Agenda - Council - July 21, 2004

Report - Alternate Service Delivery Committee - July 12, 2004

Item No. 1 Annual Selection Report 2004 - Animal Services Special Operating Agency
File GL-5.6.1

COMMITTEE RECOMMENDATION:

On July 14, 2004, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submits the following to Council:

1. That the proposed tax supported funding for the Special Operating Agency of $950,000.00 for 2004 and $900,000.00 for 2005 - 2008 be approved and adopted in principle, subject to confirmation in the annual budget process as outlined in the Financial Projection attached as Appendix B to the report from the Chief Operating Officer dated July 7, 2004.

2. That the Animal Services Operating Charter, adopted by Council on November 17, 1999, be amended as outlined on Attachment 1 to the report from the Chief Operating Officer dated July 7, 2004.

3. That effective January 1, 2004, the Idea Bank Loan approved by Council on November 17, 1999, be cancelled and an operating line of credit of up to $300,000.00 as required to support the Agency be approved, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's borrowing rate to meet ongoing cash flow requirements of the Special Operating Agency.

4. That the 2003 audited financial statements for the Animal Services Special Operating Agency be received as information.

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

Agenda - Council - July 21, 2004

Report - Alternate Service Delivery Committee - July 12, 2004

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 14, 2004, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

COMMITTEE RECOMMENDATION:

On July 12, 2004, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted its recommendation to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

RE: Annual Selection Report 2004: Animal Services Special Operating Agency

FOR SUBMISSION TO: **Alternate Service Delivery Committee**

ORIGINAL REPORT SIGNED BY: **Tim Dack, Chief Operating Officer**
Animal Services Agency

REPORT DATE: **July 7, 2004**

RECOMMENDATION(S):

1. It is recommended that Council approve the proposed tax supported funding for the SOA of $950,000 for 2004; and $900,000 for 2005 - 2008 be adopted in principle, subject to confirmation in the annual budget process (See Financial Projection, Appendix B).

2. It is recommended that the Animal Services Operating Charter, adopted by Council on November 17, 1999, be amended as tabled in Attachment 1.

3. It is recommended that effective January 1, 2004, the Idea Bank Loan approved by Council on November 17, 1999, be cancelled and an operating line of credit of up to $300,000 as required to support the Agency be approved. Funds will be accessed through the inter-company balance with the General Revenue Fund at the City's borrowing rate to meet ongoing cash flow requirements of the SOA.

4. It is recommended that Council receive the attached 2003 audited financial statements for Animal Services Special Operating Agency as information.

REPORT SUMMARY:

Key Issues:

- Ongoing tax-supported funding is consistent with the Agency's 2000-2004 business plan approved by Council on November 17, 1999.
- Amendments to the Operating Charter are consistent with the streamlining of reports proposed in the *ASD Policy and Process Review* adopted by Council on February 25, 2004.
- The cancellation of the Idea Bank Loan and the establishment of an operating line of credit of up to $300,000 reflect the changing financial requirements of the Agency.

Implications of the Recommendation(s):

General implications:
X None
For the organization overall &/or for other departments
For the community and/or organizations external to the City
Involves a multi-year contract
Comment(s):

Policy implications:
No
X Yes Comment(s): Amendments to the Operating Charter require Council approval.

Environmental implications:
X No
Yes Comment(s):

Human Resources implications:
X No
Yes Comment(s):

Financial implications:
X Within approved current and/or capital budget
Current and/or capital budget adjustment required
Comment(s):

REASON FOR THE REPORT:

The Animal Services Operating Charter stipulates that a Selection Report (summary of the annual business plan) will be provided to Council each year. Any revisions to the operating charter have to be tabled with the ASD Committee as part of the annual business plan approval process and approved by a 2/3 majority of Council.

HISTORY:

Animal Services was designated by Council as a Special Operating Agency (SOA) effective January 1, 2000.

DISCUSSION:

Animal Services continues to provide animal control measures under the City of Winnipeg Charter and related by-laws. This includes animal licensing and registration, neighbourhood dispute resolution, investigation and response to animal bites/attacks, stray dogs, illegal animals, injured animals, after-hours emergencies, and enforcement of related by-laws. This service also includes public education and the promotion of responsible pet ownership and care.

Animal Services continues to embrace and support the Community Services Department's vision, mission and values. The Agency also continues to work in partnership with the Veterinarian community and the Winnipeg Humane Society and other industry providers to ensure the human and animal populations of the City of Winnipeg can co-exist in harmony.

Strategic Direction:

Animal Services continues to build on the expectations of its stakeholders and remains committed to its goals and strategies, which are critical to improved customer service, core business operation and financial stability. These expectations relate to:

- shifting the cost base from the general taxpayer more towards the users of the system, with the objective of becoming financially self-sustainable to the greatest extent possible
- a strengthened commitment to public health and safety through increased public awareness and increased pet ownership education
- an improved public image, and
- improving and increasing the value of products and services.

Service / Business Goals / Strategies Summary:

The following table summarizes our Initiatives and key Strategies.

GOALS	INITIATIVES	STRATEGIES	TIME FRAME/ACTION BY **
To be financially self-sustainable to the greatest extent possible, (significantly less reliance on mill-rate support)	Increase license sales to meet annual targets	- Develop online licensing capabilities. - Continue with advertising/marketing campaigns. - Improve follow-up process for no-license complaints. - Implement Royal Mail Ad mail out of registration form to targeted neighbourhoods. - Explore feasibility of cat licensing.	Nov/04; COO, CSIT Ongoing; COO COO, FO/CC June/04; COO Sept/04; COO
	Maintain active license base	- Improve follow process for delinquent accounts.	Ongoing; COO, FO/CC
	Reduce service cost of licensing	- Develop on-line invoicing to dog owners. - Develop bar code scanning process for processing license renewals. - Develop and implement Internet and Telepay options for license renewals. - Explore feasibility of transferring licensing and registration process to external provider. - Explore other initiatives and/or partnerships to offset operating costs.	June/o4; COO, CSIT June/04; COO, CSIT May/04; COO, CSIT Nov/04; COO, CSIT, Royal Bank Ongoing; COO

GOALS	INITIATIVES	STRATEGIES	TIME FRAME/ACTION BY **
	Increase adoptions.	- Increase advertising. - Develop online site in Agency web site for viewing dogs available for adoption. - Offer discount coupon on Agency coupon sheet. - Continue adoption advertising to capital region. (Advertise dog adoptions in neighbouring municipalities and towns).	Ongoing; COO Aug/04; COO, CSIT, A/CEC Jan/04; COO Ongoing; COO
Improve Customer Service	Increase value to pet owners and to citizens at large.	- Enhance web site; Agency is pursuing external support to finish web page. - Continue with value added coupons for licensed dogs. - Develop visitor tag program (Advertise with Tourism Manitoba/Winnipeg). - Develop partnerships and corporate sponsorships to offset costs of promoting the agency and its' services.	Aug/04; COO, CSIT, External Ongoing; SOA June/04; COO Ongoing; COO
	Enhance I.T. systems to meet the challenges facing the Agency.	- Develop on-line invoicing to dog owners. - Develop on-line licensing process for new sales and renewals through the Agency web site (e-commerce). - Develop bar code scanning process for processing license renewals. -Develop I.T processes to support Internet banking payments. - Evaluate general Agency technological needs and upgrade as necessary. - Enhance after-hour messaging capabilities.	Sept/04; COO, CSIT Sept/04; COO, CSIT, CIT Sept/04; COO, CSIT Sept/04; COO, CSIT, Royal Bank Ongoing; COO, CSIT May/04; COO, CSIT, CCB
Improve Health and Safety of neighbourhoods	Develop a feasible and sustainable plan of action to apply to the emerging issue of cat over population and control.	- Develop and conduct a survey of municipal animal control agencies and Humane Societies across Canada. - Investigate feasibility of cat licensing in Winnipeg. - Consult with Humane Society, veterinarian community and other rescue organizations to develop joint strategies. - Amend Animal Control By-law to provide for mandatory rabies vaccination for cats.	March/04; COO Sept/04; COO, WHS Sept/04; COO, WHS, Vets, External Agencies June/04; COO
Improve public image	Marketing/Advertising	See Appendix E	
All	General	- Enhance prevention and education programs. - Develop partnerships with external providers to establish alternative services, such as dog training, pet grooming, etc. - Improve complaint response systems. - Design and implement a voluntary puppy registration program.	Ongoing; SOA, A/CEC Ongoing; COO Ongoing; SOA Sept/04; COO

GOALS	INITIATIVES	STRATEGIES	TIME FRAME/ACTION BY **
		- Review and amend by-law as necessary.	June-July/04; COO, FO/CC, Legal Services

** COO Chief Operating Officer
FO/CC Field Operations/Court Coordinator
A/CEC Adoption/Community Education Coordinator
CSIT Community Services I.T. Division
CIT Corporate I.T. Department
CCB Corporate Communications Branch
WHS Winnipeg Humane Society

Financial (see Appendix B; 2004 – 2008 Financial Projections)

Pro forma financial statements are attached which include a projected statement of financial position, projected statement of loss and deficit and a projected statement of cash flow (see Appendix B).

Tax supported funding for the Agency will continue to be reflected as a separate line item (Cost Center) in the Community Services Department budget.

Operating Charter Amendments

The amendments to the Animal Services Operating Charter are as follows:

OPERATING CHARTER	CURRENT	RECOMMENDED
Section 3: Accountability Framework *Council Responsibility*	Council receives quarterly and annual reports as information to assess Agency performance and policy outcomes.	Recommended language: *Council receives annual reports as information to assess Agency performance and policy outcomes.*
Agency Head Responsibility	The Advisory Board is provided with business plans, quarterly reports, annual reports, charter revisions, and other proposals and information required from time to time for effective management and accountability.	Recommended language: *The Advisory Board is provided with business plans, annual reports, charter revisions, and other proposals and information required from time to time for effective management and accountability.*
Advisory Board	The Advisory Board reviews and comments on the Agency's proposed business plans, quarterly and annual reports, and charter revisions.	Recommended language: *The Advisory Board reviews and comments on the Agency's proposed business plans, annual reports, and charter revisions.*
Section 4: Planning and Reporting Framework *Quarterly Reports*	Interim reports on the Agency's financial position and progress against objectives and performance targets will be prepared each quarter.	Delete sub-section that refers to *Quarterly Reports.*

OPERATING CHARTER	CURRENT	RECOMMENDED
	Quarterly reports will be forwarded in summary form to Council as information.	

Reason for Amendments
Currently, the SOAs produce annual business plans, quarterly reports and annual reports for Council. In order to ease the amount of reporting, it is recommended that there is no formal quarterly reporting requirement to Council. SOAs will still be held accountable through their annual business plan selection reports and their annual reports (including audited financial statements) that are submitted to Council. This amendment to the Operating Charter is consistent with the streamlining of reports proposed in the *ASD Policy and Process Review* report adopted by Council on February 25, 2004.

Financial Requirement Amendments
On November 17, 1999, Council approved an Idea Bank loan of up to $500,000, as outlined in the Agency's first selection report. The recommendation is that as of January 1, 2004, the Idea Bank Loan is cancelled and an operating line of credit of up to $300,000 to support the Agency is approved. Funds will be accessed through the inter-company balance with the General Revenue Fund at the City's borrowing rate to meet the going cash flow requirements of the Agency.

Reason for Amendment
Initially, the Idea Bank loan of $500,000 for Animal Services was intended to offset start-up costs repayable in 2002 over five years at a rate of $97,000 per year. The Agency is now into its 5th year of operation and its loan needs have changed. It is better served though an operating line of credit to meet short-term cash flow requirements. Meanwhile, the Idea Bank is shifting its focus to providing longer-term loans for equipment needs that are capitalized over several years rather than fulfilling short-term borrowing requests to meet ongoing cash flow requirements.

Financial Highlights

Revenue:

Mill Rate Support

2000	2001	2002	2003	2004	2005	2006	2007	2008
$1,250,000	$1,250,000	$1,250,000	$1,100,000	$950,000	$900,000	$900,000	$900,000	$900,000
				← Current Budget Period →				

- The 2004 - 2008 financial projections reflects decreased tax supported funding of $150,000 in 2004 for a second year in a row, with an additional reduction of $50,000 in 2005 when compared with the implementation year (2000). With the proposed reduction in 2004 the Agency has reduced its tax supported funding by 24% since the inception of the SOA. A major challenge for the Agency in 2004 will be to maintain its active license sales base of 40,000 active licenses at the end of 2003 plus increase it to 43,000 in 2004.

Licensing (see Appendix D; 2004 – 2008 License Revenue Projections)

2003 Budget	2003 Actual	Original 2004	Revised 2004
$571,647	$587,916	$741,172	$1,020,601

- Original projected license sales of 40,000 for 2003 were revised to 30,000 for the 2003 budget. Actual sales for 2003 were 39,604 active licenses.
- $525,136 in 2003 license revenue deferred to 2004 revenues.
- Projected license sales and revenue for 2004-2008;

Year	Sales Targets	Average License Fee	Revenue
2004	43,000	$23.51	$1,020,601
2005	48,000	$23.51	$1,089,705
2006	53.000	$23.51	$1,207,255
2007	58,000	$23.51	$1,324,805
2008	60,000	$27.00 **	$1,511,790

** The Agency projects to increase license fees in 2008 to $47 for intact dogs and $23.50 for sterilized dogs. The increase reflects inflation increases from 2001 –2008.

Expenses:

Salaries and Benefits

2003 Budget	2003 Actual	Original 2004	Revised 2004
$1,169,788	$1,100,050	$1,200,140	$1,218,184

- Negotiated C.U.P.E. salary increase.
- The Agency plans to re-define an vacant Animal Service Officer II postion into a Senior Officer Position in 2004.

Services

2003 Budget	2003 Actual	Original 2004	Revised 2004
$484,890	$452,847	$491,924	$550,783

- Veterinarian cost is reduced $1,500.
- Courier costs are expected to increase by $900 in 2004.
- Internal equipment rental is reduced by approximately $8,000.
- Postage is increased by approximately $11,000.
- Vet commissions is increased by approximately $61,000.

Materials, Parts and Supplies

2003 Budget	2003 Actual	Original 2004	Revised 2004
$39,321	$34,761	$40,174	$43,425

- Stationary and offices supplies increased by $1,600.
- $1,750 allotted for office renovations.

Accommodations

2003 Budget	2003 Actual	Original 2004	Revised 2004
$153,338	$168,215	$157,171	$168,666

- Market rent reduced by approximately $5,000.
- Operating cost increase by approximately $16,500.
- Property portfolio cost is increased by approximately $1,600.

Interest/Financing

2003 Budget	2003 Actual	Original 2004	Revised 2004
$20,609	$338	$26,723	$2,118

- Decreased borrowing cost associated with decreased loan requirements.
- Costs previously shown under Interest/Financing are now shown under Administrative Services (approximately $12,000).

Attachment 1: Recommended Operating Charter Amendments

Amendments to Animal Services Operating Charter:

OPERATING CHARTER	CURRENT	REVISED
Section 3: Accountability Framework *Council Responsibility*	Council receives quarterly and annual reports as information to assess Agency performance and policy outcomes.	Recommended language: *Council receives annual reports as information to assess Agency's performance and policy outcomes.*
Agency Head Responsibility	The Advisory Board is provided with business plans, quarterly reports, annual reports, charter revisions, and other proposals and information required from time to time for effective management and accountability.	Recommended language: *The Agency Head provides Advisory Board with annual business plans, annual reports, charter revisions, and other proposals and information required from time to time for effective management and accountability.*
Advisory Board	The Advisory Board reviews and comments on the Agency's proposed business plans, quarterly and annual reports, and charter revisions.	Recommended language: *The Advisory Board reviews and comments on the Agency's proposed annual business plans, annual reports, and charter revisions.*
Section 4: Planning and Reporting Framework *Quarterly Reports*	Interim reports on the Agency's financial position and progress against objectives and performance targets will be prepared each quarter. Quarterly reports will be forwarded in summary form to Council as information.	Delete sub-section that refers to *Quarterly Reports.*

Appendix Index;

Appendix A: **Page 10**
2000 – 2003 Revenue and Expense Comparisons (Including 2004Projections)

Appendix B: **Page 11**
2004 – 2008 Financial Projections and Notes

Appendix C: **Page 21**
2000 – 2003 Operational Statistics

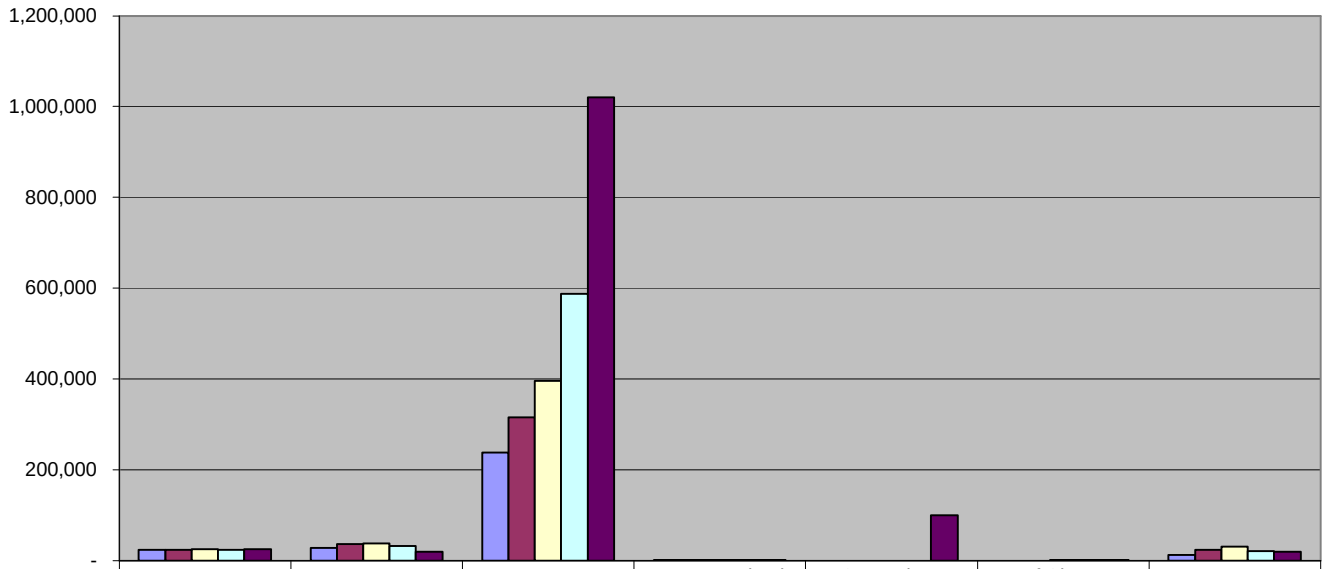
Appendix D: **Page 25**
2004 – 2008 License Revenue Projections

Appendix E: **Page 26**
Communications/Marketing Plan

Appendix F: **Page 31**
2004 Advisory Board Members

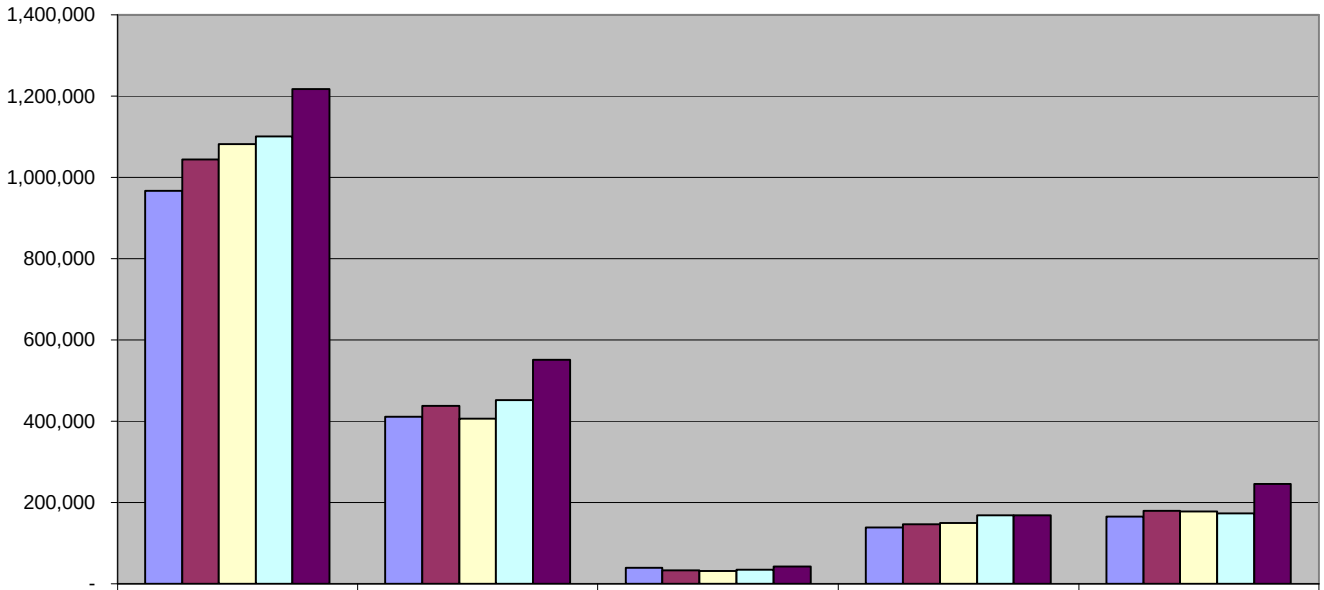
Appendix A: 2000 – 2003 Revenue and Expense Comparisons (Including 2004 Projections)

Revenue Comparisons 2000 - 2003 Actuals with 2004 Projected



	Pound Fees	Kenneling Fees	Dog Licensing	Excess Animal Permits	Court Fines Accrued	Nsf Cheque Charges	Others
2000	23,000	27,786	237,708	1,200	-	175	12,854
2001	24,050	36,641	315,566	1,320	-	120	23,805
2002	24,539	37,120	396,298	1,140	-	340	29,690
2003	23,970	32,241	587,916	900	-	480	20,491
2004	24,300	18,480	1,020,601	1,140	100,000	450	19,480

Expense Comparisons 2000 - 2003 Actuals with 2004 Projections



	Salaries and Benefits	Services	Materials and Supplies	Civic Accommodations	Others
2000	966,293	411,639	39,191	139,238	166,531
2001	1,044,499	437,487	33,651	147,527	179,732
2002	1,081,767	407,698	31,131	149,598	178,757
2003	1,100,050	452,847	34,761	168,215	174,191
2004	1,218,184	550,783	43,425	168,666	246,412

Appendix B: 2004 – 2008 Financial Projections

Projected Statement of Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

As At December 31		Actual 2003	2004	2005	2006	2007	2008
Assets							
CURRENT	*Note 7*						
Cash		$ 16,150	$ 6,375	$ 10,000	$ 20,000	$ 20,000	$ 20,000
Due from City of Winnipeg		114,277	29,500	30,000	80,000	290,000	710,000
Receivables		52,200	38,000	40,000	41,000	42,000	43,000
Inventory		12,974	11,000	10,000	9,000	8,000	7,000
Prepaid expenses		55,342	40,000	40,000	40,000	40,000	40,000
		250,943	124,875	130,000	190,000	400,000	820,000
EQUIPMENT	*Note 7*						
Computer equipment		74,500	74,500	74,500	74,500	74,500	74,500
Furniture and other equipment		70,000	70,000	70,000	70,000	70,000	70,000
		144,500	144,500	144,500	144,500	144,500	144,500
Less: accumulated depreciation		130,500	88,625	107,250	125,875	144,500	144,500
		14,000	55,875	37,250	18,625	-	-
		$ 264,943	$ 180,750	$ 167,250	$ 208,625	$ 400,000	$ 820,000
Liabilities							
CURRENT	*Note 7*						
Accounts payable & accrued liabilities		$ 4,711	$ 15,796	$ 13,078	$ 14,206	$ 13,405	$ 12,603
Vacation and overtime payable		63,762	50,000	50,000	55,000	57,000	55,000
Deferred revenue		528,628	535,465	594,240	653,015	711,790	840,000
Due to City of Winnipeg - Idea bank Reserve		100,000	75,000	50,000	-	-	-
		697,101	676,261	707,318	722,221	782,195	907,603
LONG-TERM	*Note 7*						
Retirement allowance		130,000	137,000	140,000	142,000	144,000	146,000
		827,101	813,261	847,318	864,221	926,195	1,053,603
CAPITAL DEFICIENCY							
Deficit		(562,158)	(632,511)	(680,068)	(655,596)	(526,195)	(233,603)
		264,943	180,750	167,250	208,625	400,000	820,000

See accompanying notes to the financial statements

Projected Statement of Loss and Deficit

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31		Actual 2003	2004	2005	2006	2007	2008
Revenues	*Note 5*	$ 665,998	$ 1,184,451	$ 1,254,833	$ 1,374,447	$ 1,492,930	$ 1,680,879
Expenses							
	Note 6						
Salaries and Benefits		1,100,050	1,218,184	1,262,042	1,293,805	1,325,308	1,357,592
Services		452,847	550,783	565,054	577,738	555,309	561,684
Material, parts and supplies		34,761	43,425	44,103	44,797	45,509	46,238
Civic Accommodations		168,215	168,666	172,883	177,205	181,635	186,176
Other							
Depreciation		32,625	32,625	18,625	18,625	18,625	-
Administrative services		141,228	211,669	161,721	161,775	161,829	161,886
Interest/financing		338	2,118	1,463	128	-	-
		1,930,064	2,227,470	2,225,890	2,274,073	2,288,215	2,313,576
Loss from operations		(1,264,066)	(1,043,019)	(971,057)	(899,625)	(795,286)	(632,696)
Other							
Grant from the Province of Manitoba		20,711	22,665	23,501	24,097	24,686	25,289
Grant from the City of Winnipeg	*Note 5*	1,100,000	950,000	900,000	900,000	900,000	900,000
Net Income (Loss)		(143,355)	(70,353)	(47,556)	24,472	129,400	292,592
Deficit, beginning of year		(418,803)	(562,158)	(632,511)	(680,068)	(655,596)	(526,195)
Deficit		$ (562,158)	$ (632,511)	$ (680,068)	$ (655,596)	$ (526,195)	$ (233,603)

See accompanying notes to the financial statements

Projected Statement Change in Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	**Actual 2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Net inflow (outflow) of cash related to the following activities						
Operating						
Net earnings (loss) for the year	$ (143,355)	$ (70,353)	$ (47,556)	$ 24,472	$ 129,400	$ 292,592
Non-cash items related to operations						
Depreciation	32,625	32,625	18,625	18,625	18,625	-
Retirement Allowance	4,000	7,000	3,000	2,000	2,000	2,000
Working capital from operations	(106,730)	(30,728)	(25,931)	45,097	150,025	294,592
Net change in working capital other than cash assets	258,762	35,676	55,057	64,903	59,974	125,408
	152,032	4,948	29,126	110,000	209,999	420,000
Financing						
Due to City of Winnipeg - Idea Bank Reserve	(125,000)	(25,000)	(25,000)	(50,000)	-	-
Due from the City of Winnipeg	(14,743)	84,777	(500)	(50,000)	(210,000)	(420,000)
	(139,743)	59,777	(25,500)	(100,000)	(210,000)	(420,000)
Investing						
Purchase of equipment		(74,500)				
Proceeds from disposal of equipment		-				
	-	(74,500)	-	-	-	-
Increase (decrease in cash assets)	12,289	(9,775)	3,626	10,000	(1)	0
Cash position, beginning of year	3,861	16,150	6,375	10,000	20,000	20,000
Cash position, end of year	$ 16,150	$ 6,375	$ 10,000	$ 20,000	$ 20,000	$ 20,000

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL PROJECTION
FIVE YEARS ENDING DECEMBER 31, 2008

1. DESCRIPTION OF BUSINESS

Animal Services, Special Operating Agency commenced operations on January 1, 2000. The Agency is entering its fifth year of operations. Animal Services continues to work towards its goals;

- To be financially self-sustainable to the greatest extent possible, (significantly less reliance on mill-rate support)
- Improve Health And Safety of neighborhoods
- Improve Customer Service
- Improve Public Image

Since 2000 Animal Services has brought in the following new programs and initiatives:

- Adoption program to give strays a second chance
- Volunteer program to enhance the adoption program
- Work placement for students in our community
- Enhanced Free Ride program
- Added-value coupon strip
- Multi-year licensing
- Numerous retail outlets for license sales
- Enhanced education programs
- Increased advertising
- Revamped fines schedule

2. ACCOUNTING POLICIES

The projected financial statements have been prepared on the basis of generally accepted accounting principles. The projections include the following significant accounting policies:

Inventory

Inventory is stated at the lower of cost and net realizable value

Equipment

Equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the asset using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%

3. FINANCIAL PROJECTION

This financial projection is an estimate of the financial position, results of operations and change in cash flow, for the operations of Animal Services Special Operating Agency, using management's assumptions that reflect the Agency's planned course of action for the five years ending December 31, 2008. Management's judgment has been used in the assumptions and the most probable set of economic conditions, together with the hypotheses stated in note 4 below. The hypotheses are consistent with the purpose of the information, but are not necessarily the most probable in management's judgment. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this projection. Therefore, the actual results achieved during the projected period will vary from the projections and the variations may be material.

4. HYPOTHESES

The financial projection has been prepared based on the following hypotheses:

(a) That the City of Winnipeg will agree to provide an annual operating grant of $950,000 per year reducing to $900,000 in 2005.
(b) That the City of Winnipeg will extend an operating loan, providing short or long term lending sufficient for the Agency carry on operations.
(c) That the Agency will be allowed to purchase any support services required to sustain ongoing operations.
(d) That fine revenue collected on behalf of actions taken by Animal Services, by Corporate Services (Legal Services) will be transferred to the Agency.

5. ASSUMPTIONS – REVENUE

(a) Pound Fees

The basic fees for running at large are: first offence - $45, second offence - $150 and third offence - $225. Pound revenues are based on 430 -1st offences, 30 - 2nd offences and two - 3rd offences per year.

(b) Kenneling Fees

Kenneling fees will be set at $16 per day commencing in 2004 and will increase annually by $1 per day to $20 by 2008 where they will remain. Volumes are based on 462 dogs on an annual basis with an average stay of 2.5 days.

(c) Dog Licenses

The following fees and volumes were derived based on the Agency's analysis of the market:

Year	Average License Fee	Anticipated Sales
2004	$23.51	43,000
2005	$23.51	48,000
2006	$23.51	53,000
2007	$23.51	58,000
2008	$27.00	60,000

Dog license fees applicable to intact dogs are $40 annually. A 50% discount is offered for sterilized dogs bringing this fee to $20 annually. Dangerous dog license fees are set at $75 annually. There is no charge for service dog licenses and for the first year dog adoptions done through the Humane Society and Animal Services. The Agency is projecting a license fee rate increase in 2008 to $47 for intact and $23.50 for sterilized dogs. This reflects the inflation increase from 2001 when license fees were last increased.

(d) Excess Animal Permit

Permit revenues are based approximately 20 permits per year.

(e) Surrendered Animals

2004 revenues are based on 72 turnovers at a fee of $60. An increase of 2.5% is reflected annually in 2005 to 2008.

(e) Trap Rentals/Set Ups

A fee of $60 is charged on skunk trap rentals and an administration fee of $10 on cat trap rentals. 2004 revenues are based on 2003. A planned expenditure for additional traps in 2005 and 2006 is reflected in the increased income for those years.

(f) Dog Adoptions

Adoption fees are $171 for dogs less than four months, $141 for dogs over four months and $111 for sterilized dogs. Adoptions include a health check by a veterinarian, vaccinations, spaying or neutering, microchip, first license and other value-added items. In an effort to stimulate sales the Agency introduced a discount for senior citizens of 20%

and a reduced fee for dogs seven years and older. The Agency also included an adoption coupon in its Pawsitive Points coupon strip for 2004, which offers a 10% discount on an adoption. After costs, the Agency expects to net approximately $48 per animal with 200 animals adopted annually beginning in 2004.

(g) Court Fines

The 2004 – 2008 projected fines are based on a new initiative to enforce the no license bylaw. Council approved a revamped fine structure in October of 2003. The Agency is projecting an increase in both the number of charges laid and the revenue recognized from the fines levied.

(h) Grant from the City of Winnipeg

The Agency has negotiated an annual operating grant from the City of Winnipeg in the amount of $950,000 for 2004 and $900,000 for 2005 through 2008. This grant represents the mill rate support of operating costs.

2000	2001	2002	2003	2004	2005	2006
$1,250,000	$1,250,000	$1,250,000	$1,100,000	$950,000	$900,000	$900,000

6. ASSUMPTIONS – EXPENSES

(a) Salaries and Employee Benefits

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

	2004	2005	2006	2007	2008
WAPSO	**2**	**2**	**2**	**2**	**2**
CUPE	20	20	20	20	20

Salary levels are based on existing grades and levels presently in place plus the creation of a Senior Animal Services Officer position and another Clerk A position. The CUPE complement will consist of an office administrator, three clerk As, one clerk C, one education/adoption coordinator, two kennel attendants, nine ASO I's , two ASO II's and one Senior Animal Service Officer. The projections are based on the above staffing levels and include an adjustment of 3% per year for 2004 and 2005 and 2.5% thereafter. Employee benefits are estimated to be 18.42% of total gross salaries.

(b) Professional and Consulting Services

The Agency pays $125,000 annually to the Winnipeg Humane Society for related services and approximately $55,000 for a service contract with Scotia Enterprises for the Charleswood pound.

(c) Audit Fee

The Agency expects to pay $5,000 annually for audit fees in 2004 and 2005 and have budgeted for an increase to $5,500 for the remaining three years.

(d) Auto Allowances

Two staff members are provided "required" auto allowances and three staff members are provided "regular" auto allowance.

(e) Office Equipment Maintenance

This has been reduced to $10,000 to reflect a more conservative approach to replacement of office equipment.

(f) Telephone

A 2% rate increase has been forecasted annually through to 2008.

(g) Advertising

The Agency intends to use extensive advertising to build its revenue base. Advertising will take the form of billboards, bus posters, newspaper ads and brochures as well as game sponsorships at sporting events. Special emphasis will be placed on developing a web page in 2004. This will aid the Agency's adoption program and provide timely information to the public. The Agency will be pursuing Internet Banking and Telepay options to help facilitate license sales and control future costs such as postage and retail commissions.

(h) Equipment Rental, Internal

The Fleet Management Agency provides fleet services for SOA vehicles. The Agency operates seven vehicles. Costs are expected to increase incrementally by 3% per year. The Agency will be giving consideration to tendering maintenance services with other contractors during the five-year period.

(i) Training/Workshops/Tuition

The Agency expects to incur costs of $5,000 annually to provide training to staff.

(j) Civic Accommodations

The Agency will continue to occupy 1057 Logan Avenue, but will only rent the first level of the building that totals 12,296 square feet. Civic Accommodations established the rental rate for 2004 and it is expected to increase by 2.5% per year.

(k) Depreciation

Depreciation is based on rates identified in note 2.

(l) Interest on Idea Bank Loan

The Agency has negotiated, with the City of Winnipeg, a loan to cover start-up costs. This loan has been treated as a line of credit, being repaid at the beginning of the year when funds are available and being drawn on towards the end of the year when funds are needed. Interest is charged at prime plus one annually. The 2003 rate was 3.5%.

(m) Administrative Charges

The Agency expects to purchase administrative services from the City's Community Services Department. Included in these services is assistance with respect to finance, human resources, strategic support and information technology. The Agency is projecting that the cost of these services will reduce by $50,000 annually starting in 2005.

(n) General Government Charges

The City of Winnipeg incurs corporate costs that relate to the operation of the individual departments. The Agency will share in paying these costs. It is anticipated that the Agency's share of these costs will amount to 18% of the total or approximately $69,582 yearly.

7. ASSUMPTIONS – CASH RECEIPTS AND DISBURSEMENTS

(a) Cash on hand

Petty cash of $150 will be available for incidental expenditures. Change funds of $150 are available for the cash register float.

(b) Inventory

The Agency requires inventory in respect to animal supplies and retail sales. A physical inventory count is done on December 31st.

(c) Equipment

On start-up, the Agency acquired equipment from the City of Winnipeg. In 2004 the Agency will review its technology needs and replace its computer equipment with updated technology as needed. The Agency has assumed that all dispositions will be made at net book value and there will be no gain or loss resulting from the disposition of assets.

(d) Accounts Payable and Accrued Liabilities

Accounts payable will be paid on the basis of 30-day terms and it has been assumed that accounts payable will be nominal at year-end. Accrued liabilities include such items as unpaid contract fees, salary accruals and other year-end payables.

(e) Deferred Revenue

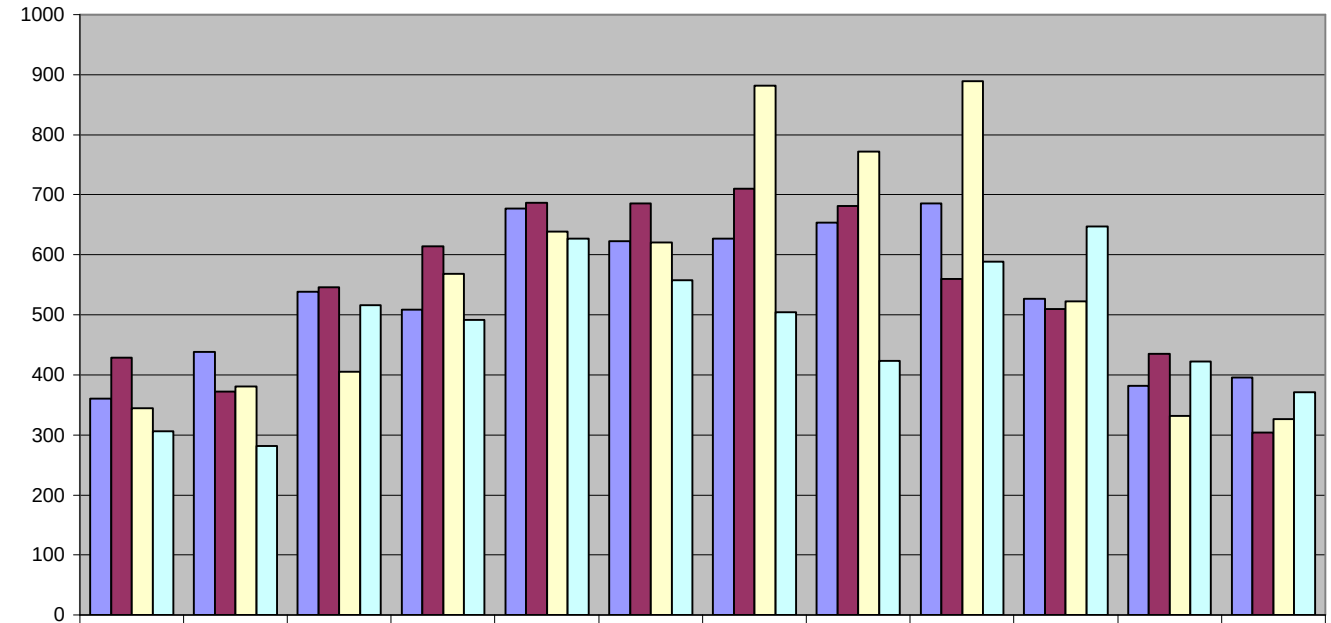
Dog license terms vary from 8 months to 30 months. Licenses have staggered monthly renewals based on the first letter of the last name. As a result there will be unearned revenue on hand at year-end. In 2002 a new two-year licensing option was offered to dog owners. This has resulted in a slightly higher deferral for unearned revenues.

(f) Long-term debt – City of Winnipeg

The City has agreed to advance up to $500,000 to assist in establishing Agency operations. This loan is being treated as a line of credit with borrowing occurring in the later part of the year and repayment in January when the operating grant is received. The City has taken security over the assets of the Agency and interest is charged on the outstanding balances prime plus one per annum.

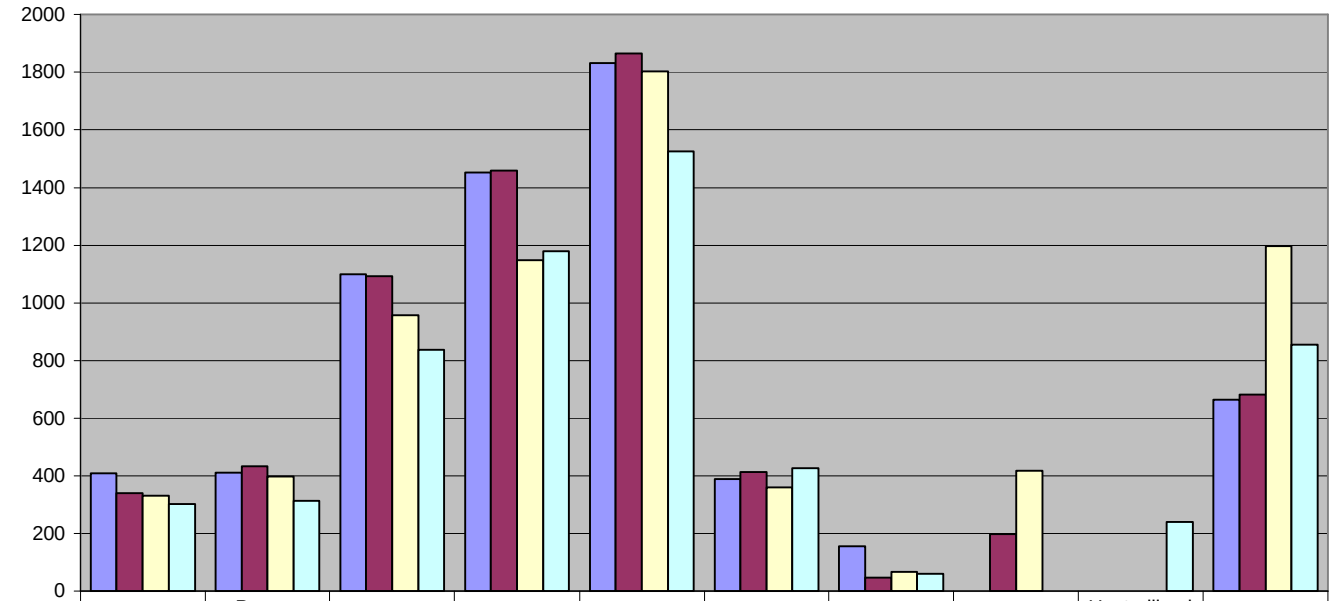
Appendix C: 2000 – 2003 Operational Statistics

Service Requests 2000 - 2003



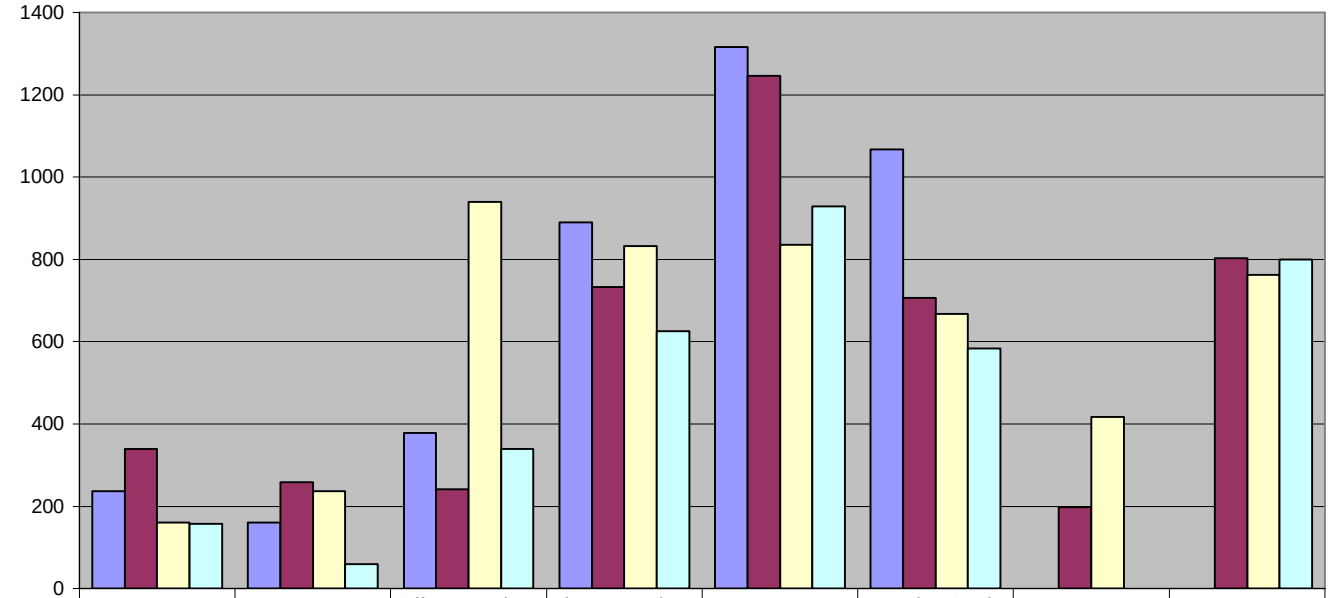
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
2000	360	438	538	509	677	623	627	654	685	527	382	396
2001	429	372	546	614	687	686	710	681	560	510	435	304
2002	345	381	405	568	639	620	882	772	889	522	332	326
2003	306	282	516	492	627	558	505	423	589	647	422	371

Service Request Types 2000 - 2003



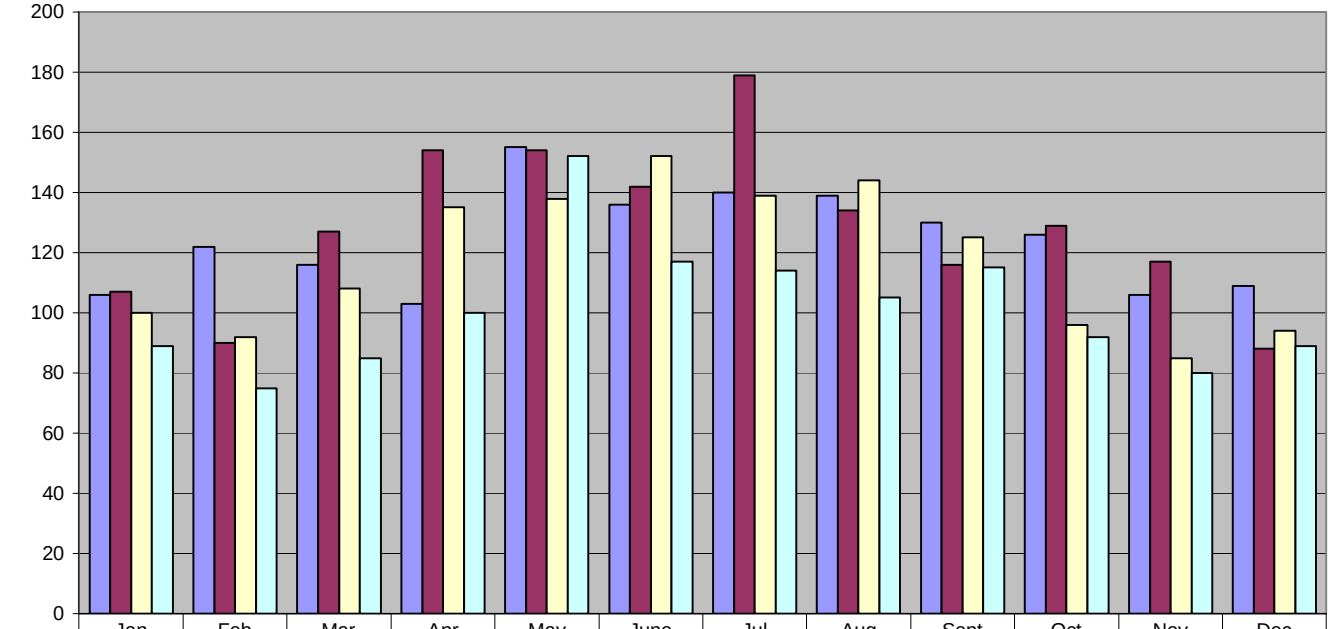
	Biters	Pursue Humans	Strays	Barking	Dogs RAL	Cats RAL	Animal Traps	WNV	Unsterilized Cats	Other
2000	410	411	1100	1453	1832	389	156	0	0	665
2001	340	434	1093	1458	1866	415	47	198	0	683
2002	332	399	958	1148	1803	361	67	417	0	1196
2003	302	313	837	1179	1525	427	60	0	240	855

Action Taken 2000 - 2003



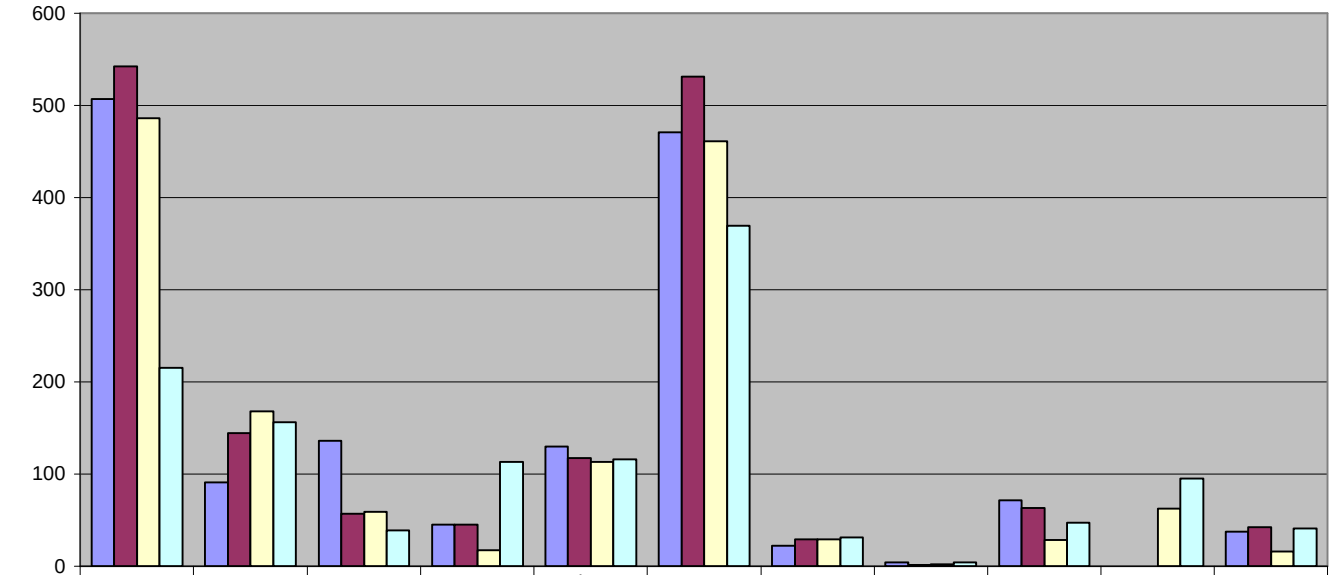
	Biters Handled	Assist Police	Offence Notices Served	License Notices Left	Verbal Warnings	Warning Cards Left	West Nile Virus	Barking Letters
2000	237	161	378	890	1316	1067	0	0
2001	340	259	241	733	1246	707	198	802
2002	161	237	939	833	836	667	417	762
2003	157	59	340	626	929	584	0	799

Impounded Dogs 2000 - 2003



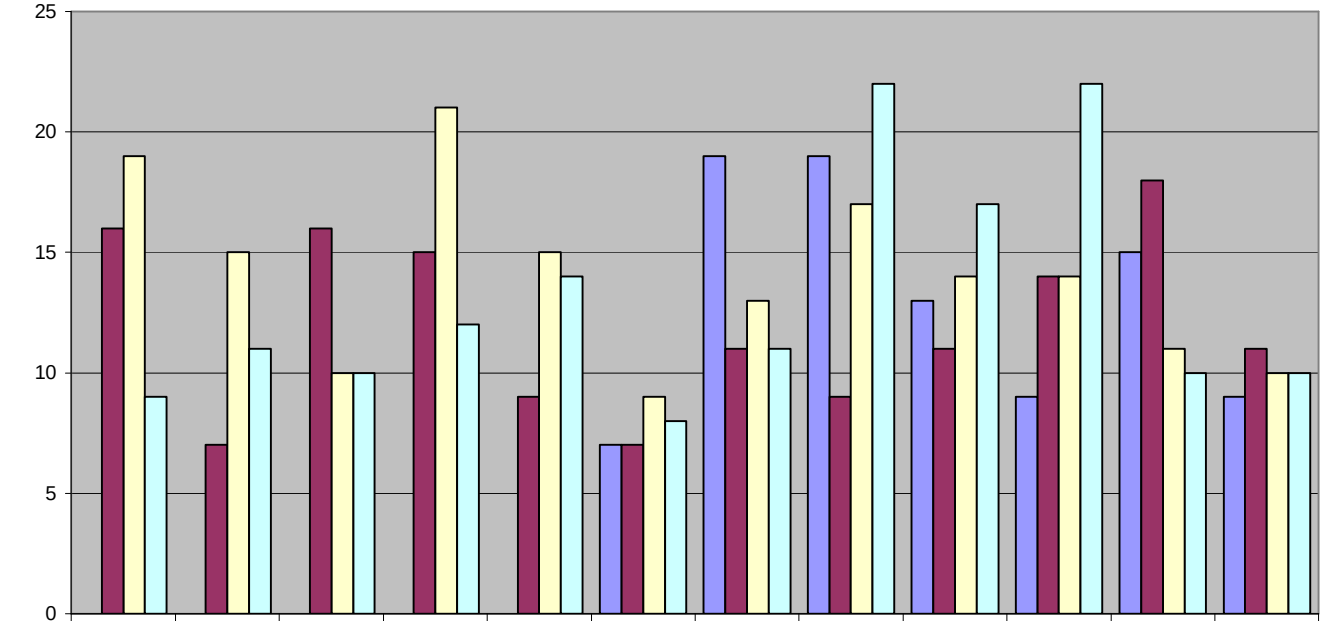
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
2000	106	122	116	103	155	136	140	139	130	126	106	109
2001	107	90	127	154	154	142	179	134	116	129	117	88
2002	100	92	108	135	138	152	139	144	125	96	85	94
2003	89	75	85	100	152	117	114	105	115	92	80	89

Disposition of Impounded Animals 2000 - 2003



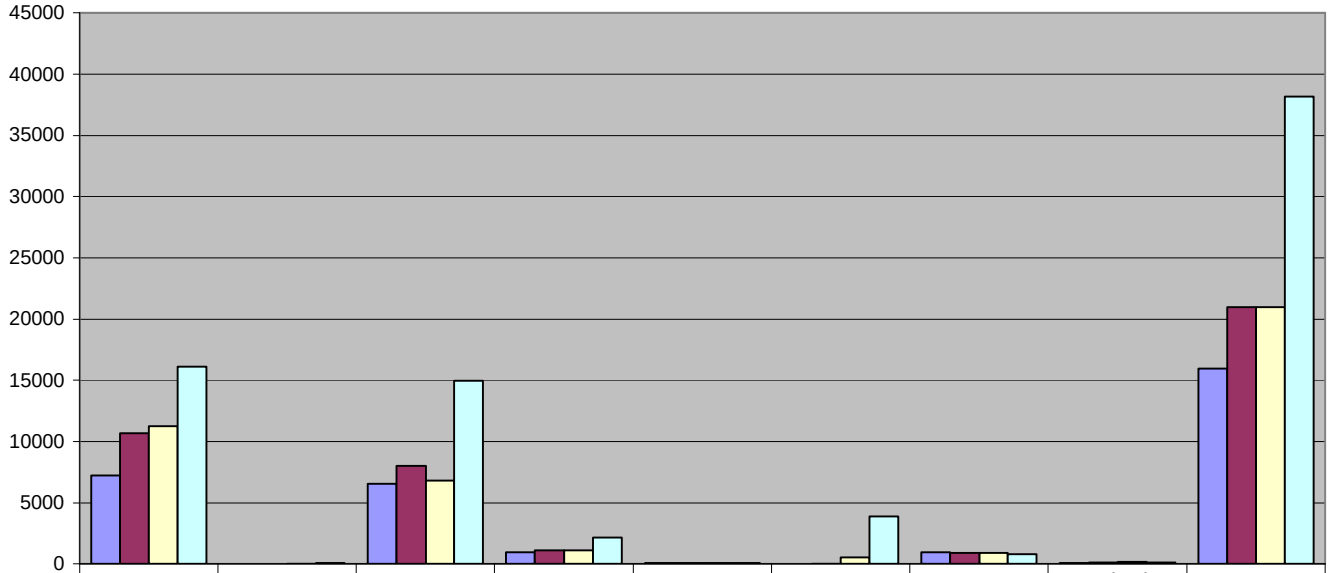
	Euthanized	Adopted	Humane Society	Breed Rescue	Biters Returned to Owner	RAL* 1st Offence	RAL* 2nd Offence	RAL* 3rd Offence	Returned No Charge	Free Ride	Other
2000	507	91	136	45	130	471	22	4	71		37
2001	542	144	57	45	117	531	29	1	63		42
2002	486	168	59	17	113	461	29	2	28	62	16
2003	215	156	39	113	116	369	31	4	47	95	41

Adoptions 2000 - 2003



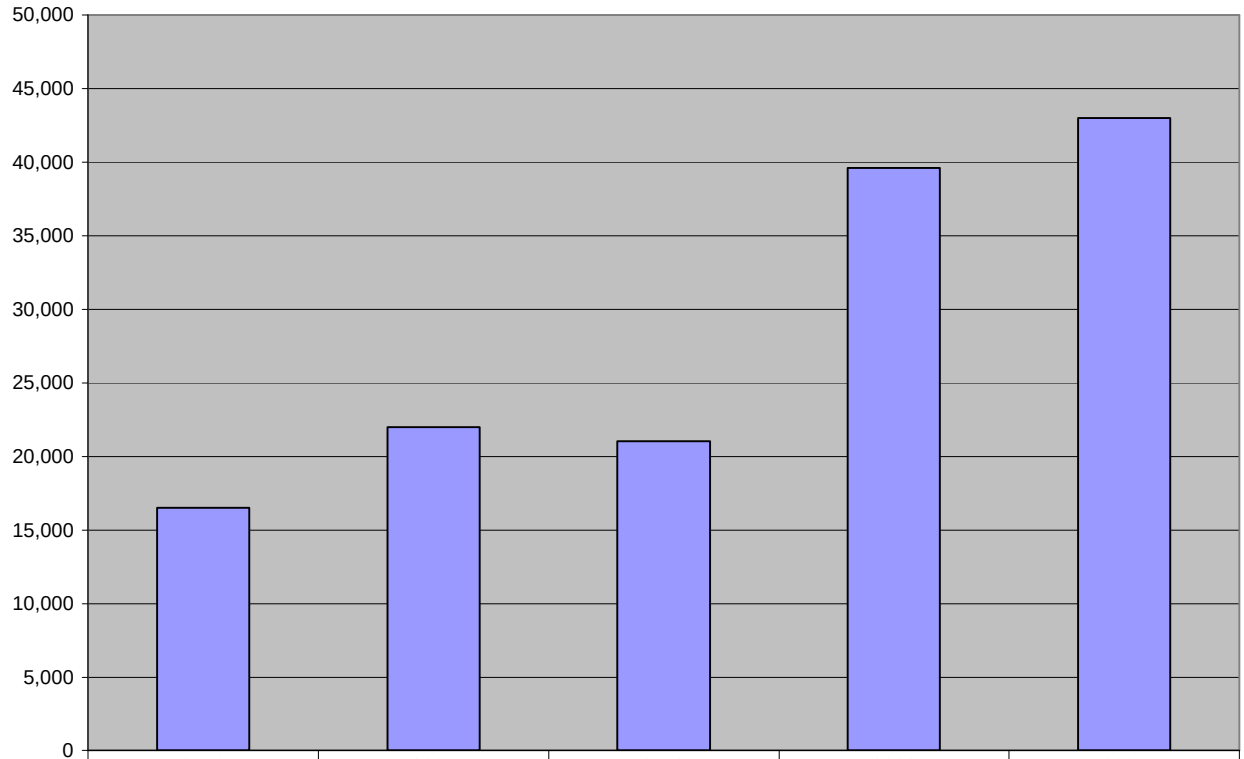
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2000	0	0	0	0	0	7	19	19	13	9	15	9
2001	16	7	16	15	9	7	11	9	11	14	18	11
2002	19	15	10	21	15	9	13	17	14	14	11	10
2003	9	11	10	12	14	8	11	22	17	22	10	10

License Sales 2000 - 2003



	Animal Services	Bilinqual Centre	Veterinary Clinics	Humane Society	Charleswood Pound	Retail Outlets	Humane Society No Charge	Animal Services No Charge	TOTAL SALES
2000	7238		6561	979	80	0	978	91	15927
2001	10699		7994	1122	88	32	916	144	20995
2002	11268	10	6844	1144	83	541	907	168	20965
2003	16107	58	14962	2141	92	3900	789	125	38174

Active Licenses 2000 - 2003 with 2004 Projections



	2000	2001	2002	2003	2004
Active Licenses	16,500	22,000	21,007	39,604	43,000

Appendix D: 2003 – 2007 License Revenue Projections

Projection of Revenues

	Number Sold	Average Price	Current Yr Sales	Accrued Sales	Total	Previous Yr Deferred	Current Deferred	License Sales
2003 Actual	38174	$ 23.51	$ 897,508	$ 22,060	$ 919,568	$ 193,484	$ (525,136)	$ 587,916
Whole $40								
Sterilized $20								
2004	43000	$ 23.51	$ 1,010,930	$ 20,000	$ 1,030,930	$ 525,136	$ (535,465)	$ 1,020,601
Whole $40								
Sterilized $20								
2005	48000	$ 23.51	$ 1,128,480	$ 20,000	$ 1,148,480	$ 535,465	$ (594,240)	$ 1,089,705
Whole $40								
Sterilized $20								
2006	53000	$ 23.51	$ 1,246,030	$ 20,000	$ 1,266,030	$ 594,240	$ (653,015)	$ 1,207,255
Whole $40								
Sterilized $20								
2007	58000	$ 23.51	$ 1,363,580	$ 20,000	$ 1,383,580	$ 653,015	$ (711,790)	$ 1,324,805
Whole $40								
Sterlized $20								
2008	60000	$ 27.00	$ 1,620,000	$ 20,000	$ 1,640,000	$ 711,790	$ (840,000)	$ 1,511,790
Whole $47								
Sterlized $23.50								

Appendix E: Communications/Marketing Plan

Marketing (See Appendix E)

The highlights of the 2004 Marketing Plan are to;

- Increase active license by 3,500 over 2003 to 43,000 active licenses.
- Engage and encourage Veterinarians and other pet industry providers to be active participating partners in the licensing of dogs.
- Provide dog owners a tangible sense of value for licensing their dogs by improving benefits and adding usable value.
- Promote Animal Services as a contributing partner in the building of safe communities, safe families and safe pets.
- Promote a positive, caring and interactive image of Animal Services.
- Encourage and educate dog owners to be responsible.

Introduction & Background:

Animal Services Agency provides enforcement of animal control by-laws, licensing of dogs, and control of stray and unwanted animals, animals running at large, abandoned pets and community incidents of animal bad behavior.

Animal Services is dedicated to continuously improving its service delivery and to becoming an active partner in the Winnipeg Community. It has adopted strategies designed to improve customer service, enhance financial stability and better fulfill the expectations of stakeholders.

These strategies include:

- A commitment to making the service self-sustaining to the greatest extent possible, by generating revenues to offset the cost of operations to the general taxpayer.
- A renewed and strengthened commitment to improving community health and safety through increased public awareness of the many services that Animal Services provides.
- A commitment to the provision of courteous, professional and prompt service
- A commitment to improving and increasing the value and appeal of products and services, and enhancing the public image of Animal Services.

Communication/Marketing Objectives:

Conduct an annual wide scale promotions and advertising campaign designed to increase consumer awareness and satisfaction relative to the mandate, services and licensing requirements of Animal Services. The goal of the campaign would be to achieve 90% target market awareness at the end of the five-year planning period.

Continue to expand the number of distribution outlets for dog licenses to include appropriate municipal offices.

Optimize advertising/promotional opportunities by partnering with external service providers such as the Humane Society, veterinarians, and other industry members.

Enhance service options to include license purchases through the use of the Internet, telephone banking and automatic renewal options.

Target Audience:

- Mayor and Councillors
- Chief Administrative
- Animal Services Agency Advisory Board
- Winnipeg Citizens
- Dog Owners
- Cat Owners
- The Winnipeg Humane Society
- Veterinarians

Challenges:

Strong enforcement of by-laws is essential to increasing license sales. Failure to do this more stringently and failure to impose significant penalties for non-adherence will seriously jeopardize Animal Services' ability to meet forecasted revenue targets.

Although the awareness of the Animal Services Mandate is increasing (as indicated by increases license revenues), as is the importance and value of the Agency's services to the health and safety of the community, significant promotional dollars are still required to address these issues.

Opportunities:

To continue to enhance the Animal Services Agency's image through targeted Community outreach programs/services, Promotional Campaigns, Animal Services Programs and Enhanced Staff Training.

Targeted Community Outreach Programs/Services include:

- Continued relationships with the Winnipeg Humane Society, City Veterinarians
- Participation in mall displays and special events such as the Teddy Bears Picnic
- School programming /contests
- Community Relations Bill Board Campaign

Promotional Campaigns include:

- Advertising through professional sport venues
- Leisure Guide Advertising
- Annual city wide campaigns designed to increase awareness
- Door-to-Door Campaigns
- Earned media
- Animal Services Web site

Animal Services Programs

- Dog Adoption Program
- Volunteer Services program
- Sale of goods

Enhanced Staff Training Opportunities

Note: Although the Animal Services Agency's mandate is to regulate dog ownership, there is an opportunity for Animal Services to promote the cat registration program to cat owners through the out reach programming.

Strategies:

1. **Complete development of and publish the Animal Services Agency Web site.**

Animal Services Agency to work with the Strategic & Information Systems Services Division and external web designers to complete development of the Animal Services Agency website and to publish to City's Internet site. The site would include linkages to agencies with which the Animal Services Agency does business and on-line license sales and renewal capabilities

Responsibility:	Agency Head, with support from the Strategic & Information Systems Services Division.
Timeline:	May-June 2004
Budget:	N/A

2. **Continue the Community Relations out reach programs to further enhance the Animal Services Agency image as an Agency who cares about animal owners and their pets. The emphasis on these outreach programs include the agency's mandate, licensing requirements, purchase options.**

Vehicles for Community Relations outreach include:

- Static displays in shopping mall, community centers
- Participation in high profile special events such as the Great Manitoba Dog Party, Teddy Bear's Picnic
- Participation in the Winnipeg Humane Society's Bow Wow Ball
- School programming and contests
- Community Relations Bill Board Campaigns
- Photos with Santa
- Walk for Guide Dogs

Responsibility:	Agency Head, with support from the Strategic & Information Systems Services Division.
Timeline:	Year round
Budget	$5,000

3. **Offer clinics for new pet owners on the care and handling of pets to ensure a healthy home for both pet and pet owners including children.**

The clinics could be an evening session where new pet owners are invited to the Animal Services Agency with their pet and discuss pet care and handling with new owners. A small fee would be charged for consultation session.

Responsibility: Agency Head and Animal Services Staff
Timeline: on-going
Budget: N/A

4. Conduct an annual promotions and advertising campaign in the spring and fall of each year using integrated media to encourage dog owners to license their dogs.

Promotional Vehicles include:

- Advertising through professional sport venues
- Leisure Guide Advertising Spring/Summer
- Door-to-Door License renewal Campaigns
- Television commercials with local entertainers
- Radio commercials with local entertainers
- Bill Boards
- Bus Shelters
- Animal Services Agency Web site
- Civic Pulse Newsletter
- Community Services Department Newsletter
- City wide email to staff
- Local newspaper advertising
- Posters and handouts/giveaways

Responsibility: Agency Head with support from the Strategic & Information Systems Services Division
Timeline: Spring of each year
Budget: $30,000

5. Highlight Animal Services programs (Adopt a Pet, Volunteers Program and Photos with Santa), success stories and services through earned media to demonstrate the benefits of the Animal Services programs.

Vehicles include:

- News releases
- Radio spots
- A-Channels Big Breakfast
- Shaw Cable's City Scape
- Story's with associated photo's in the Winnipeg Free Press Community Review section and or the Community Newspapers
- Customer Testimonial on the Web site
- Quarterly and Annual reports
- Civic Pulse Newsletter
- Community Services Department newsletter
- City wide email to staff

Responsibility: Agency Head with support from Animal Services staff and the Strategic & Information Systems Services Division.
Timeline: on-going
Budget: $10,000

6. Continue to provide responsible pet owners who license their dogs with value added coupon promotions. Seek out additional sponsorship to help support promotions for this program to include:

- Either radio or TV spots with local entertainers
- Paid advertising in the Winnipeg Free Press, Winnipeg Sun or Community Newspapers
- Promotions on the Animal Services web site
- Leisure Guide Advertising
- Civic Pulse Newsletter
- Community Services Department Newsletter
- City wide emails to Civic Staff

Responsibility: Agency Head with support from the Strategic & Information System Services Division
Timeline: on-going annually
Budget: Sponsorship $ to cover costs

7. Develop in consultation with Corporate Education courses in advance customer care services for Animal Services Agency staff.

Responsibility: Agency Head
Timeline: on-going
Budget: N/A

Appendix F: 2004 Advisory Board Members

From Civic Government Agencies:

- Department Head or Designate (ex-officio)
  Kelly Goldstrand, Manager Community Resources, Protection and Safety Services Division
- Agency Head (ex-officio)
  Tim Dack, Chief Operating Officer, Animal Services
- Corporate ASD Initiative Representative and Chairperson
  Betty Holsten Boyer, Manager of Financial and Business Initiatives
- Agency Staff Representative
  Ted Turk, Animal Service Officer

From Non-Government Agencies:

- Business Representatives external to government
  Two vacant positions
- Humane Society Representative
  Brent Thomas, Past President, Winnipeg Humane Society
- Veterinarian Association Representative
  Dr. Nancy McQuade
- Executive Member of the Canadian Union of Public Employees
  Nicole Campbell
- Member at Large
  Vacant

Financial Impact Statement

Date: March 3, 2004

Project Name: Animal Services Agency Selection Report for the years 2004-2008 **2004**

First Year of Program: 2004

	2004	2005	2006	2007	2008
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Total Additional Debt Required	$ -	$ -	$ -	$ -	$ -
Current Expenditures/Revenues					
Direct Costs	$ 950,000	$ 900,000	$ 900,000	$ 900,000	$ 900,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 950,000	$ 900,000	$ 900,000	$ 900,000	$ 900,000
Less: Existing Budget Amounts	950,000	900,000	900,000	900,000	900,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Comments: Agency's tax supported funding to reduce by an additional $50,000 in 2005 as a result of reduced costs for services provided by Community Services

C. Wightman, Manager
Finance & Administrative Services

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCY BY:

- Community Services Department, Financial Division

THIS REPORT SUBMITTED BY:

Community Services Department, Animal Services Agency
Prepared by: Tim Dack, Chief Operating Officer, 986-6106
File No.

Financial Statements

The City of Winnipeg Animal Services – Special Operating Agency

December 31, 2003

AUDITORS' REPORT

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

We have audited the statement of financial position of **The City of Winnipeg Animal Services – Special Operating Agency** as at December 31, 2003 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg Animal Services – Special Operating Agency** as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
March 10, 2004

Chartered Accountants

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2003	2002
ASSETS		
Current		
Cash	**$ 16,150**	$ 3,861
Due from City of Winnipeg General Revenue Fund (Note 3)	**114,277**	99,534
Accounts receivable (Note 4)	**52,200**	35,339
Inventory	**12,974**	8,268
Prepaid expenses	**55,342**	3,977
	250,943	150,979
Equipment		
Computer	**74,500**	74,500
Furniture and other	**70,000**	70,000
	144,500	144,500
Less: accumulated depreciation	**130,500**	97,875
	14,000	46,625
	$ 264,943	$ 197,604
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 15,269**	$ 16,498
Vacation and overtime payable (Note 5a)	**53,204**	48,232
Deferred revenue	**528,628**	200,676
Due to City of Winnipeg - Idea Bank Reserve (Note 6)	**100,000**	225,000
	697,101	490,406
Long-term		
Retirement allowance (Note 5b)	**130,000**	126,000
	827,101	616,406
CAPITAL DEFICIENCY		
Deficit	**(562,158)**	(418,802)
	$ 264,943	$ 197,604

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF LOSS AND DEFICIT

For the year ended December 31

	unaudited 2003 Budget	2003 Actual	2002 Actual
REVENUES	**$ 758,314**	**$ 665,998**	$ 489,277
EXPENSES			
Salaries and benefits	**1,169,788**	**1,100,051**	1,081,767
Services (Note 7)	**484,891**	**452,847**	407,698
Rent (Note 7)	**153,338**	**168,215**	149,598
Material, parts and supplies	**39,321**	**34,761**	31,131
Other			
Administrative expenses (Note 7)	**213,584**	**141,228**	145,191
Depreciation	**32,625**	**32,625**	32,625
Interest	**6,999**	**338**	940
	2,100,546	**1,930,065**	1,848,950
Loss from operations	**(1,342,232)**	**(1,264,067)**	(1,359,673)
Other			
Grant from the Province of Manitoba	**19,777**	**20,711**	19,410
Grant from The City of Winnipeg (Note 8)	**1,100,000**	**1,100,000**	1,250,000
NET LOSS FOR THE YEAR	**(222,455)**	**(143,356)**	(90,263)
DEFICIT, BEGINNING OF YEAR	**(418,802)**	**(418,802)**	(328,539)
DEFICIT, END OF THE YEAR	**$ (641,257)**	**$ (562,158)**	$ (418,802)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the year ended December 31

	2003	2002
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	**$ (143,356)**	$ (90,263)
Non-cash items related to operations		
Depreciation	**32,625**	32,625
Retirement allowance	**4,000**	24,000
Working capital from operations	**(106,731)**	(33,638)
Net change in working capital other than cash assets	**258,763**	29,233
	152,032	(4,405)
FINANCING		
(Decrease) increase in Due to City of Winnipeg - Idea Bank Reserve	**(125,000)**	75,000
Increase in Due from City of Winnipeg	**(14,743)**	(68,491)
	(139,743)	6,509
Increase in cash	**12,289**	2,104
CASH POSITION, BEGINNING OF YEAR	**3,861**	1,757
CASH POSITION, END OF YEAR	**$ 16,150**	$ 3,861

See accompanying notes to the financial statements

SUPPLEMENTARY INFORMATION

Interest paid	**$ 338**	$ 940

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

1. Description of Business

Animal Services, Special Operating Agency commenced operations on January 1, 2000. Our goals since the establishment of the agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

We have endeavoured to accomplish our goals through various programs and initiatives. This year's main initiative toward attaining financial success was to increase fines and penalties for licensing and pound by-law infractions. This effort brings the penalties in line with other major cities and also provides a real incentive for citizens to obey our pound by-laws.

2. Accounting Policies

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles. The financial statements are based on the following significant accounting policies:

Revenue Recognition

License revenues are recognized over the license validation period.

Inventory

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

Equipment

Equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the asset using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%

Financial Instruments

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Revenue Fund, accounts payable and accrued liabilities and due to City of Winnipeg - Idea Bank Reserve. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Agency's financial assets and liabilities approximates their fair value.

3. Due from City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, Animal Services does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account.

4. Accounts Receivable

	2003	2002
Trade accounts receivable	**$ 39,108**	$ 25,363
Allowance for doubtful accounts	**(7,619)**	(9,375)
	31,489	15,988
Provincial Grant	**20,711**	19,351
	$ 52,200	$ 35,339

5. Employee Benefits

(a) Vacation and overtime payable

The Agency's employees accrue vacation credits, which together with unused holidays from previous years generally become a charge to operations in the year they are earned.

(b) Retirement allowance

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation had estimated the sick leave credit liability as at December 31, 2003 at $130,000 (2002 - $126,000).

(c) Pensions

The Agency's employees are eligible for pension under the City of Winnipeg, Civic Employees' Pension Plan. The plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $56,079 (2002 - $57,469) of pension costs were allocated to Animal Services.

6. Due to City of Winnipeg - Idea Bank Reserve

The Agency has negotiated a loan of up to $500,000 from The City of Winnipeg Idea Bank Reserve. The Idea Bank Reserve interest rate on outstanding loans is prime plus one percent. The effective interest rate for the year was 3.5 % (2002 - 4.69%).

7. Related Parties

Included in Animal Services expenditures is a transfer to City of Winnipeg Civic Accommodations Fund for rent of $168,215 (2002 - $149,598) and a transfer to City of Winnipeg General Revenue Fund for administrative services of $130,000 (2002 - $130,392). Also included are lease costs of $89,960 (2002 - $78,376) to The City of Winnipeg Equipment and Material Services Fund.

8. Grant from the City of Winnipeg

This year, the general grant from The City of Winnipeg decreased by 12% or $150,000 but our revenues increased by 36% or $176,721 to help cover increasing costs. The schedule below outlines the grant monies received since 2000.

2000	$	1,250,000
2001		1,250,000
2002		1,250,000
2003		1,100,000
2004 budget (unaudited)		950,000