLIP.

Full valuations of the GLIP 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 GLIP's surplus policies and approved reductions in the employer and member contribution rates effective January 2018. The next full valuation of the GLIP is 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 2018 capital budgets for the utilities and their 2019 to 2023 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 and biosolids management, estimated (class 3) to cost approximately $1.8 billion. Combined sewer overflow mitigation is estimated (class 5) at approximately $1.3 billion. These estimates are based on preliminary assessments, and are dependent 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, 2018, the City recorded a $13.7 million (2017 – $12.7 million) liability related to contaminated sites.

Labour Negotiations

For the year ended December 31, 2018, 53% (2017 – 53%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,490 (2017 – 10,444). The majority of employees are represented by the eight unions and associations as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,422	January 12, 2019
CUPE	4,613	February 28, 2021
MGEU	352	February 28, 2021
UFFW	966	December 31, 2020
WAPSO	811	December 31, 2019
WFPSOA	48	August 31, 2021
WPA	1,960	December 31, 2021
WPSOA	35	December 31, 2021
Other (non-union/association)	283	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 City Auditor is a statutory officer appointed by City Council under The City of Winnipeg Charter. The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City's Public Service. 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. The Audit Department's primary client is City Council, through the Audit Committee.

The purpose of the Audit Department is to provide independent and objective information, advices and assurance with respect to the performance of civic services in support of open, transparent and accountable governments. The value to Council is the ability to use credible information to support their decision-making efforts. Stakeholders are the Public Service and residents. 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.

External Auditor

The City of Winnipeg Charter requires that an audit of the annual Consolidated Financial Statements of the City is preformed. These Consolidated Financial Statements have been audited by KPMG LLP, as the City's appointed external auditors. KPMG LLP's role is to express an independent opinion on the fair presentation of the City's financial position and operating results, and to confirm that the statements are free from material misstatement.

Budget Process

Executive Policy Committee ("EPC"), the executive committee of City Council, develops the budget. The budget is then 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 2019 operating budget contains three years of budget information, including the current-year adopted budget and two projection years. The 2019 budget document includes a 2018 consolidated budget that is prepared on the same basis as the consolidated financial statements.

LOOKING FORWARD

2019 Operating and Capital Budgets

On March 20, 2019, City Council adopted both budgets for The City of Winnipeg – the 2019 operating and capital budgets. In addition, the 2020-2024 capital forecast was approved in principle and the 2020 and 2021 operating projections were received as the preliminary financial plan for those years.

The 2019 capital budget and the 2020 to 2024 five-year forecast include $2.3 billion in City capital projects with $0.4 billion authorized in 2019. Some of the projects included in the 2019 capital budget are $86.4 million for regional and local street renewal and $39.8 million for Transit capital investment, including $22.2 million for new transit buses.

The six-year capital investment plan includes $801.8 million for regional and local renewal road work; $232.6 million for the transit system; $73.1 million for public safety; $112.8 million for community services, including libraries and recreation facilities; $411.2 million for sewage disposal system, including $169.2 million to reduce the incidence of combined sewer overflow; and $56.7 million in innovation, transformation and technology projects. 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 2019 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 2019 budget plan decreases business tax rates from 5.14% to 4.97% and provides for the expansion of the small business tax credit program. The program provides a full municipal business tax rebate to businesses with a rental value of $33,900 or less (2018 – $33,300 or less), impacting 48% 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 was awarded the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2018. The City will be submitting it's 2019 budget to GFOA to determine its eligibility for another award.

General Revenue Fund – Adopted Budget

For the years ended December 31 (in thousands of dollars)	2019	2018	2017	2016	2015
Revenues					
Property tax	$ 617,869	$ 591,149	$ 573,968	$ 554,620	$ 534,000
Property tax credits	(10,132)	(5,565)	(4,652)	(5,275)	(4,832)
Government transfers	143,834	133,530	127,789	123,619	118,290
Street renewal frontage levy	63,245	63,017	62,837	62,374	49,129
Sale of goods and services	53,935	54,477	62,796	63,170	59,008
Business tax	63,333	63,342	63,337	63,373	63,942
Business tax credits	(6,416)	(6,426)	(5,853)	(6,106)	(5,576)
Transfer from other funds	30,932	23,969	41,512	55,203	45,779
Regulation fees	58,754	58,072	59,210	50,758	45,329
Utility dividend	34,212	38,215	35,595	31,969	30,732
Other taxation	25,978	25,602	25,342	24,955	24,290
Interest	22,236	20,202	18,102	17,102	13,387
Other	27,172	22,504	19,526	19,368	20,619
	1,124,952	1,082,088	1,079,509	1,055,130	994,097
Expenses					
Police service	301,417	291,449	288,000	280,670	263,978
Public works	244,802	241,375	229,991	215,521	204,447
Fire paramedic service	201,517	193,457	199,219	190,274	178,321
Community services	114,068	109,946	114,892	111,408	118,569
Corporate	79,378	73,751	59,197	72,356	46,866
Planning, property and development	44,113	40,430	45,598	45,528	48,513
Corporate support services	–	34,811	35,996	37,254	34,092
Innovation, transformation and technology	25,113	–	–	–	–
Water and waste	23,226	22,335	32,293	30,399	30,923
Assessment and taxation	23,554	22,433	20,856	19,986	20,520
City clerk's	13,575	13,161	14,947	14,550	12,948
Street lighting	13,116	13,306	13,399	12,963	12,522
Customer service and communications	8,538	–	–	–	–
Corporate finance	8,342	9,112	9,073	9,015	9,130
Human resource services	6,055	–	–	–	–
Other departments	18,138	16,522	16,048	15,206	13,268
	1,124,952	1,082,088	1,079,509	1,055,130	994,097
	$ –	$ –	$ –	$ –	$ –

Prior year expense figures have not been reclassified to conform with the 2019 figures.

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 and Section 3041 Portfolio Investments.
- 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.
- In November 2018, PSAB issued section PS 3400 Revenues. This standard addresses revenue recognition principles that apply to revenues common in the public sector other than government transfers and tax revenue. The new standard is effective for fiscal years beginning on or after April 1, 2022.

This past year, the City adopted PS 2200 Related Party Disclosures and PS 3420 Inter-entity Transactions.

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 7, 2019

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 7, 2019. 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 pages. 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 7, 2019



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of The City of Winnipeg (the Entity), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial liabilities for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net financial liabilities and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Financial Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Financial Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants
May 7, 2019
Winnipeg, Canada

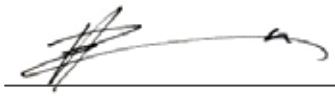
KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. KPMG Canada provides services to KPMG LLP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (in thousands of dollars)	**2018**	2017
Financial Assets		
Cash and cash equivalents (Note 3)	**$ 433,985**	$ 456,078
Accounts receivable (Note 4)	**318,224**	320,008
Land held for resale	**4,408**	1,156
Investments (Note 5)	**308,067**	305,940
Investment in government businesses (Note 6)	**25,383**	30,213
	1,090,067	1,113,395
Liabilities		
Accounts payable and accrued liabilities (Note 7)	**271,785**	261,545
Deferred revenue (Note 8)	**55,547**	48,441
Debt (Note 9)	**1,083,658**	1,073,639
Other liabilities (Note 10)	**129,699**	138,931
Accrued employee benefits and other (Note 11)	**228,293**	221,625
	1,768,982	1,744,181
Net Financial Liabilities	**(678,915)**	(630,786)
Non-Financial Assets		
Tangible capital assets (Note 13)	**6,983,343**	6,638,195
Inventories	**19,623**	21,068
Prepaid expenses and deferred charges	**6,668**	6,972
	7,009,634	6,666,235
Accumulated Surplus (Note 14)	**$ 6,330,719**	$ 6,035,449
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 2018** (Note 21)	**Actual 2018**	Actual 2017
Revenues			
Taxation (Note 16)	**$ 733,693**	**$ 746,089**	$ 712,209
Sales of services and regulatory fees (Note 17)	**641,842**	**645,356**	599,342
Government transfers (Note 18)	**190,332**	**193,088**	194,932
Investment income	**29,213**	**35,425**	30,486
Land sales and other revenue (Note 19)	**20,164**	**12,921**	32,128
Total Revenues	**1,615,244**	**1,632,879**	1,569,097
Expenses			
Protection and community services	**542,224**	**544,557**	549,180
Utility operations	**456,060**	**433,215**	417,361
Public works	**322,105**	**315,897**	298,507
Property and development	**141,469**	**131,918**	134,852
Finance and administration	**97,329**	**92,009**	84,515
Civic corporations	**78,971**	**74,004**	71,604
General government	**32,142**	**27,430**	27,316
Total Expenses (Note 20)	**1,670,300**	**1,619,030**	1,583,335
Annual Surplus (Deficit) Before Other	**(55,056)**	**13,849**	(14,238)
Other			
Government transfers related to capital (Note 18)	**235,128**	**181,757**	156,326
Developer contributions-in-kind related to capital (Note 13)	**91,540**	**82,654**	95,163
Other capital contributions	**5,500**	**17,010**	13,611
	332,168	**281,421**	265,100
Annual Surplus	**$ 277,112**	**295,270**	250,862
Accumulated Surplus, Beginning of Year		**6,035,449**	5,784,587
Accumulated Surplus, End of Year		**$ 6,330,719**	$ 6,035,449

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)	**2018**	2017
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating		
Annual surplus	**$ 295,270**	$ 250,862
Add (deduct) items not impacting cash and cash equivalents		
Amortization of tangible capital assets	**257,362**	245,941
Developer contributions-in-kind related to capital (Note 13)	**(82,654)**	(95,163)
Change in other liabilities and employee benefits	**(2,564)**	15,252
Loss (gain) on sale of tangible capital assets	**3,224**	(405)
Other	**4,830**	(63)
	475,468	416,424
Net change in non-cash working capital balances related to operations	**19,937**	9,754
Cash provided by operating activities	**495,405**	426,178
Capital		
Acquisition of tangible capital assets	**(533,505)**	(377,099)
Proceeds on disposal of tangible capital assets	**8,115**	3,091
Cash used in capital activities	**(525,390)**	(374,008)
Financing		
Service concession arrangements financed (retired)	**33,406**	(1,936)
Increase in sinking fund investments	**(14,597)**	(1,791)
Debenture and serial debt retired	**(4,848)**	(34,848)
(Decrease) increase in bank loans and other debt	**(2,071)**	34,127
Other	**(1,871)**	(1,757)
Cash provided (used in) by financing activities	**10,019**	(6,205)
Investing		
(Increase) decrease in investments	**(2,127)**	16,250
Cash (used in) provided by investing activities	**(2,127)**	16,250
(Decrease) Increase in cash and cash equivalents	**(22,093)**	62,215
Cash and Cash Equivalents, Beginning of Year	**456,078**	393,863
Cash and Cash Equivalents, End of Year	**$ 433,985**	$ 456,078

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 2018** (Note 21)	**Actual 2018**	Actual 2017
Annual Surplus	**$ 277,112**	**$ 295,270**	$ 250,862
Amortization of tangible capital assets	**256,958**	**257,362**	245,941
Proceeds on disposal of tangible capital assets	**5,065**	**8,115**	3,091
Loss (gain) on disposal of tangible capital assets	**548**	**3,224**	(405)
Change in inventories, prepaid expenses and deferred charges	**(1,117)**	**4,059**	2,455
Tangible capital assets received as contributions (Note 13)	**(91,540)**	**(82,654)**	(95,163)
Acquisition of tangible capital assets	**(572,529)**	**(533,505)**	(377,099)
(Increase) Decrease in Net Financial Liabilities	**(125,503)**	**(48,129)**	29,682
Net Financial Liabilities, Beginning of Year	**(630,786)**	**(630,786)**	(660,468)
Net Financial Liabilities, End of Year	**$ (756,289)**	**$ (678,915)**	$ (630,786)

See accompanying notes and schedules to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(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 government 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. 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.

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.

2. Significant Accounting Policies (continued)

c) Cash equivalents

Cash equivalents consist of crown corporation bonds; guaranteed investment certificates; municipal bonds; schedule 1 bank bonds; 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.

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.

2. Significant Accounting Policies (continued)

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	3 to 40 years
Land improvements	5 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.

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.

2. Significant Accounting Policies (continued)

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 2o).

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) Loan guarantees

Periodically the City provides loan guarantees on specific debt issued by other entities not consolidated in these financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements until the City considers it likely that the borrower will default on the specified loan obligation. Should a default occur, the City's resulting liability would be recorded in the consolidated financial statements.

o) 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.

p) Budget

The 2018 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.

q) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. The new standards apply to the City for the fiscal year beginning January 1, 2018. As a result of this adoption, no material impact on the consolidated financial statements occurred.

3. Cash and Cash Equivalents

		2018		2017
Cash	$	**42,086**	$	32,596
Cash equivalents		**391,899**		423,482
	$	**433,985**	$	456,078

The average effective interest rate for cash equivalents at December 31, 2018 is 2.13% (2017 – 1.31%).

Cash and cash equivalents exclude $122.8 million (2017 – $226.6 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 $34.8 million (2017 – $30.5 million).

4. Accounts Receivable

		2018		2017
Property, payments-in-lieu and business taxes receivable	$	**56,704**	$	52,599
Allowance for property, payments-in-lieu and business taxes receivable		**(813)**		(756)
		55,891		51,843
Trade accounts and other receivables		**163,224**		165,455
Government of Canada		**60,784**		24,572
Province of Manitoba		**57,629**		101,111
Allowance for doubtful accounts		**(19,304)**		(22,973)
		262,333		268,165
	$	**318,224**	$	320,008

5. Investments

		2018		2017
Marketable securities				
Municipal bonds	$	**72,577**	$	56,884
Provincial bonds and bond coupons		**8,416**		16,483
Bank and trust companies		**2,003**		5,011
		82,996		78,378
Manitoba Hydro long-term receivable		**220,238**		220,238
Other		**4,833**		7,324
	$	**308,067**	$	305,940

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2018 is $85.5 million (2017 – $83.7 million) and their maturity dates range from 2019 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 year ten and continuing thereafter 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.

b) 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.

c) 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.

d) Winnipeg Housing Rehabilitation Corporation

During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation (the "WHRC"). It was determined that the City no longer controls WHRC. As a result of this assessment, the City removed the investment and incurred a loss on disposal of $6.6 million.

Summary of investment in government businesses

		2018		2017
North Portage Development Corporation (1/3 share)	**$**	**19,206**	$	18,975
Park City Commons (1/2 share)		**5,921**		3,375
River Park South Developments Inc. (1/2 share)		**256**		1,231
Winnipeg Housing Rehabilitation Corporation		**–**		6,632
	$	**25,383**	$	30,213

Summary of results of operations

		2018		2017
North Portage Development Corporation (1/3 share)	**$**	**231**	$	124
River Park South Developments Inc. (1/2 share)		**26**		1,431
Winnipeg Housing Rehabilitation Corporation		**–**		258
	$	**257**	$	1,813

The results of operations and the removal of the WHRC investment are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue (Note 19).

The condensed supplementary financial information of the government business entities are disclosed in schedule 1.

7. Accounts Payable and Accrued Liabilities

		2018		2017
Accrued liabilities	$	**146,403**	$	142,000
Trade accounts payable		**119,116**		113,203
Accrued interest payable		**6,266**		6,342
	$	**271,785**	$	261,545

8. Deferred Revenue

		2018		2017
Federal gas tax transfer				
Opening balance	$	**20,539**	$	17,043
Revenue earned		**(32,625)**		(38,959)
Inflows		**43,944**		42,455
Closing balance		**31,858**		20,539
Province of Manitoba				
Opening balance	$	**9,670**	$	9,594
Revenue earned		**(9,670)**		(66)
Inflows		**–**		142
Closing balance		**–**		9,670
Prepayment for services		**23,689**		18,232
	$	**55,547**	$	48,441

9. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2018	2017
2006–2036	Jul. 17	5.200	VZ	183/04 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	767,568
Equity in The Sinking Funds (Notes 9a and b)					**(82,065)**	(67,468)
Net sinking fund debentures outstanding					**685,503**	700,100
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% (2017 – 4.50%)					**4,848**	9,696
Bank loans, Province and other with varying maturities up to 2046 and a weighted average interest rate of 2.94% (2017 – 2.90%)					**157,003**	159,075
Obligations for leased tangible capital assets (Note 9c)					**22,519**	23,398
Service concession arrangement obligations (Notes 9d and 15d)					**183,839**	150,432
					1,053,712	1,042,701
Unamortized premium on debt (Note 9e)					**29,946**	30,938
					$ 1,083,658	$ 1,073,639

9. Debt (continued)

Debt segregated by fund/organization:

	2018	2017
General Capital Fund	**$ 684,477**	$ 705,348
Waterworks System	**121,280**	125,847
Transit System	**138,839**	105,222
Consolidated entities	**37,545**	38,549
Fleet Special Operating Agency	**37,237**	30,817
Solid Waste Disposal	**26,860**	29,162
Sewage Disposal	**23,381**	23,875
Land Drainage	**2,982**	3,507
Other	**11,057**	11,312
	$ 1,083,658	$ 1,073,639

Debt to be retired over the next five years:

	2019	2020	2021	2022	2023	2024+
Sinking fund debentures	**$ –**	$ –	$ –	$ –	$ –	$ 767,568
Other debt	**34,458**	37,342	18,681	17,075	16,095	244,558
	$ 34,458	$ 37,342	$ 18,681	$ 17,075	$ 16,095	$ 1,012,126

a) As at December 31, 2018, sinking fund assets have a market value of $116.4 million (2017 – $108.5 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 $39.1 million (2017 – $26.0 million) and a market value of $40.5 million (2017 – $28.8 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:

2019	**$ 2,563**
2020	**2,680**
2021	**2,794**
2022	**2,930**
2023	**3,141**
Thereafter	**20,917**
Total future minimum lease payments	**35,025**
Amount representing interest at a weighted average rate of 8.18%	**(12,506)**
Capital lease obligations	**$ 22,519**

9. Debt (continued)

d) Service concession arrangement obligations are as follows:

		2018		2017
DBF2 Limited Partnership – Chief Peguis Trail Extension	**$**	**46,202**	$	46,881
Plenary Roads Winnipeg GP – Disraeli Bridges		**102,137**		103,551
Plenary Roads Winnipeg Transitway LP		**35,500**		–
	$	**183,839**	$	150,432

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, 2018, $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, 2018, $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.

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass

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 Infrastructure Canada, sinking fund debentures of $40.0 million, and other cash consideration of $9.8 million.

As at December 31, 2018, $35.5 million was capitalized for assets completed and in use (Note 13). 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 totalling $8.4 million annually over the 30-year contract.

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

e) Included in the Consolidated Statement of Financial Position are investments of $33.3 million (2017 – $33.3 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 2018 is $52.0 million (2017 – $52.8 million) and cash paid for interest during the year is $52.0 million (2017 – $53.3 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 Trustees 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, 2018 is $60.0 million (2017 – $60.0 million).

10. Other Liabilities

		2018		2017
Expropriation	**$**	**54,560**	$	59,419
Landfill		**50,178**		48,717
Contaminated sites		**13,678**		12,656
Veolia agreement (Note 15e)		**1,498**		9,383
Developer deposits and other		**9,785**		8,756
	$	**129,699**	$	138,931

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% (2017 – 4.5%). Amounts to be accrued in future years as the landfill's capacity is consumed are estimated at $9.9 million.

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% (2017 – 91%) of its total capacity and its remaining life is approximately 108 years (2017 – 108 years) after which perpetual post-closure maintenance is required.

The Landfill Rehabilitation Reserve was established for the purpose of providing funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for active and closed landfills maintained under the responsibility of the City. It is financed through a monthly transfer from the Solid Waste Disposal Fund based on tonnages processed at the landfill. As at December 31, 2018, the reserve had a balance of $7.8 million (2017 – $7.4 million) (Schedule 3).

10. Other Liabilities (continued)

As of December 31, 2018, the liability for contaminated sites includes sites associated with former City operations, sites acquired through tax forfeiture, and historical acquisition of properties. The nature of contamination includes chemicals, heavy metals, salt, and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, rail lines, fuel handling, vehicle storage and maintenance, snow storage and stockyards.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites.

11. Accrued Employee Benefits and Other

		2018		2017
Retirement allowance – accrued obligation	$	**83,502**	$	86,138
Unamortized net actuarial gain		**5,785**		2,527
Retirement allowance – accrued liability		**89,287**		88,665
Vacation		**60,418**		58,304
Workers' compensation		**46,924**		48,109
Compensated absences		**23,851**		20,197
Other		**7,813**		6,350
	$	**228,293**	$	221,625

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 (2017 – 15.7 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.

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, 2018 using year-end assumptions.

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

		2018		2017
Retirement allowance – accrued liability				
Balance, beginning of year	$	**88,665**	$	90,056
Current service cost		**4,964**		5,359
Interest cost		**2,608**		2,848
Amortization of net actuarial loss		**95**		543
Plan amendments		**–**		(94)
Benefit payments		**(7,045)**		(10,047)
Balance, end of year	$	**89,287**	$	88,665

Retirement allowance expense consists of the following:

		2018		2017
Current service cost	$	**4,964**	$	5,359
Interest cost		**2,608**		2,848
Amortization of net actuarial loss		**95**		543
Plan amendments		**–**		(94)
	$	**7,667**	$	8,656

11. Accrued Employee Benefits and Other (continued)

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

	2018	2017
Discount rate on liability	**3.25%**	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 2018, and for future years, consistent with 2017. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Benefits Program was prepared as at December 31, 2017, which indicated an excess of actuarial value of program assets over actuarial liabilities of $275.4 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, 2018 was $8.4 million (2017 – $3.8 million).

Total contributions by the City to the Benefits Program in 2018 were $40.2 million (2017 – $37.1 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 the rate of 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, 2017. 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 46.7% to 52.8% of the inflation rate.

12. Pension Costs and Obligations (continued)

An actuarial valuation of the Plan as of December 31, 2020 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, 2017, the actuarial valuation showed that the Plan has a solvency excess at December 31, 2017 under this wind-up scenario.

The results of the December 31, 2017 actuarial valuation of the Plan were extrapolated to December 31, 2018. 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 (2017 – 5.25%); inflation rate of 2.00% per year (2017 – 2.00%); and general pay increases of 3.25% per year (2017 – 3.25%). The accrued pension obligation was valued using the projected benefit method pro-rated on services.

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

		2018		2017
Plan assets:				
Fair value, beginning of year	**$**	**1,537,642**	$	1,403,598
Employer contributions		**29,364**		28,288
Employee contributions and transfers		**13,293**		13,524
Benefits and expenses paid		**(54,807)**		(51,173)
Net investment income		**1,997**		143,405
Fair value, end of year		**1,527,489**		1,537,642
Actuarial adjustment		**(10,577)**		(98,854)
Actuarial value, end of year	**$**	**1,516,912**	$	1,438,788
Accrued pension obligation:				
Beginning of year	**$**	**1,413,621**	$	1,299,066
Interest on accrued pension obligation		**73,958**		71,229
Current period benefit cost		**45,002**		43,188
Actuarial loss		**(13,373)**		51,311
Benefits and expenses paid		**(54,807)**		(51,173)
End of year	**$**	**1,464,401**	$	1,413,621
Funded status	**$**	**52,511**	$	25,167
Less: city account		**(305)**		(274)
Less: contribution stabilization reserve		**(52,206)**		(24,893)
Actuarial surplus	**$**	**–**	$	–
Expenses related to pensions:				
Current period benefit cost	**$**	**45,002**	$	43,188
Amortization of actuarial gains		**(1,086)**		(301)
Less: employee contributions and transfers		**(13,293)**		(13,524)
Pension benefit expense		**30,623**		29,363
Interest on accrued benefit obligation		**73,958**		71,229
Expected return on plan assets		**(75,217)**		(72,304)
Pension interest income		**(1,259)**		(1,075)
Total expenses related to pensions	**$**	**29,364**	$	28,288

12. Pension Costs and Obligations (continued)

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 2018 were $29.4 million (2017 – $28.3 million). Total employee contributions to the Plan in 2018 were $13.0 million (2017 – $12.8 million). Benefits paid from the Plan in 2018 were $53.8 million (2017 – $50.2 million).

The expected rate of return on Plan assets in 2018 was 5.25% (2017 – 5.50%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2018 was 0.13% (2017 – 10.25%).

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 a surplus. The above extrapolation anticipates that the funding surplus at December 31, 2018 will be resolved through an increase in the rate of cost-of-living adjustment and an allocation to the contribution stabilization reserve.

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 2018, the City paid out $0.3 million (2017 – $0.3 million). An actuarially determined pension obligation of $3.6 million (2017 – $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, 2018. The principal long-term assumptions on which the valuation was based were: discount rate of 4.50% per year (2017 – 4.50%); and general pay increases of 3.50% per year (2017 – 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:

		2018		2017
Group life insurance plan assets, at actuarial value	**$**	**163,639**	$	160,451
Accrued post-retirement life insurance obligations	**$**	**99,154**	$	95,648

13. Tangible Capital Assets

	Net Book Value	
	2018	2017
General		
Land	**$ 286,421**	$ 288,906
Buildings	**834,893**	840,360
Vehicles	**205,186**	180,429
Computer	**43,024**	41,892
Other	**273,028**	274,201
Infrastructure		
Plants and facilities	**600,931**	588,423
Roads	**1,525,212**	1,420,521
Underground and other networks	**2,224,599**	2,146,093
Bridges and other structures	**581,985**	580,104
	6,575,279	6,360,929
Assets under construction	**408,064**	277,266
	$ 6,983,343	$ 6,638,195

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

During the year, $1.3 million (2017 – $0.1 million) of tangible capital assets were written-down. Interest capitalized during 2018 was $4.8 million (2017 – $4.0 million). In addition, roads and underground networks contributed to the City totalled $82.7 million in 2018 (2017 – $95.2 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $304.0 million (2017 – $273.6 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:

	2018	2017
Invested in tangible capital assets	**$ 5,836,664**	$ 5,638,975
Reserves (Schedule 3)	**348,559**	297,785
Manitoba Hydro long-term receivable (Note 5)	**220,238**	220,238
Other surplus accumulated in utility operations, consolidated entities and other	**195,423**	139,230
Equity in government businesses (Note 6)	**25,383**	30,213
Unfunded expenses to be funded from future revenues:		
Accrued employee benefits and other	**(226,843)**	(223,849)
Landfill (Note 10)	**(50,178)**	(48,717)
Contaminated sites (Note 10)	**(13,678)**	(12,656)
Canadian Museum for Human Rights grant	**(4,849)**	(5,770)
	$ 6,330,719	$ 6,035,449

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, 2018 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:

2019	$	**8,236**
2020		**8,191**
2021		**7,878**
2022		**7,785**
2023		**6,628**
Thereafter		**58,685**
	$	**97,403**

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, 2018 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, 2018 is $34.0 million (2017 – $38.7 million). The City does not anticipate incurring future payment on these guarantees, and has no balance related to this contingent liability on its financial statements.

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 $36.7 million (2017 – $46.9 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) As disclosed in Note 9d, upon commissioning of the project the City will commence monthly performance-based maintenance payments to PRWT related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project. The monthly payment averaging $3.1 million annually is to be adjusted by CPI and is payable upon substantial completion of the project until the termination of the thirty year contract.

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.

15. Commitments and Contingencies (continued)

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. In 2018, Veolia withdrew $9.4 million from EARA and replaced this at risk amount with a standby letter of credit.

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, 2018, the forgivable loans totalled $2.7 million (2017 – $3.1 million).

16. Taxation

		2018		2017
Municipal and school property taxes	$	**1,237,214**	$	1,175,939
Payments-in-lieu of property (municipal and school) and business taxes		**51,163**		51,125
		1,288,377		1,227,064
Payments to Province and school divisions		**(699,765)**		(667,369)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes		**588,612**		559,695
Local improvement and frontage levies		**65,006**		63,120
Business taxes and license-in-lieu of business taxes		**57,634**		55,844
Electricity and natural gas sales taxes		**21,736**		20,383
Amusement and accommodation taxes and mobile home licences		**13,101**		13,167
	$	**746,089**	$	712,209

The property tax roll includes school taxes of $668.9 million (2017 – $636.9 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2018 totalled $30.9 million (2017 – $30.5 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 $5.7 million (2017 – $5.4 million).

17. Sales of Services and Regulatory Fees

		2018		2017
Water sales and sewage services	$	**325,016**	$	297,703
Other sales of goods and services		**136,218**		136,386
Regulatory fees		**97,860**		86,175
Transit fares		**86,262**		79,078
	$	**645,356**	$	599,342

18. Government Transfers

	2018	2017
Operating		
Province of Manitoba		
Municipal Operating Grant	**$ 139,679**	$ 139,586
Public Safety	**23,955**	23,955
	163,634	163,541
Less: Support for Provincial Programs	**(23,650)**	(23,650)
	139,984	139,891
Transfer for paramedic services	**33,301**	27,306
Other	**12,272**	13,663
	185,557	180,860
Government of Canada	**7,531**	14,072
Total Operating	**193,088**	194,932
Capital		
Province of Manitoba		
Public Transit Infrastructure Fund	**17,027**	1,142
Manitoba Winnipeg Infrastucture Agreement	**16,493**	38,393
Sewage	**10,968**	6,864
Manitoba Winnipeg Infrastucture Fund	**10,035**	5,873
Waverely underpass	**9,031**	6,236
Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass	**7,328**	2,677
Other roads	**1,238**	28,489
Other	**4,341**	6,765
	76,461	96,439
Government of Canada		
Federal gas tax (Note 8)	**32,625**	38,959
Waverely underpass	**15,197**	–
Assiniboine Park Conservancy	**12,100**	6,257
Public Transit Infrastructure Fund	**34,930**	2,302
Other	**10,444**	12,369
	105,296	59,887
Total Capital	**181,757**	156,326
	$ 374,845	$ 351,258

Not included in the Province of Manitoba capital transfer above is $40 million of the $50 million included in the 2018 capital budget.

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

		2018		2017
Land sales	$	**7,994**	$	15,550
Contributions in lieu of land dedication		**1,501**		5,055
(Loss) income from government businesses (Note 6)		**(6,375)**		1,813
Other		**9,801**		9,710
	$	**12,921**	$	32,128

20. Expenses by Object

		2018		2017
Salaries and benefits	$	**860,556**	$	845,087
Goods and services		**420,798**		404,044
Amortization of tangible capital assets		**257,362**		245,941
Interest		**51,962**		52,834
Other expenses		**28,352**		35,429
	$	**1,619,030**	$	1,583,335

21. Budget

On March 19, 2019 Council approved the 2019 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 2019 budget document is the 2018 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 2018 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.

23. Segmented Information (continued)

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 Garbage Collection

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 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 four distinct utilities – water, wastewater, land drainage 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 garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Garbage Collection segment.

Effective January 1, 2018, net assets of land drainage were transferred into the Water and Waste Funds Segment as a separate utility fund. Comparative figures have been reclassified to conform to the presentation made in the current year.

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

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		Park City Commons[1]		River Park South Developments Inc.		Winnipeg Housing Rehabilitation Corporation[2]		Total	
	March 31		December 31		December 31		March 31			
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
FINANCIAL POSITION										
Assets										
Current	**$ 5,892**	$ 7,969	**$ 7,134**	$ 2,387	**$ 2,957**	$ 6,510	**$ –**	$ 3,367	**$ 15,983**	$ 20,233
Capital	**74,787**	73,639	**–**	5,054	**–**	–	**–**	18,309	**74,787**	97,002
Other	**914**	715	**–**	–	**–**	–	**–**	4,916	**914**	5,631
	$ 81,593	$ 82,323	**$ 7,134**	$ 7,441	**$ 2,957**	$ 6,510	**$ –**	$ 26,592	**$ 91,684**	$ 122,866
Liabilities										
Current	**$ 3,651**	$ 3,663	**$ 1,237**	$ 691	**$ 2,444**	$ 4,049	**$ –**	$ 3,083	**$ 7,332**	$ 11,486
Long-term	**20,325**	21,734	**–**	–	**–**	–	**–**	16,877	**20,325**	38,611
	23,976	25,397	**1,237**	691	**2,444**	4,049	**–**	19,960	**27,657**	50,097
Net equity	**57,617**	56,926	**5,897**	6,750	**513**	2,461	**–**	6,632	**64,027**	72,769
	$ 81,593	$ 82,323	**$ 7,134**	$ 7,441	**$ 2,957**	$ 6,510	**$ –**	$ 26,592	**$ 91,684**	$ 122,866
City share (Note 6)	**$ 19,206**	$ 18,975	**$ 5,921**	$ 3,375	**$ 256**	$ 1,231	**$ –**	$ 6,632	**$ 25,383**	$ 30,213
RESULTS OF OPERATIONS										
Revenues	**$ 15,594**	$ 13,281	**$ –**	$ –	**$ 4**	$ 5,038	**$ –**	$ 8,466	**$ 15,598**	$ 26,785
Expenses	**14,903**	12,910	**–**	–	**(47)**	2,176	**–**	8,208	**14,856**	23,294
Net income	**$ 691**	$ 371	**$ –**	$ –	**$ 51**	$ 2,862	**$ –**	$ 258	**$ 742**	$ 3,491
City share (Note 6)	**$ 231**	$ 124	**$ –**	$ –	**$ 26**	$ 1,431	**$ –**	$ 258	**$ 257**	$ 1,813

[1] No income or expenses were incurred during the year.

[2] During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation. It was determined that the City no longer controls WHRC. As a result of this assessment, the City removed the investment and incurred a loss on disposal.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS Schedule 2

As at December 31 (in thousands of dollars)

	General					Infrastructure					Totals	
	Land[1]	Buildings[2]	Vehicles	Computer	Other	Plants and Facilities	Roads	Under-ground and Other Networks	Bridges and Other Structures	Assets Under Construc-tion	**2018**	2017
Cost												
Balance, beginning 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
Add: Additions during the year	5,439	31,705	53,248	11,956	32,951	29,659	175,983	125,724	16,386	130,798	**613,849**	475,911
Less: Disposals during the year	7,924	2,848	30,499	416	630	–	3,413	6,472	–	–	**52,202**	46,573
Balance, end of year	286,421	1,283,614	440,661	181,198	538,081	937,178	2,800,287	3,389,665	866,296	408,064	**11,131,465**	10,569,818
Accumulated amortization												
Balance, beginning 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
Add: Amortization	–	35,443	27,420	10,824	33,807	17,151	71,078	47,134	14,505	–	**257,362**	245,941
Less: Accumulated amortization on disposals	–	1,119	29,428	416	313	–	3,199	6,388	–	–	**40,863**	35,800
Balance, end of year	–	448,721	235,475	138,174	265,053	336,247	1,275,075	1,165,066	284,311	–	**4,148,122**	3,931,623
Net Book Value of Tangible Capital Assets	$ 286,421	$ 834,893	$ 205,186	$ 43,024	$ 273,028	$ 600,931	$ 1,525,212	$ 2,224,599	$ 581,985	$ 408,064	$ **6,983,343**	$ 6,638,195

[1] Included in land additions is $1.3 million of land transfers from land held for resale.
[1] Included in land disposals is $1.9 million of land transfers to land held for resale.

[2] Included in building disposals is $1.7 million of building transfers to land held for resale.

CONSOLIDATED SCHEDULE OF RESERVES Schedule 3

As at December 31 (in thousands of dollars)		**2018**		2017
RESERVES				
Capital Reserves				
Environmental Projects	**$**	**106,383**	$	93,934
Impact Fee		**16,702**		4,102
Transit Bus Replacement		**11,026**		11,281
SWRT Payment		**10,325**		5,016
Landfill Rehabilitation		**7,788**		–
Sewer System Rehabilitation		**6,496**		6,546
Waste Diversion		**5,188**		7,202
SWRT Corridor		**2,144**		4,220
Computer Replacement		**1,589**		967
Federal Gas Tax Revenue		**491**		235
Watermain Renewal		**258**		2,279
Regional Street Renewal		**118**		115
Local Streets Renewal		**98**		95
Brady Landfill Site Rehabilitation		**–**		7,421
		168,606		143,413
Special Purpose Reserves				
Perpetual Maintenance Fund – Brookside Cemetery		**17,210**		16,811
Destination Marketing		**14,834**		14,148
Land Dedication		**8,763**		10,310
Insurance (Note 21)		**4,758**		4,626
Commitment		**3,648**		4,329
Workers Compensation		**3,173**		4,886
Housing Rehabilitation Investment		**3,134**		7,170
Insect Control Urgent Expenditures		**3,000**		3,000
Land Operating*		**2,832**		(2,091)
Economic Development Investment		**2,482**		1,756
Multi-Family Dwelling Tax Investment		**1,469**		3,572
Permit		**1,376**		2,000
Perpetual Maintenance Fund – St.Vital Cemetery		**1,224**		1,182
Perpetual Maintenance Fund – Transcona Cemetery		**854**		824
General Purpose		**173**		150
Heritage Investment		**62**		1,935
		68,992		74,608
Stabilization Reserve				
Financial Stabilization		**110,961**		79,764
TOTAL RESERVES	**$**	**348,559**	$	297,785

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

		2018		2017
Reserve balance as disclosed above	**$**	**2,832**	$	(2,091)
Investments held in government business (Note 6)		**6,177**		4,606
	$	**9,009**	$	2,515

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE—SERVICE Schedule 4

For the year ended December 31, 2018 (in thousands of dollars)

	General Revenue Fund									
	Protection	Community Services	Planning	Public Works and Garbage Collection[1]	Finance and Administration	Transit System Fund	Water and Waste Funds[1]	Other Funds and Corporations[1]	Eliminations	Consolidated
Revenues										
Taxation	$ 319,421	$ 46,179	$ –	$ 210,923	$ 154,976	$ –	$ –	$ 26,000	$ (11,410)	$ 746,089
Sales of services and regulatory fees	53,279	14,994	30,493	9,816	22,927	89,490	369,702	119,631	(64,976)	645,356
Government transfers (Note 18)	89,865	9,219	–	20,141	15,687	102,490	27,138	153,715	(43,410)	374,845
Transfer from other funds	1,932	1,359	8,617	3,070	9,820	80,305	911,409	413,876	(1,430,388)	–
Other	26,743	6,200	2,248	15,407	19,830	948	66,142	60,862	(50,370)	148,010
	491,240	77,951	41,358	259,357	223,240	273,233	1,374,391	774,084	(1,600,554)	1,914,300
Expenses (Note 20)										
Salaries and benefits	412,176	41,636	26,624	75,534	52,646	114,408	72,525	60,348	4,659	860,556
Goods and services	48,586	9,126	3,711	103,882	26,019	53,372	130,155	110,104	(64,157)	420,798
Interest	7,139	2,483	16	4,229	840	4,946	10,280	42,037	(20,008)	51,962
Transfer to other funds	15,595	3,414	11,852	91,328	122,336	8,878	122,337	1,054,966	(1,430,706)	–
Other	7,744	21,292	(845)	(15,616)	21,399	24,313	61,857	229,499	(63,929)	285,714
	491,240	77,951	41,358	259,357	223,240	205,917	397,154	1,496,954	(1,574,141)	1,619,030
Annual Surplus	$ –	$ –	$ –	$ –	$ –	$ 67,316	$ 977,237	$ (722,870)	$ (26,413)	$ 295,270

[1] Effective January 1, 2018, net assets of land drainage of $829.7 million were transferred into the Water and Waste Funds Segment as a separate utility fund. Comparative figures have been reclassified to conform to the presentation made in the current year.

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 Garbage Collection[1]	Finance and Administration	Transit System Fund	Water and Waste Funds[1]	Other Funds and Corporations[1]	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	9,338	21,007	82,940	345,955	103,625	(64,066)	599,342
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	2,289	1,801	67,848	72,600	403,200	(564,985)	–
Other	23,225	5,637	2,392	14,212	16,141	835	43,403	101,640	(36,097)	171,388
	479,248	111,927	45,693	254,225	164,629	205,922	485,280	792,516	(705,243)	1,834,197
Expenses (Note 20)										
Salaries and benefits	404,575	40,566	25,254	75,666	48,125	110,442	71,470	59,993	8,996	845,087
Goods and services	41,634	8,829	3,663	109,352	15,434	51,520	123,837	110,500	(60,725)	404,044
Interest	6,722	2,076	22	4,716	77	4,973	10,612	43,024	(19,388)	52,834
Transfer to other funds	20,153	39,721	16,848	80,136	81,364	6,919	112,104	228,734	(585,979)	–
Other	6,164	20,735	(94)	(15,645)	19,629	21,040	60,576	215,730	(46,765)	281,370
	479,248	111,927	45,693	254,225	164,629	194,894	378,599	657,981	(703,861)	1,583,335
Annual Surplus	$ –	$ –	$ –	$ –	$ –	$ 11,028	$ 106,681	$ 134,535	$ (1,382)	$ 250,862

[1] Effective January 1, 2018, net assets of land drainage of $829.7 million were transferred into the Water and Waste Funds Segment as a separate utility fund. Comparative figures have been reclassified to conform to the presentation made in the current year.

CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW

December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)	**2018**	2017	2016	2015	2014
1. Population (as restated per Statistics Canada)	**753,700**	741,700	726,100	711,500	703,700
Unemployment rate (as restated per Statistics Canada)					
- Winnipeg	**6.3%**	5.8%	6.6%	6.0%	5.8%
- National average	**5.8%**	6.3%	7.0%	6.9%	6.9%
2. Average annual headcount	**10,490**	10,444	10,426	10,253	10,206
3. Number of taxable properties	**234,098**	231,360	228,941	226,736	223,411
Payments-in-lieu of taxes					
Number of properties	**1,410**	1,433	1,469	1,195	988
4. Assessment (see note)					
- Residential	**$ 69,872,623**	$ 67,339,104	$ 66,197,564	$ 60,492,101	$ 59,439,781
- Commercial and industrial	**19,288,744**	17,649,138	17,637,524	15,295,925	15,102,472
- Farm and golf	**436,161**	356,731	369,954	330,042	313,569
	$ 89,597,528	$ 85,344,973	$ 84,205,042	$ 76,118,068	$ 74,855,821
Assessment per capita (in dollars)	**$ 118,877**	$ 115,067	$ 115,302	$ 105,955	$ 105,542
Commercial and industrial as a percentage of assessment	**21.53%**	20.68%	20.95%	20.09%	20.18%
5. Tax arrears	**$ 56,704**	$ 52,599	$ 51,550	$ 58,121	$ 54,825
6. Tax arrears – per capita (in dollars)	**$ 75.23**	$ 70.92	$ 71.00	$ 80.90	$ 77.30
7. Municipal mill rate		13.063	12.766	13.682	13.372
- Adjustment for tax increase	**2.3%**	2.3%	2.3%	2.3%	3.0%
- Adjustment for general assessment	**-2.8%**	0.0%	-8.8%	0.0%	-11.0%
8. Tax Levies					
- Municipal property taxes	**$ 568,274**	$ 539,043	$ 516,034	$ 501,989	$ 488,343
- Payments-in-lieu of taxes	**20,338**	20,652	20,864	20,087	19,274
- Local improvement and frontage levies	**65,006**	63,120	63,129	50,149	43,180
- Business taxes and license-in-lieu of business taxes	**57,634**	55,844	57,254	55,766	58,818
- Electricity and other taxes	**34,837**	33,550	33,735	32,332	31,186
Total taxes levied for municipal purposes	**746,089**	712,209	691,016	660,323	640,801
Taxes levied on behalf of others					
Province and school divisions	**699,765**	667,369	645,823	606,821	579,245
Total taxes levied	**$ 1,445,854**	$ 1,379,578	$ 1,336,839	$ 1,267,144	$ 1,220,046
9. Winnipeg consumer price index (per Statistics Canada – annual average)					
- 2002 base year 100	**133.3**	130.2	128.1	126.6	124.9
- Percentage increase	**2.4%**	1.6%	1.2%	1.3%	1.9%
10. Consolidated revenues					
- Taxation	**$ 746,089**	$ 712,209	$ 691,016	$ 660,323	$ 640,801
- User charges	**645,356**	599,342	569,641	545,637	526,330
- Government transfers	**374,845**	351,258	333,793	372,987	378,847
- Interest and other revenue	**138,010**	171,388	140,396	176,338	170,558
	$ 1,904,300	$ 1,834,197	$ 1,734,846	$ 1,755,285	$ 1,716,536
11. Consolidated expenses by function					
- Municipal operations	**$ 1,111,811**	$ 1,122,153	$ 1,118,943	$ 1,053,957	$ 1,067,090
- Public utilities	**433,215**	417,361	383,922	370,219	378,584
- Civic corporations	**74,004**	71,604	69,847	61,810	58,185
	$ 1,619,030	$ 1,611,118	$ 1,572,712	$ 1,485,986	$ 1,503,859

CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW Cont.

December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)	**2018**	2017	2016	2015	2014
12. Growth in accumulated surplus	**$ 285,270**	$ 223,079	$ 162,134	$ 269,299	$ 212,677
13. Consolidated expenses by object					
Salaries and benefits	**$ 860,556**	$ 845,087	$ 836,857	$ 805,889	$ 779,586
Goods and services	**420,798**	404,044	414,575	387,853	428,012
Amortization	**257,362**	245,941	235,235	221,358	208,074
Interest	**51,962**	52,834	51,799	56,130	53,715
Other expenses	**28,352**	35,429	34,246	14,756	34,472
	$ 1,619,030	$ 1,583,335	$ 1,572,712	$ 1,485,986	$ 1,503,859
14. Payments to school authorities	**$ 699,765**	$ 667,369	$ 645,823	$ 606,821	$ 579,245
15. Debt					
Tax-supported	**$ 685,939**	$ 702,014	$ 725,602	$ 688,484	$ 687,586
Transit	**147,444**	112,019	93,594	93,669	97,125
City-owned utilities	**214,687**	214,010	216,250	185,789	198,737
Other	**87,706**	82,126	78,144	81,135	84,816
Total gross debt	**1,135,776**	1,110,169	1,113,590	1,049,077	1,068,264
Less: Sinking Funds	**82,065**	67,468	65,677	53,116	125,630
Total net long-term debt	**$ 1,053,711**	$ 1,042,701	$ 1,047,913	$ 995,961	$ 942,634
Percentage of total assessment	**1.18%**	1.22%	1.24%	1.31%	1.26%
Debt per capita	**$ 1,398**	$ 1,406	$ 1,443	$ 1,400	$ 1,340
16. Acquisition of tangible capital assets	**$ 613,849**	$ 475,911	$ 475,619	$ 558,409	$ 525,559
17. Net financial liabilities	**$ 678,915**	$ 630,786	$ 660,468	$ 584,798	$ 517,041
18. Accumulated surplus					
Invested in tangible capital assets	**$ 5,836,664**	$ 5,638,975	$ 5,396,951	$ 5,217,274	$ 4,890,347
Reserves					
Capital	**168,606**	143,413	145,970	135,829	127,051
Stabilization	**110,961**	79,764	67,410	75,632	81,784
Special Purpose	**68,992**	74,608	81,244	91,471	82,810
	348,559	297,785	294,624	302,932	291,645
Surpluses					
Manitoba Hydro long-term receivable	**220,238**	220,238	220,238	220,238	220,238
Other surpluses	**220,806**	169,443	153,880	140,001	185,214
Unfunded expenses	**(295,548)**	(290,992)	(281,106)	(257,992)	(227,104)
	145,496	98,689	93,012	102,247	178,348
	$ 6,330,719	$ 6,035,449	$ 5,784,587	$ 5,622,453	$ 5,360,340
19. Government-specific indicators					
Assets-to-liabilities	**4.58**	4.46	4.34	4.47	4.49
Financial assets-to-liabilities	**0.62**	0.64	0.62	0.64	0.66
Public debt charges-to-revenues	**0.03**	0.03	0.03	0.03	0.03
Own-source revenues-to-taxable assessment	**0.02**	0.02	0.02	0.02	0.02
Government transfers-to-revenues	**0.20**	0.19	0.19	0.21	0.22

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2014, 2016, and 2018. 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.



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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