



Legal Services Department • Services juridiques

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File No.: A.1/2011(1))

April 6, 2011

**DELIVERED**

Fillmore Riley LLP  
1700 – 360 Main Street  
Winnipeg, Manitoba R3C 3Z3

**Attention: Robert F. Peters**

Dear Sir,

**Re: City of Winnipeg Water and Sewer Utilities (City and Regulation by the Public Utilities Board (PUB))**

---

This is in response to your letter of February 14, 2011, in which you provided a list of questions from and information required by the PUB. The following are the answers and information provided by the City of Winnipeg.

1. Please provide the segmented financial statements, with notes, and audited if available, of the City of Winnipeg's (City) Water and Waste Department as of the end of the last fiscal year. (Segmented for the water and waste water/sewer utilities if available).

**Please see attached in Tab #1.**

*Embrace the Spirit • Vivez l'esprit*

3<sup>rd</sup> Floor, 185 King Street • 185, rue King, 3<sup>e</sup> étage • Winnipeg • Manitoba R3B 1J1  
tel/tél (204) 986-7872 • fax/télec (204) 947-9155 • [www.winnipeg.ca](http://www.winnipeg.ca)

2. Please provide the projected operating statements for the City's Water and Waste Department for the current fiscal year.

**Please see attached in Tab #2.**

3. Please provide statements for the City's Water and Waste department related surplus, reserve and any special purpose reserves funds for each of the last five completed fiscal years, and projections for those surplus and reserve funds for the current fiscal year. (The statements should indicate opening balance, contributions to each of the accounts from operations and other sources – if other sources, indicate source, and amounts transferred out of reserves (indicating the purpose of the transfers), and closing balances.

**Please see attached in Tab #3.**

4. Please indicate if the financial statements (see questions 1 and 2 above) are in accordance with PSAB accounting standards or not, and, if not, what are the difference from PSAB reflected in the statements.

**The financial statements are in accordance with PSAB accounting standards.**

5. Please indicate the cost and accumulated depreciation of the tangible capital assets of the city's Water and Waste Department (water and waste water operations as of the end of the last fiscal year). Please breakdown the assets and deprecation by major category, and indicate what depreciation rate is used – over how many years the assets are to be amortized.

**Please see attached in Tab #5.**

6. Please indicate any borrowings (by way of bonds, debentures, term loans or lines of credit) outstanding as of the end of the last fiscal year related to the City's Water and Waste Department. (Please indicate maturity dates, average interest rates by maturity date and annual servicing cost by maturity date).

**Please see attached in Tab #6.**

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7. Please provide the most recent available forecasts for the City Water and Waste Department's financial operations for the next five years, indicating transfers into our out of operations to reserves or the City's General Revenue Fund.

**Please see attached in Tab #2.**

8. Please provide the most recent forecast of capital expenditures for the City's Water and Waste Department for the Waterworks System and Sewage Disposal System for the next five years, indicating the projected sources of funding for such expenditures (senior government grants, City property and/or reserves, debentures or other borrowings, and from operations rate supported debt).

**Please see attached in Tab #8.**

14. Please provide the current detailed rate schedule and rates for the City's Water and Waste Department for water and wastewater operations.

**Please see attached in Tab #14.**

15. Please provide the latest rate review of the Water and Waste Department and indicate whether the review was conducted by internal staff or outside consultants.

**The 2011 rate report attached in Tab #15 was approved by Council on December 15, 2010. It was conducted by internal staff.**

19. Please detail the City's current water and sewer rate setting methodology for i) residential, ii) commercial, iii) institutional and iv) industrial customers, together with Revenue to Cost Coverage ratio.

**Please see attached in Tab #19.**

21. Please provide the number of water service disconnections and reconnections in the last completed fiscal year, and the schedule of charges for disconnection and reconnections.

**Please see attached in Tab #21.**

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22. Please indicate accounts receivable from Water and Waste department customers as of the end of the last completed fiscal year, and the percentage of accounts, as to number of accounts and dollars outstanding, that are delinquent by 60 days or more.

**Please see attached in Tab #22.**

24. Please provide the supporting material provided to Council with respect to the latest rate and fee changes adopted by Council with respect to the Water and waste Department and its services.

**Please see attached in Tab #19.**

25. Please provide a copy of the Deloitte's Proof of Concept report respecting a 'Utility Corporation'.

**Please see attached in Tab #25.**

26. Please provide the City's rationale for pursuing a 'Utility Corporation' model for its water and sewer utilities.

**Please see attached in Tab #26.**

28. With the City no longer pursuing the 'Utility Corporation model, please explain how the City now plans to deliver the wastewater capital project needed to comply with the City's new environmental licence.

**Please see attached in Tab #28.**

29. What role, if any, will the City's former 'Strategic Partner' have in the i) design, ii) construction, iii) financing/equity and iv) operation of the wastewater capital projects needed to comply with the City's new environmental licence?

**Please see attached in Tab #28.**

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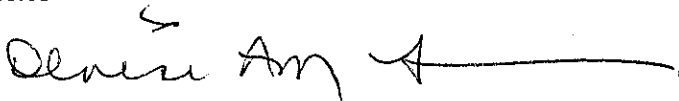
With respect to the remaining questions, I regret to advise that I have no authority to provide the answers and information sought.

Please feel free to contact me should you require clarification in respect of any of the matters herein.

Yours truly,

**LEONARD E. STRIJACK**  
Director of Legal Services and  
City Solicitor

Per:

A handwritten signature in black ink, appearing to read "Denise A. M. Pambrun", with a long horizontal line extending to the right.

**DENISE A. M. PAMBRUN**  
Solicitor  
DAMP/ki  
Enclosures

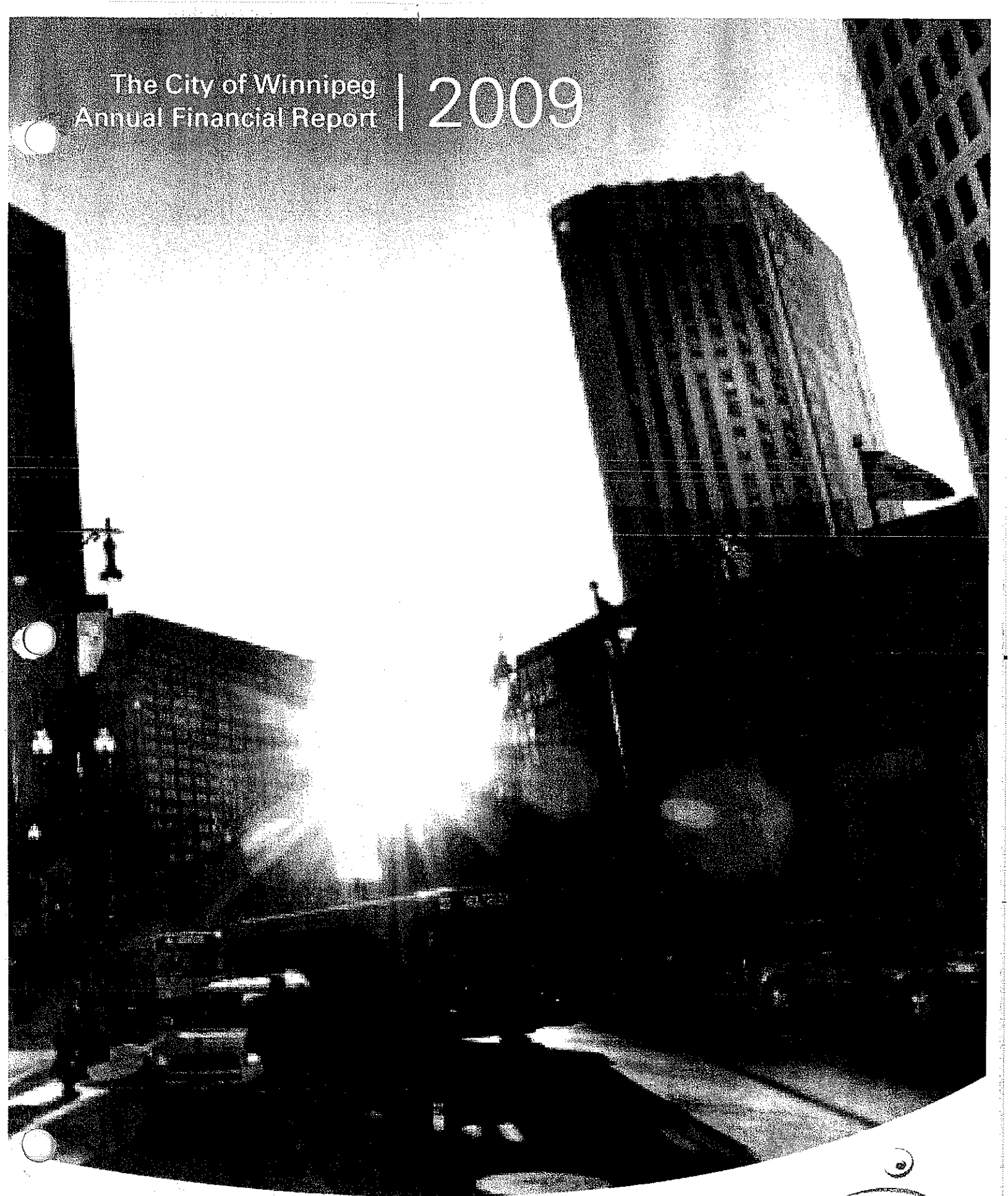
c.c. Mr. Michael Ruta, Acting CAO  
Ms. Moira Geer, Acting CFO

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The City of Winnipeg | 2009  
Annual Financial Report









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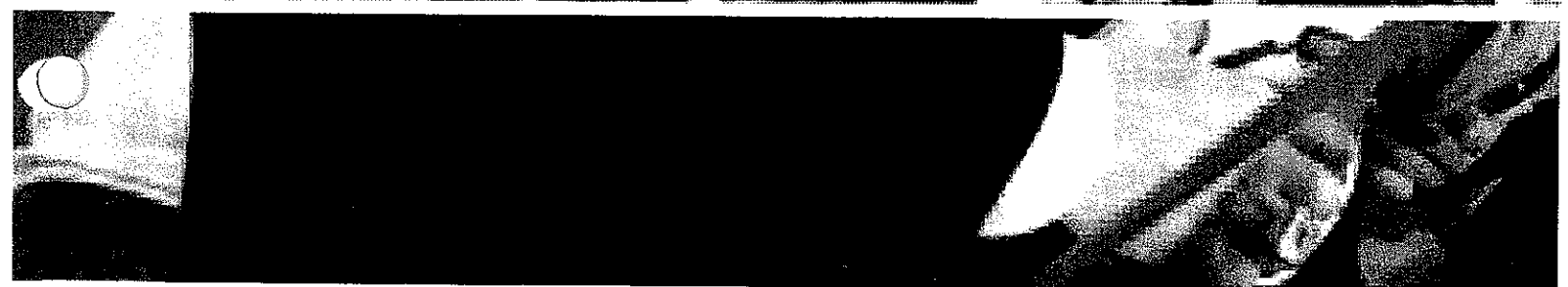
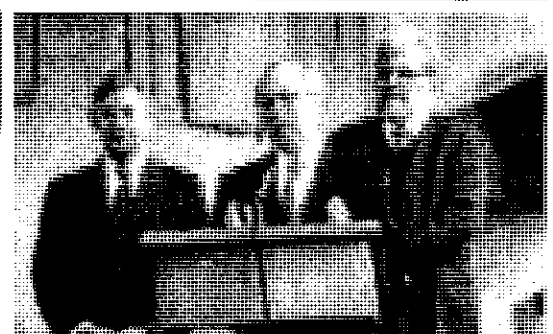
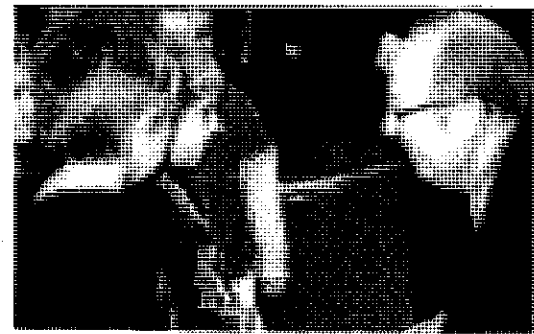
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## Message from the Mayor



As Mayor, on behalf of the City of Winnipeg, it is my pleasure to present to you the 2009 Annual Report.

Throughout 2009, Winnipeg experienced a steady economic hold during an economic downturn felt around the globe. No city was immune to a national recession, and we felt the

side effects right here in Winnipeg. But the experience allowed us to seize new and alternative opportunities that have contributed to our continued growth and investment during an international economic storm. I am proud of the work we have done here at City Hall – as Mayor and Council and our dedicated Public Service – to collectively seize our momentum and grow our City of opportunity and remain focused on the priorities of our citizens.

Winnipeg City Council has ensured that the safety and well-being of our citizens remained a priority at City Hall throughout 2009. We will continue to advance public safety, deliver innovative solutions to challenges and work together to continue providing the men and women of the Winnipeg Police Service and our Fire and Paramedic Service with the tools they need to protect and serve our citizens.

Over the past year we have continued to reinvest in our crumbling infrastructure. Winnipeg's streets and bridges saw an increased investment of 450 per cent over the last six years as well as new investments toward trails and pathways for our Active Transportation network city-wide.

As we move forward in 2010, we will continue to meet challenges head on and seek out innovative ways to keep Winnipeg sustainable, competitive, and investment-friendly.

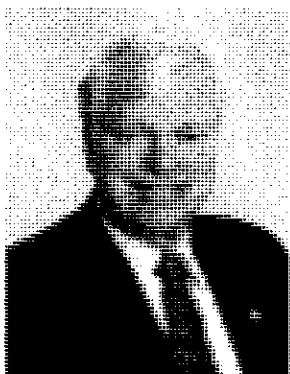
Public safety remains a top priority of investment; neighbourhood safety and crime prevention strategies are key components in making Winnipeg a safer city; and our infrastructure – transportation as well as recreational – will continue to improve and reach a level of quality that taxpayers deserve. The City of Winnipeg, as an organization, will continue to evolve and meet the expectations of our citizens on the services we deliver.

I want to thank all our City Councillors and members of the Public Service for their input and hard work in making Winnipeg a great place to live, work, play and invest in. As we continue to plan for the future, I remain positive on our City's outlook and look forward to harnessing our potential as we build on our momentum in 2010.



Sam Katz, Mayor of the City of Winnipeg

## Message from the Chief Administrative Officer



As a Public Service, our goal is always excellence – in planning, management, and service provision – to advance our Mayor and Council's vision, and support citizens as they pursue their dreams for our community.

In 2009, Winnipeg showed its resilience in the face of the world economic downturn. During this period, employment continued to rise, and the Conference Board of Canada predicts economic growth, employment expansion, and population growth for 2010.

This resilience is the product of a diverse economy, an innovative business community, and a highly-skilled and hard-working labour force. As a City organization, we have been working to support Winnipeg's economic health by making the best possible use of the resources entrusted to us.

In their most recent updates at the opening of 2010, Standard & Poor's and Moody's Investors Service once again reaffirmed Winnipeg's credit rating, at AA stable and Aa1 stable, respectively. Effective budgeting techniques and strong fiscal discipline were cited as key factors in our current ratings, and this discipline continues.

Winnipeg now has lower per capita operating costs than most major Canadian cities; we have kept costs down by focusing on priorities like public safety and infrastructure,

while keeping a tight rein on administrative costs. We are always looking for economies: in 2009 a consolidation of internal services at the civic campus saved the City \$1 million.

We'll keep looking for savings, because providing the best value for money possible is critical.

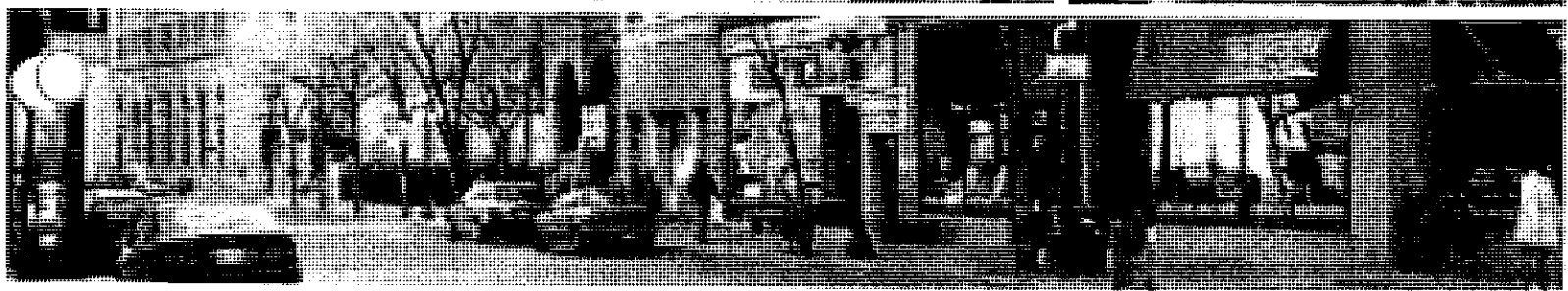
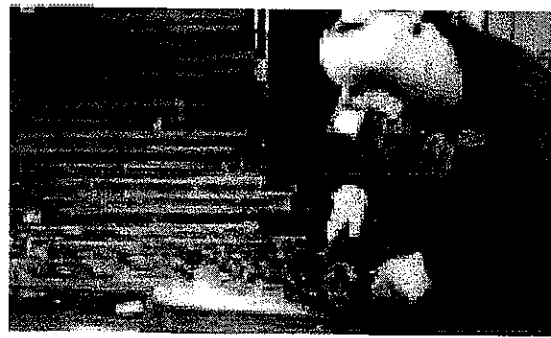
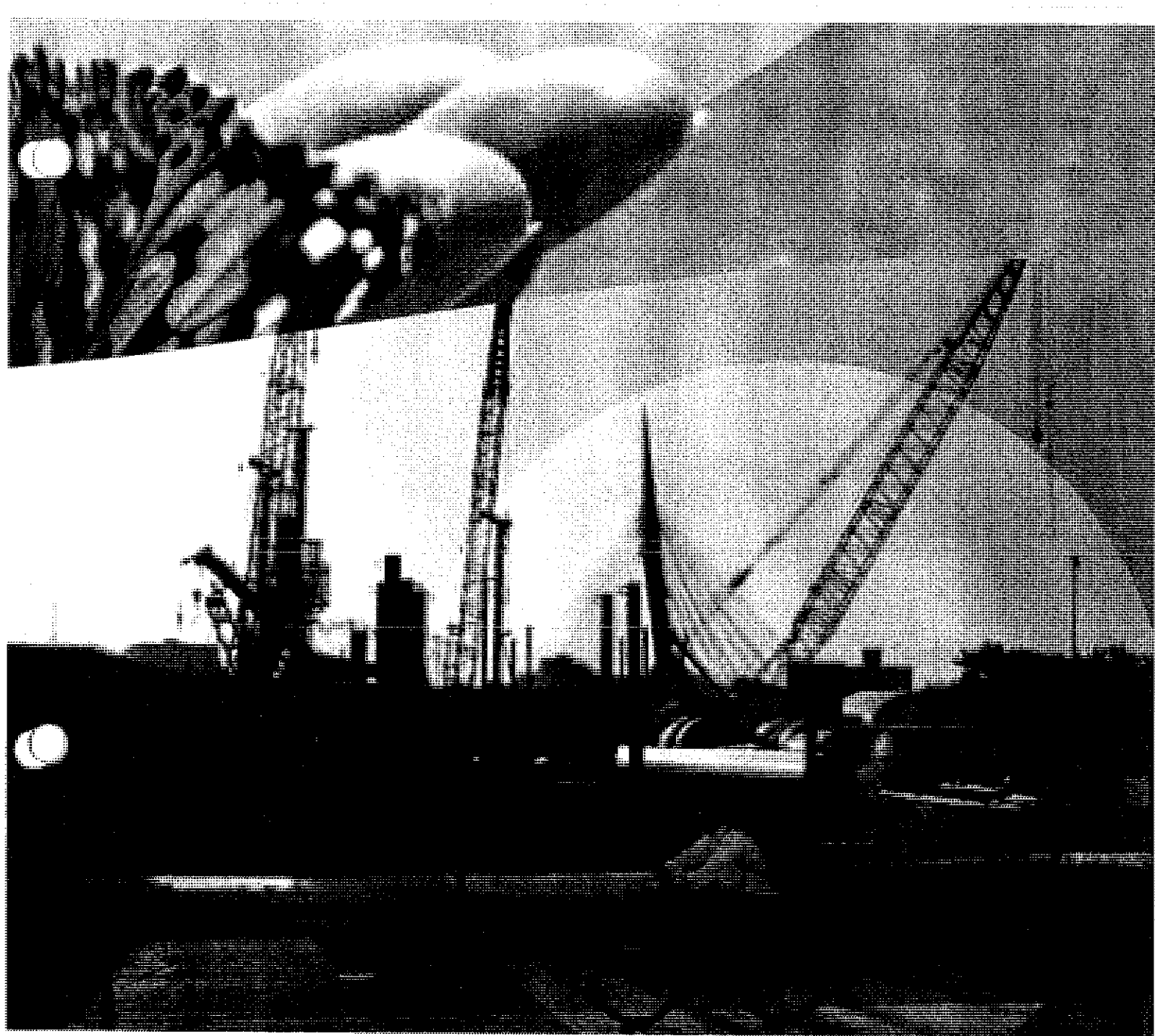
At the same time, we know that the bottom line for citizens is great service, and we take pride in providing it: on their doorsteps; on city streets; at parks, pools, libraries, and offices – and increasingly, online as well. And we are always looking for ways to improve and serve people better.

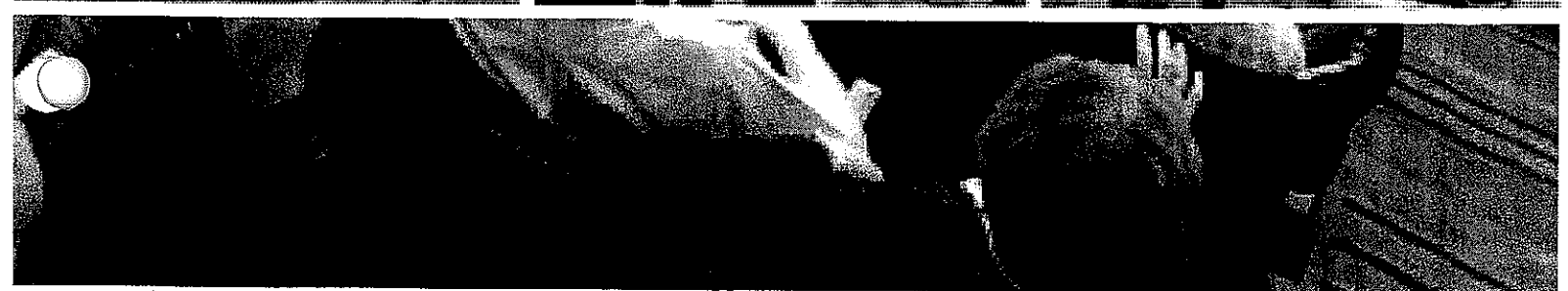
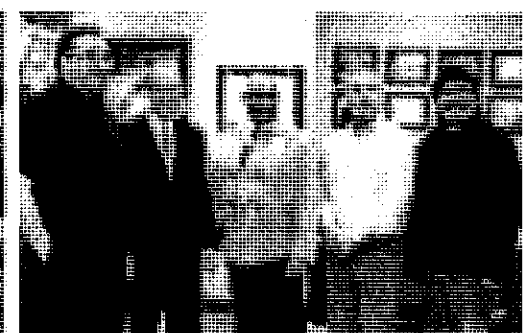
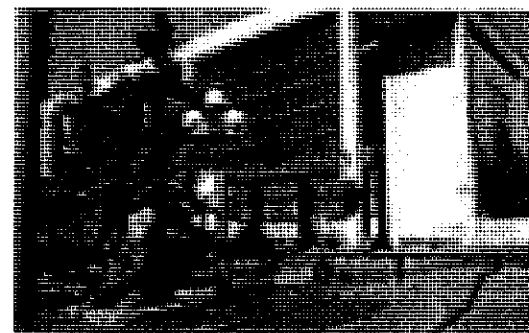
Over the past year, the Public Service has been working all-out, engaging in a direct discussion with citizens about their ideas for the development of a new civic plan. Our **Winnipeg**. It has been a conversation of unprecedented scale and depth; we've directly consulted over 42,000 Winnipeggers, and had over 8.5 million hits on our website.

We are confident that these discussions, along with the feedback we receive from Winnipeggers every day, will help us raise our game and improve our focus and performance. We look forward to meeting the challenge.

A handwritten signature in black ink, appearing to read 'Glen Laubenstein'. The signature is stylized and cursive.

Glen Laubenstein, Chief Administrative Officer





# 12<sup>th</sup> Council of the City of Winnipeg

## Members & Appointments (for 2009)

### Mayor Sam Katz

Chairperson, Executive Policy Committee  
Secretary of Urban Aboriginal Opportunities  
(commencing November 5, 2008)  
(name change to Urban Aboriginal Affairs  
on November 4, 2009)  
Secretary of Intergovernmental Affairs  
(commencing November 4, 2009)

### Jeff Browaty

NORTH KILDONAN WARD  
Youth Ambassador  
Councillor responsible for the Kansas City Economic  
Partnership (commencing November 5, 2008)  
Chairperson, Alternate Service Delivery (ASD)  
Committee (commencing September 8, 2009)

### Bill Clement

CHARLESWOOD — TUXEDO WARD  
Chairperson, Standing Policy Committee  
on Infrastructure Renewal and Public Works

### Scott Fielding

ST. JAMES — BROOKLANDS WARD  
Chairperson, Standing Policy Committee  
on Property and Development  
(commencing November 5, 2008 until November 4, 2009)  
Chairperson, Standing Policy Committee  
on Finance (commencing November 4, 2009)

### Jenny Gerbasi

FORT ROUGE — EAST FORT GARRY WARD  
Chairperson, Mayor's Environmental  
Advisory Committee (until February 2009)

### Harry Lazarenko

MYNARSKI WARD  
Speaker of Council  
Chairperson, Secretariat Committee  
Chairperson, Riverbank Management Committee

### John Oriikow

RIVER HEIGHTS — FORT GARRY WARD  
(commencing March 25, 2009)

### Grant Nordman

ST. CHARLES WARD  
Chairperson, Seniors Advisory Committee  
Councillor responsible for Assiniboine Park  
Governance (commencing November 5, 2008)  
Councillor responsible for Corporate  
Sponsorship (commencing November 5, 2008)  
Deputy Speaker (commencing September 30, 2009)

### Mike O'Shaughnessy

OLD KILDONAN WARD  
Deputy Speaker (commencing  
November 5, 2008 until September 8, 2009)  
Secretary, Strategic Infrastructure Renewal  
(commencing September 8, 2009)

### Michael Pagtakhan

POINT DOUGLAS WARD  
Chairperson, Standing Policy Committee  
on Downtown Development  
(commencing November 5, 2008 until November 4, 2009)  
Chairperson, Winnipeg Housing  
Steering Committee  
Chairperson, Standing Policy Committee  
on Protection and Community Services  
(commencing November 4, 2009)

### Harvey Smith

DANIEL MCINTYRE WARD

### Gord Steeves

ST. VITAL WARD  
Acting Deputy Mayor  
Chairperson, Standing Policy Committee  
on Protection and Community Services  
(until November 4, 2009)  
Secretary of Intergovernmental Affairs  
(commencing November 5, 2008 until November 4, 2009)  
Chairperson, Standing Policy Committee  
on Property and Development  
(commencing November 4, 2009)

### Justin Swandel

ST. NORBERT WARD  
Deputy Mayor  
Chairperson, Standing Policy Committee  
on Finance (commencing November 5, 2008  
until November 4, 2009)  
Chairperson, Alternate Service Delivery (ASD)  
Committee (until September 8, 2009)  
Chairperson, Standing Policy Committee  
on Downtown Development  
(commencing November 4, 2009)

### Lillian Thomas

ELMWOOD — EAST KILDONAN WARD

### Daniel Vandal

ST. BOMFACE WARD

### Russ Wyatt

TRANSCONA WARD  
Co-Chairperson, Mayor's Environmental  
Advisory Committee (commencing February 2009)  
Secretary, Strategic Infrastructure  
Renewal (commencing November 5, 2008  
until September 8, 2009)

## 2009 Senior Administrators

### Glen Laubenstein

Chief Administrative Officer

### Alex Robinson

Deputy Chief Administrative Officer

### Mike Ruta

Deputy Chief Administrative Officer/  
Chief Financial Officer

### Phil Sheegh

Deputy Chief Administrative Officer

### Linda Black

Director, Corporate Support Services

### Jim Brennan

Chief, Winnipeg Fire Paramedic Service

### Deepak Joshi

Director, Planning, Property and Development

### Barry MacBride

Director, Water and Waste

### Keith McCaskill

Chief, Winnipeg Police Service

### Brad Sacher

Director, Public Works

### Dave Wardrop

Director, Winnipeg Transit

### Clive Wightman

Director, Community Services

### Richard Kachur

City Clerk

### Brian Whiteside

City Auditor

(Acting City Auditor until November 25, 2009)

# Winnipeg and its Economy

## Diverse, Vibrant and Culturally Rich

In the heart of the continent and geographic centre of Canada, Winnipeg is home to a vibrant, diverse economy and population. As the economic engine and capital city of the province of Manitoba, Winnipeg has a population of 675,100, is home to 55 per cent of Manitoba residents, and is the seventh-largest city municipality in Canada.

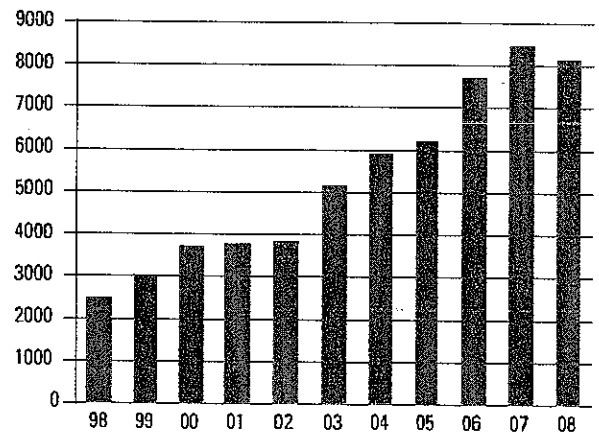
Described as the "cultural cradle of Canada," Winnipeg offers a variety of arts, culture, sports, recreation and entertainment to satisfy every taste. A four-season city, Winnipeg celebrates a rich colourful history through many historic sites, exhibits, attractions and yearly festivals.

Winnipeg is characterized as having one of the most diverse economies in Canada, which allows the City to experience consistent and steady growth, in the face of unexpected economic downturns. **In comparing the economic diversities of the largest cities in the country, the Conference Board of Canada rates Winnipeg's index at 0.91 out of 1.00, with the average of major cities at 0.82.** The year 2009 saw the economy across North America take a hard hit, yet despite a 2.5 per cent decline to the national economy, Winnipeg weathered the downturn well, experiencing only a 0.5 per cent decline.

Winnipeg is a city that is vibrant and friendly, proud of its rich history and heritage, where people from around the world unite to live, work and play together. An ideal place for people of all ages and nationalities, the City offers affordable housing, an abundance of office and industrial space, low unemployment rates, manageable traffic volumes, and a diverse economy.

\* (Source: Destination Winnipeg)

## RECENT IMMIGRATION TO WINNIPEG



Source: Citizenship and Immigration Canada, Immigration Overview: Facts and Figures 2008

## 2008 IMMIGRATION

TOP 7 CITY REGIONS	
CENSUS METROPOLITAN AREA (CMA'S)	
Toronto	86,929
Montreal	38,884
Vancouver	37,375
Calgary	13,034
<b>Winnipeg</b>	<b>8,114</b>
Edmonton	7,507
Ottawa	6,285
80%	198,128
<b>Total Canada</b>	<b>247,243</b>

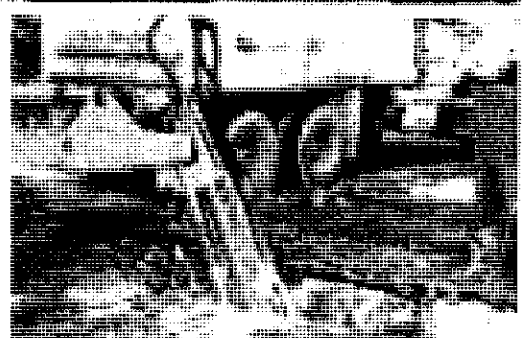
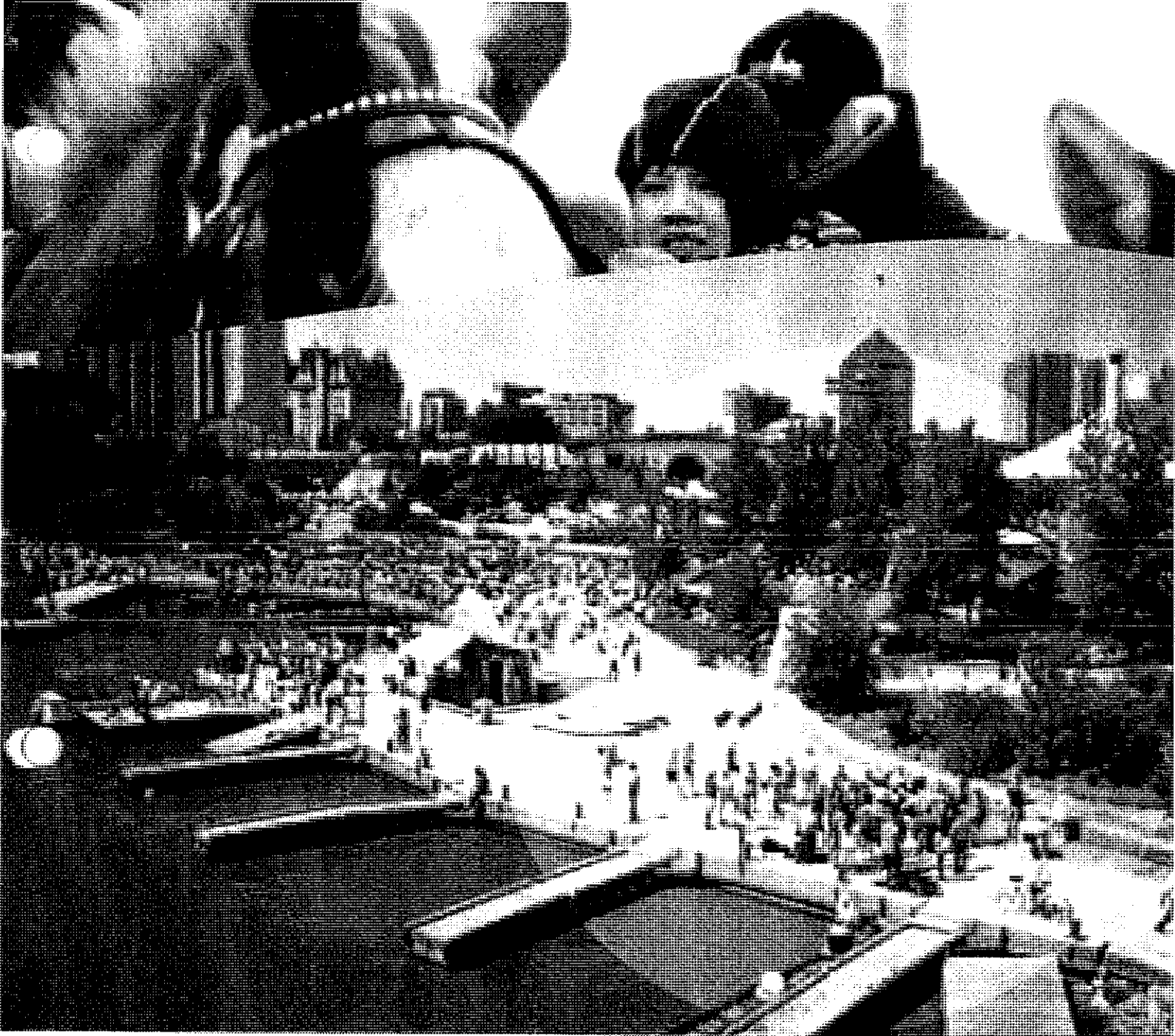
Source: Citizenship and Immigration Canada, Immigration Overview, Facts and Figures 2008

## TO WINNIPEG

Philippines	2,511
India	1,123
China	688
Israel	416
Korea	379
Ethiopia	238
Germany	194
U.S.A.	165
Nigeria	156
Sudan	140

Source: Manitoba Immigration Facts - 2008





## Population Growth

Over the last decade (1999–2009), Winnipeg's population, which presently stands at 675,100, has grown by 44,000 or seven per cent.

Winnipeg continues to experience modest population growth relative to other large Canadian cities. The population growth is largely due to immigration. In 2008, total provincial immigration reached just over 8,100 people. Historically, Winnipeg is destination to about 75 per cent of immigrants to Manitoba.

## Housing Demand Rise Forecasted

Winnipeg's housing starts moderated in 2009 to 1,811 units; however, they are expected to pick up in 2010 and then reach 3,000 units by 2012. A population increase over the next 22 years is forecasted at approximately 177,000 people, and as such the demand for housing is anticipated to continue. Over the last decade, since 2000, Winnipeg's average resale house price has increased 133 per cent. This means the average house price has more than doubled in value over the last ten years.

Property taxes remain in the low range compared to other Canadian Cities.

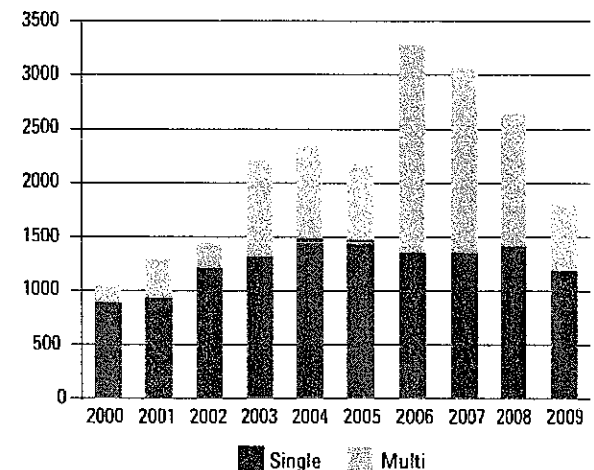
\*Winnipeg's property tax ranking out of 14 large cities for the average house:

- **3rd lowest for Municipal property taxes only**
- **3rd lowest for total property tax bill and utilities\***

Total owner costs include municipal taxes, school taxes, municipality-charged utilities and other utilities

\* (Source: City of Edmonton 2009 residential property taxes and utility charges survey)

## CONSTRUCTION OF DWELLING UNITS IN WINNIPEG



Source: City of Winnipeg, Planning, Property and Development Dept.

## Economic Indicators

Winnipeg's Gross Domestic Product (GDP) in 2009: \$25.0 billion (2002 dollars)

The Winnipeg region has 55 per cent of Manitoba's population and generates 64 per cent of the province's total economic output.

- **Building permit values in 2009: \$1.111 billion**
- **Labour Force: 418,000**

### VALUE OF BUILDING PERMITS (\$ MILLIONS) CITY OF WINNIPEG

	2005	2006	2007	2008	2009
Residential	\$ 337	\$ 445	\$ 449	\$ 511	\$ 414
Non-Residential	319	404	394	542	697
<b>Total</b>	<b>\$ 656</b>	<b>\$ 849</b>	<b>\$ 843</b>	<b>\$1,053</b>	<b>\$1,111</b>

Source: City of Winnipeg, Planning, Property and Development Dept.



## Major Economic Strengths Gross Domestic Product

Winnipeg's 0.5 per cent GDP shrinkage in 2009 was the first in 18 years, but remained less than Canada's. A stabilizing manufacturing sector and an improved outlook for most industries suggests a healthy 2.2 per cent GDP advance in 2010. Winnipeg is expected to bounce back with a predicted 2.8 per cent gain between 2010 and 2013.

(Source: Conference Board of Canada)

## Labour Market

Winnipeg's labour force grew by one per cent in 2009 and the employment rate remained stable. The City's average unemployment rate surpassed that of the national average at 5.4 per cent. Job growth is expected to remain modest in 2010, but even slight employment increases will fuel persistent population growth in housing starts.

Winnipeg's mature and stable economy will serve as a foundation for steady population growth over the medium term (2009-11).

In the long term, Winnipeg's labour force is expected to undergo major changes, partly due to the aging population. Fortunately, the Conference Board of Canada forecasts Winnipeg will experience increasing immigration - reaching nearly 11,000 immigrants annually by 2020. Thanks to the Province of Manitoba's successful immigration policy over the past decade, immigration is expected to continue over the long term, which will help feed and support the city's labour force growth.

While Winnipeg's manufacturing sector is recovering from an 11.4 per cent output drop due to the economic slow-

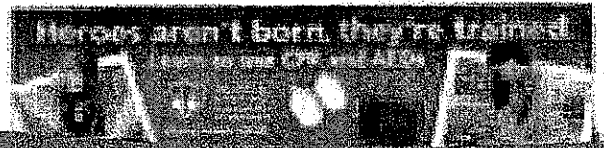
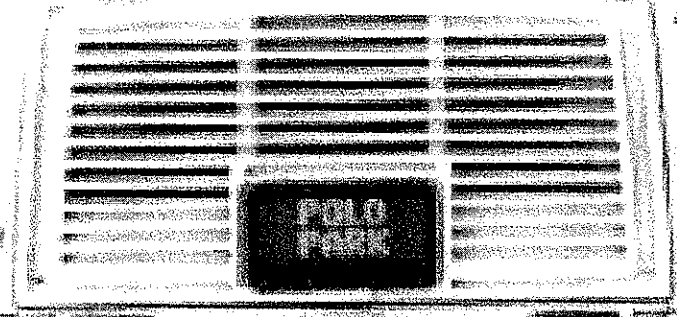
down and the US/Canadian currencies being at or near par in 2009, local manufacturing output growth is pegged at 2.5 per cent in 2010 and is forecast to rise to 3.4 per cent annually from 2012 to 2014. Overall, the industry is expected to keep generating high-paying quality jobs and stabilize over the next few years.

## Investment and Major Construction Projects

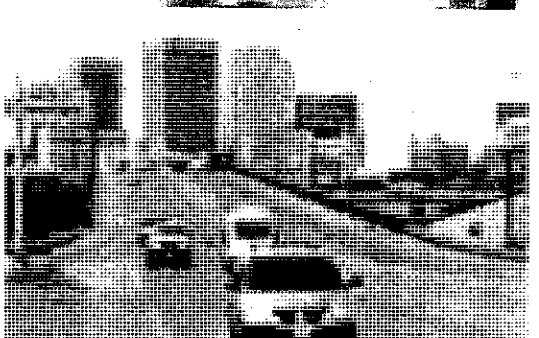
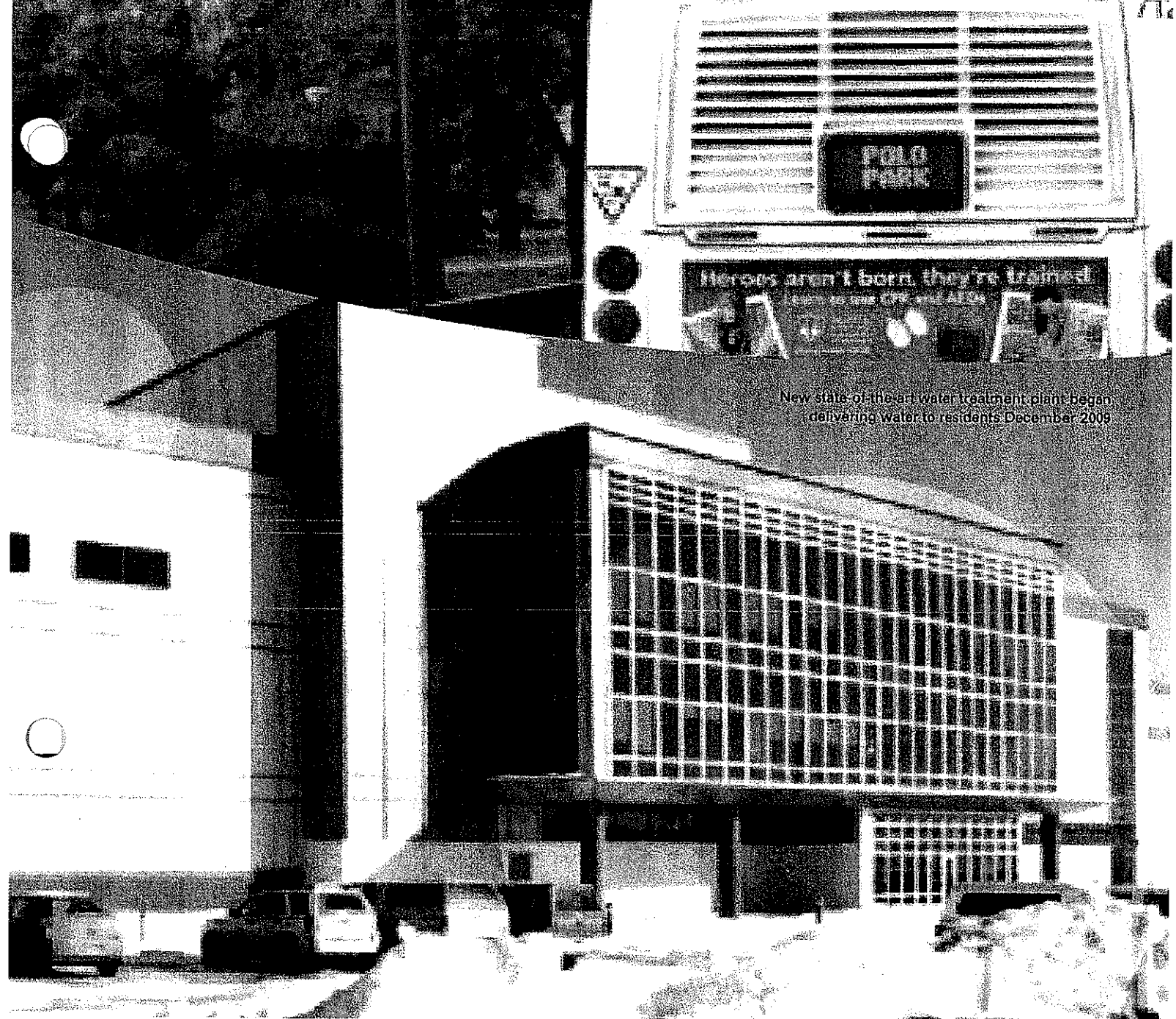
On the heels of remarkable double-digit growth in three out of the past four years, Winnipeg's construction sector is expected to decrease slightly over the next two years. While the forecast predicts a slight dip of 2.2 per cent in 2010 and 0.5 per cent in 2011, growth is expected to rebound again in 2012 and average 3.7 per cent in 2012 to 2014.

Construction and land assembly are in progress for the \$138 million first phase of the **Southwest Rapid Transit Corridor**, connecting the downtown to the University of Manitoba. **Road upgrades in Waverley West** and the **expanding Winnipeg Active Transportation network** are featured in the upcoming year. Longer term projects include the \$195 million **Disraeli Bridges Project** which will see entirely new bridges built with construction beginning in 2011. The existing bridge piers will be transformed into a separate Active Transportation bridge alongside the new freeway. Construction of a new \$137.5 million **football stadium** to be located at the University of Manitoba will also get underway in the coming year.

(Source: Conference Board of Canada, Metropolitan Outlook - Spring 2010)



New state-of-the-art water treatment plant began delivering water to residents December 2009



Fast Heavy Traffic Bridges  
Published online 12/15/2009 at 11:00 AM



# Service Highlights

## Infrastructure Investments

### State-of-the-Art Drinking Water Treatment Plant – The ‘Toast’ of Our Community

After 10 years of planning and four years of construction, Winnipeg’s new state-of-the-art \$300 million drinking water treatment plant began delivering treated water to residents in December 2009. Located at Deacon Reservoir just east of Winnipeg, the drinking water treatment plant is the largest infrastructure project undertaken so far by the City of Winnipeg. The plant protects public health by virtually eliminating the risk of waterborne disease, reducing disinfection by-products, and meeting increasingly strict Canadian drinking water quality guidelines.

### Rehabilitation of the Fort Garry Twin Bridges Completed

The rehabilitation of the Fort Garry Twin Bridges was completed in 2009. The work undertaken will extend the life of these bridges an additional 50 years. The westbound bridge was widened to accommodate a third lane of traffic. The eastbound bridge incorporated an active transportation pathway and was tied into the Bishop Grandin Greenway.

### Traffic Signal Enhancement Program

Public Works deployed new traffic signal timing plans along St. Anne’s Road, St. Mary’s Road and Portage Avenue. A new wireless communication network was installed which involved eight 50 foot towers with a 30 km wireless path and was completed in December 2009. A new Traffic Signals Management System was brought online which communicates with and monitors traffic controllers via wired and wireless communications on Kenaston Boulevard, Lagimodiere Boulevard and sections of Regent Avenue.

Based on information collected from similar traffic signal timing plans developed along Kenaston, Lagimodiere and portions of Regent Ave in 2008, improvements on those routes have resulted in a reduction of approximately five minutes of driving time per motorist in peak times, as well as increasing the flow of traffic by reducing the number of stops for motorists. An improvement in traffic flow was also noted during non-peak times.

### Southdale Roundabout Retrofit

The Public Works Department used “out-of-the-box” thinking to address increased traffic congestion at the intersection of Lakewood Boulevard and Beaverhill Boulevard – a traffic roundabout was designed and constructed. This retrofit is the first time that a traffic roundabout was applied to an existing intersection in Winnipeg. The project will serve as a model for future retrofits, providing a space-conscious solution and improved neighbourhood aesthetics. Developing an intersection into a roundabout also reduces fuel consumption, air pollution and noise pollution as compared to a traditional signalized or stop sign-controlled intersection due to fewer vehicle stoppages.

### Water Main Repairs at Record 35-year Low

The number of water main repairs has been declining since a record high in 1983 of 2,549 repairs. The all-time low number of 433 repairs in 2009 can be attributed to:

- An increased long-term commitment to water main renewals
- Reduced inventory of cast iron water mains (which have the highest occurrence of breaks)
- A more rigorous water main selection process
- Favourable weather conditions

Phase One of Central Park improvements included a four surf field, landscaping, sand and water play structure, slide hill, market area and lighting.

### Disraeli Bridges Project

Following approval by Council in September 2008, plans for the \$195 million Disraeli Bridges Project moved forward in 2009. The design concept features four vehicular lanes that include two shared vehicle and cyclist curb lanes, one sidewalk (on the east side) and a separate cycling/pedestrian bridge.

Stakeholder involvement in planning the location, routing, connections and design criteria for the separated pedestrian/cycling crossing followed. In February, the Collaborative Planning Working Group, comprised of affected and interested stakeholders and the neighbouring Elmwood and Point Douglas communities, was established to work with City representatives to identify options for locating the crossing and connections leading to and from the crossing and design criteria. The Disraeli Bridges Project road system is approximately two kilometres in length. Design will begin in 2010 and river bridge construction in early 2011.

### Southwest Rapid Transit Corridor

Construction on Stage One of the Southwest Rapid Transit Corridor began in 2009, following Council approval in October 2008. This corridor will improve the speed and reliability of transit service by allowing transit vehicles to bypass traffic congestion. Construction is expected to be completed by 2012 at an estimated cost of \$138 million.

### Community and Recreation Facilities Redeveloped

A number of community recreation and leisure facility redevelopment projects were advanced in 2009. These include: Valour Community Centre, formerly Isaac Brock Community Centre; North Centennial Recreation and Leisure Facility; Bronx Park Community Centre – the new home of the Good Neighbours Active Living Centre (formerly the Good Neighbours Senior Centre); and

Norberry-Glenlee Community Centre. These projects are delivered through the \$43 million Recreation and Leisure Infrastructure Program with funding from the federal and provincial governments and The City of Winnipeg.

### Downtown Parks Revitalized

#### Old Market Square Park

Coordinated through the Planning, Property and Development and Public Works Departments, the redevelopment of the park included a new sunken event lawn amphitheatre; tree planters with seating, floral plantings and up-lighting; a circular patio and integration of new tree vaults and pavement with King Street and Bannatyne Avenue.

Phase 2 of the project sees the redevelopment of the stage which will serve as a performance venue and become the focal point of the Old Market Square neighbourhood park.


The stage is scheduled for completion in June 2010.

The project was funded through a partnership with the Winnipeg Foundation which provided \$500,000, the Cultural Spaces Canada Program grant of \$250,000, CentreVenture which contributed \$200,000 and the Planning, Property and Development Department Downtown Enhancements budget which provided \$300,000, for a total project budget of \$1.25 million.

#### Central Park

Following Council approval in July 2008, the first phase of this \$5.5 million project included the installation of a turf field (flooded in winter to use as a skating rink), market area, sand and water play structure, slide hill, landscaping and park lighting. Additional capital improvements are scheduled for 2010, including construction of the park's south end, a water park and new park building and canopy.

Funding for the project came through a partnership with CentreVenture contributing \$1,311,011, the Province of Manitoba, The City of Winnipeg and the Gray Family



each contributing \$1 million, a \$500,000 contribution from the Winnipeg Foundation, \$150,000 from the Richardson Foundation, and a contribution from the Recreation Infrastructure Canada program which provided \$538,989.

## Environment and Sustainability

### The Mayor's Symposium on Sustainability and OurWinnipeg Launch

The Mayor's April 2009 Symposium on Sustainability brought together more than 250 delegates including individual citizens, representatives of community organizations, and a panel of invited speakers to share their views on what a sustainable Winnipeg should look like. The Symposium served as the official launch of the City of Winnipeg's OurWinnipeg Initiative – a year long planning and public consultation process to develop a new official plan for the City of Winnipeg.

OurWinnipeg's online interactive home – [www.speakupwinnipeg.com](http://www.speakupwinnipeg.com) – provides citizens the opportunity to post comments, participate in polls, share videos of their vision for the City's future, and serves as a way for the City to share its research and report back to Winnipeggers.

### Improvements to Active Transportation

Accomplishments in 2009 to the City's Active Transportation network included:

- Publishing the Winnipeg Cycling Map in print form and online
- Expanding the downtown bike lane program
- Conducting the OttoCycle GPS Cycle Route Study with the Centre for Sustainable Transportation to map routes currently used by cyclists
- Developing and partially funding Trail Head Signage for marking community multi-use pathways in partnership with the Winnipeg Trails Association

In addition, in December 2009, Council approved \$20.4 million in capital funding to support an extensive Active Transportation network throughout the City. Funding was made available under the new Infrastructure Stimulus Fund, part of Canada's Economic Action Plan, and comes from the three levels of government (the City, Province and Federal governments each contributing one-third, or \$6.8 million). The program involves the creation of 35 projects throughout the city in 2010. Projects range from multi-use pathways to bike boulevards.

### Winnipeg's First Giveaway Weekend

September 26 and 27 was Winnipeg's first giveaway weekend. Residents were invited to place their unwanted household items at the curb on their front lawn. Everyone was then welcome to cruise the curbs and shop for free. Bargain-lovers scooped up treasures such as air conditioners, gas-powered scooters, furniture, exercise equipment, toys, bicycles, and appliances. Giveaway weekends are planned for May and September 2010.

## Safety and Emergency Response

### District Model for Medical Supervisors

Winnipeg has developed a district model for Medical Supervisors. The object is to provide support, in-service and ensure quality assurance to both the Ambulance-based paramedics and the Fire-based paramedics. Having a district offers the opportunity for the Medical Supervisor to become familiar with the staff in his/her district. They can then identify and provide the support and education needed to help maintain the high standards expected by the Paramedic profession.

## 2009 – The Year of the Ice Flood

Winnipeg was faced with a challenging and unique set of circumstances in the spring of 2009 to protect Winnipeg properties from river flooding – first from ice jams and then from higher than expected water levels on our rivers and streams. Once the ice cleared out of the city, the crest from the Red River south of the border coincided with local runoff, causing the fourth-largest flood on record and only two feet below the 1997 peak. For a four-week period City staff worked tirelessly in protecting Winnipeg citizens from floodwaters.

The Public Works Department worked closely with the Water and Waste Department to protect approximately 200 properties that were at risk and about 650,000 sandbags were produced and delivered to support this effort.

## H1N1 Planning

The City of Winnipeg Pandemic Plan is an evolving document first introduced in January of 2008. As a Pandemic is a health-related event, the City works closely with Manitoba Health and the plan is consistent with existing provincial and federal guidelines, regulations, and directions.

With the Winnipeg Pandemic Plan in place, The City of Winnipeg was prepared to maintain all City services and address the evolving challenges if the situation warranted in 2009 when H1N1 surfaced in Winnipeg. Essential City of Winnipeg services were identified and staff redeployment plans with appropriate cross training were in place and ready to move forward if necessary. Plans for public communication were developed and City of Winnipeg staff received regular communications which encouraged appropriate health protocols for the prevention of H1N1.

### 'Flu Cars'

In the event the Winnipeg Fire Paramedic Service (WFPS) experienced a significant increase in call volume and/ or an upsurge in employee absenteeism during a pandemic, a Primary Treatment and Referral Service ('Flu Car') process was developed to respond to an increase in the number of calls for influenza-like illness (ILI). A non-emergency response unit was equipped to respond to low acuity ILI calls to conserve ambulance resources.

## MIRV (Major Incident Response Vehicle) Expands Role

Since June 2008, the MIRV has been used by WFPS as a resource sent to multiple-alarm fires, major potential multi-casualty incidents such as airport incidents, and kept on stand by at public events. In November 2009, the MIRV was implemented as a front line unit, thereby expanding its utilization capability.

This unit is now also used for bariatric transports of critical patients, multi-patient transfers between Winnipeg Regional Health Authority (WRHA) facilities, motor vehicle collisions, and relief of fire units with either multiple patients or relief of multiple fire units with single patients.

## Auxiliary Force Cadet Program

The Winnipeg Police Service laid the groundwork to establish an Auxiliary Force Cadet program during 2009. This program provides an additional employment opportunity for those interested in a career in law enforcement. It is also a new resource to build on positive relationships with the community, be visible and promote safety in areas throughout the City, as well as augmenting efficiency and effectiveness by allowing police officers to focus on core policing duties.

Auxiliary cadets will perform a variety of duties such as assisting police in pedestrian and motor vehicle accident scenes, receiving initial information and starting report-taking for minor property-related offences and motor vehicle collisions, community safety presentations and foot patrols, and attending to reports of traffic light malfunctions and parking by-law complaints.

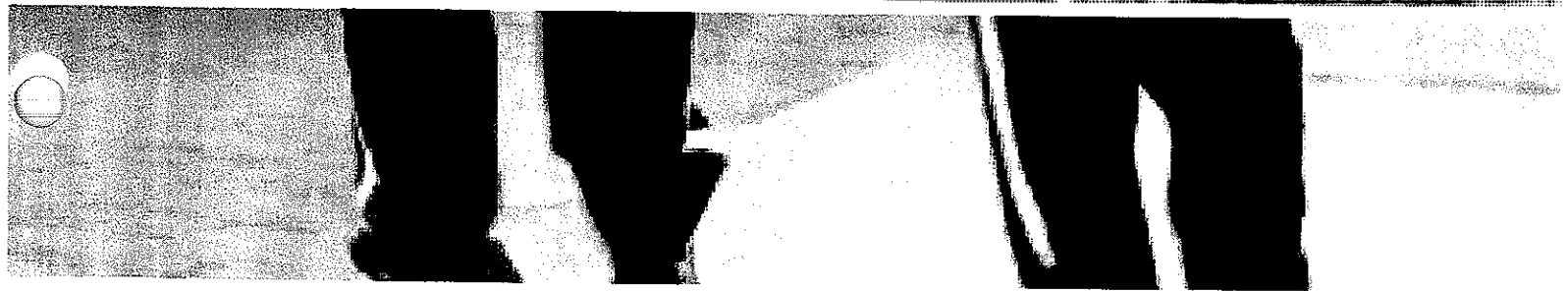
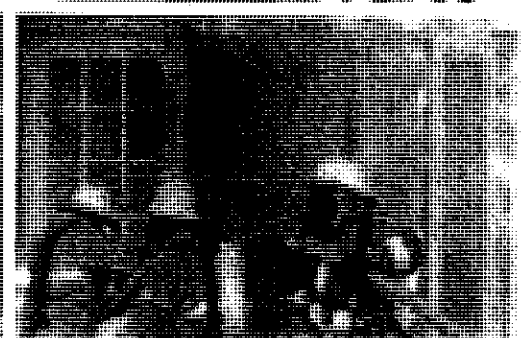
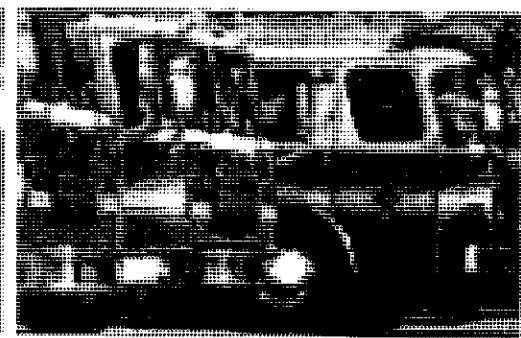
## Nurse/Paramedic at Main Street Project

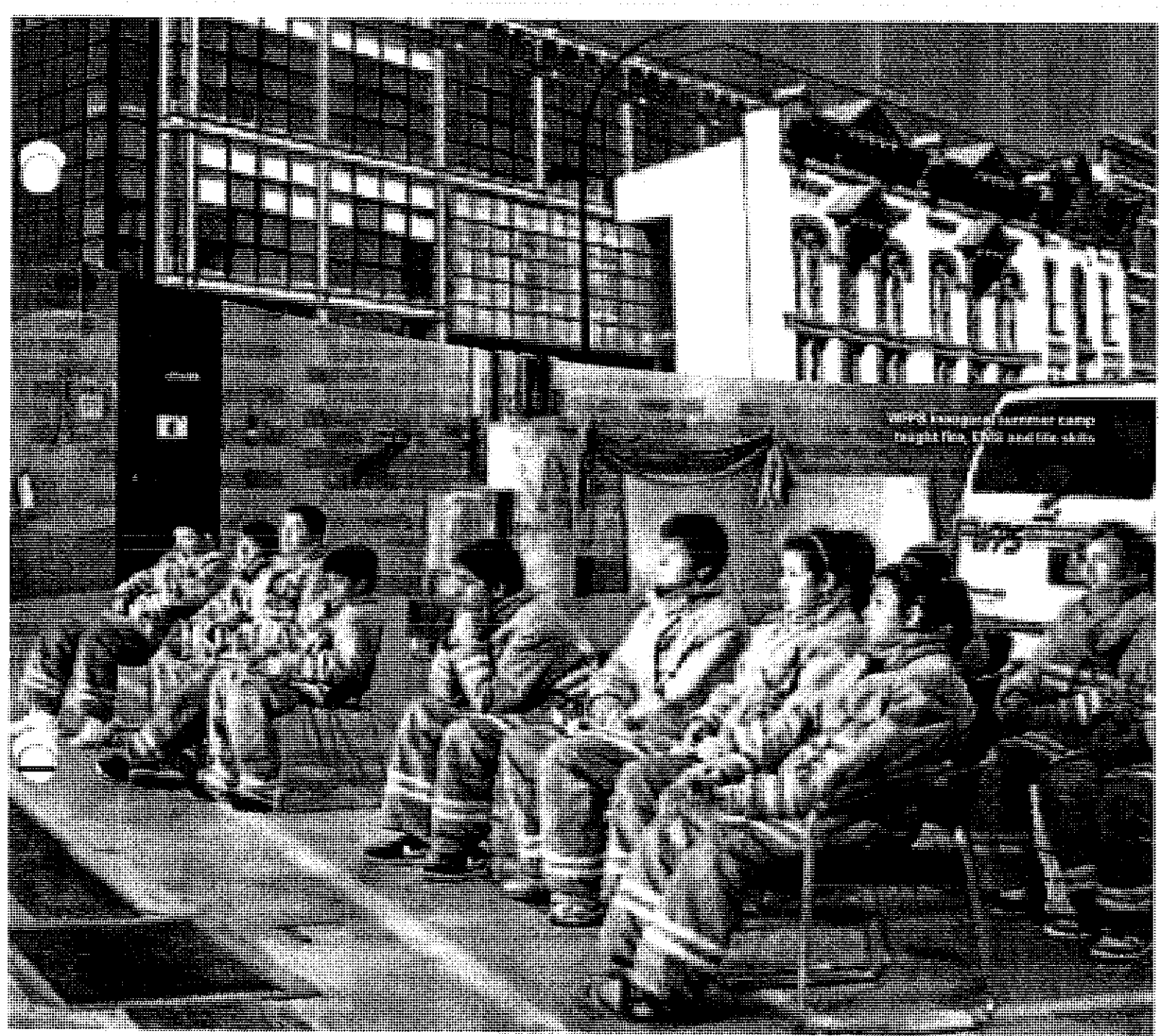
In January 2009, a pilot initiative began at the Winnipeg Main Street Project, through consultation with the WFPS, WRHA and the Winnipeg Police Service (WPS). A nurse/paramedic was assigned to the Project with the main goal of providing initial medical clearance and ongoing assessments to detainees admitted under the Intoxicated Person Detention Act (IPDA). The role has been expanded into one that encompasses the clients' other living needs; several of these clients have addictions and often do not seek out the help they require. The nurse/paramedic can assist by referring them to other agencies, making sure they meet medical appointments and specialty clinics.



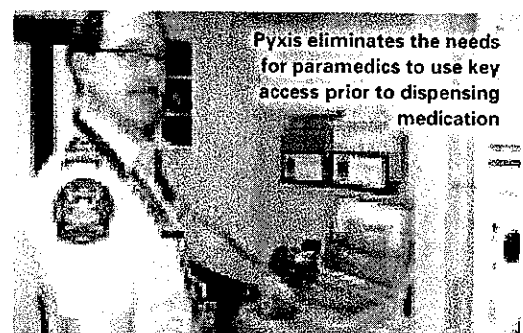


In 2008, WPS led the ground work for the Auxiliary Fire Cadet Program

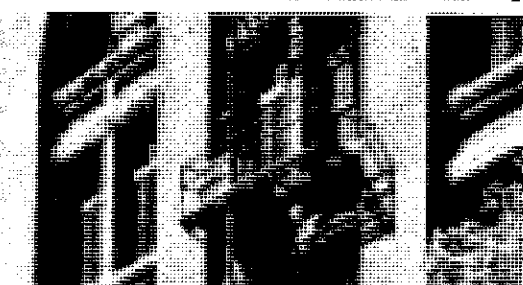




Pyxis manages the entire care thought flow from the clinic



Pyxis eliminates the need for paramedics to use key access prior to dispensing medication



## Gang Response and Suppression Plan (G.R.A.S.P)

The City of Winnipeg took action to enhance response to crime-related 'street gang' activity. In 2009, WPS in partnership with Manitoba Justice developed G.R.A.S.P., the Gang Response and Suppression Plan. This plan is a blend of new and proven tactics used by the highly successful Winnipeg Auto Theft Suppression Strategy. Police and Justice officials will partner to target the worst of the worst in the street gang world, and use every option, and tool available to ensure these dangerous individuals are identified, monitored, and arrested when they breach their court-ordered conditions, or become re-involved in crime. The City expects this strategy will further reduce gang activity in our city. In 2010 G.R.A.S.P. will become operational.

### 'Restore, Rebuild and Sustain'

In summer 2009 the WPS created 'Restore, Rebuild and Sustain' to address the problems, issues and concerns associated with violent crime in the City's north end. The intent was to restore community order and public confidence by combating and suppressing the crime problem through intelligence-based identification of High Value Targets and 'hot spot' crime locations.

The initiative proved successful with a noted decrease in random street violence over the summer months and early fall and was widely accepted by all stakeholders as a sound approach to addressing a critical problem.

This initiative was developed in partnership with the Crown, Corrections, Probation, CORHROU, Parole Services, Manitoba Liquor Control Commission, Manitoba Justice's Safer Communities and Neighbourhoods, and the City of Winnipeg Bylaw Enforcement Branch.

### Public Education – Inaugural Summer Camp

In August 2009 the WFPS Public Education Branch, in partnership with Equity and Diversity, delivered a very successful summer camp to a group of 12 students of Aboriginal descent, recent immigrant and refugee youth, who were taught fire, EMS and life skills. This was well received by all involved and will become an annual event.

This camp is one of two the City hosted in 2009. The other camp exposed youth to the large variety of careers available at the City and encouraged youth to stay in school.

## Partnerships

### Downtown Development

In 2009 The City of Winnipeg played a key role in a number of initiatives, negotiations and partnerships that proved instrumental in furthering economic and downtown development, including: establishment of IKEA in Winnipeg; re-development of the Union Bank Tower Building for a Red River College (RRC) Culinary Arts Program; construction of the WRHA office on Main Street; extension of the Weather Protected Walkway System; and, acquisition of the Canada Post Building for relocation of the consolidated Winnipeg Police Service headquarters.

### LiveSAFE: An Interconnected Crime Prevention Strategy

#### Building a Community of Commitment for Action

In January 2009, the City's CAO and the Executive Director of the Social Planning Council of Winnipeg co-facilitated a participative community strategic planning process (Search Conference) around the question of 'What is the future of crime prevention through social development in Winnipeg by 2014?' This community planning process was a significant step towards the development of initial cross-sectoral action themes for crime prevention that are community-owned and built upon leadership commitment and accountability from a variety of sectors. The City of Winnipeg will champion those themes that relate specifically to its service mandates. They are:

- The community and the Winnipeg Police Service work closely together in neighbourhoods using a preventive approach resulting in reduced crime and disorder with the goal of achieving equality of safety throughout the city.
- Building community capacity to develop resiliency in youth, children and families by focusing on recreation and school attendance.

### SPIN - 'Sports in Inner Winnipeg Neighbourhoods Program'

SPIN is an initiative of the City of Winnipeg's LiveSAFE Crime Prevention Policy that provides free sport programming support for 6-14 year olds with numerous community-based agencies and service organizations. The strategy is designed to combat the root causes of crime and to eliminate barriers that children face to participate in organized sport programming. Year round programming enhancements were established in 2009 including table tennis, volleyball and tennis resulting in hundreds more inner Winnipeg children and youth participation in sports. SPIN was recognized as a best practice in the 2009 provincial report on 'Healthy Lifestyles for Newcomers in Manitoba'.



Staff were trained at the 311 Contact Centre which launched in 2009

### Pyxis

The WFPS, in conjunction with the Winnipeg Regional Health Authority, implemented the Pyxis automated medication management system for narcotics and controlled substances. The initial installation was at one hospital, with the intention to roll out other Pyxis locations as emergency departments convert to the system for medication management. All paramedics have been trained in the use of the Pyxis system.

Pyxis eliminates the need for key access, by recognizing the paramedics' fingerprint and password prior to dispensing any medication through biometric security access technology. The system also collects detailed reports about the usages of medication which are reviewed and reconciled to ensure an accurate account of controlled substances is being dispensed.

### Medical Careers Exploration Program (MCEP)

In 2009 WFPS participated in the Medical Careers Exploration Program by introducing a student from Children of the Earth School to a paramedic Medical Supervisor, of Aboriginal decent, for a mentorship opportunity which occurred over the course of several weeks. This mentorship period provided the student with exposure to the WFPS emergency communications centre, paramedic training academy and to the provision of pre-hospital care in the community. The program provides support and encouragement to inner-city Aboriginal high school students to stay in school and gain confidence in their educational aspirations to pursue careers in the healthcare sector.

### Partnership with Justice Institute of British Columbia School of Health Sciences for Precepting SARtech's

The WFPS and the Justice Institute of British Columbia School of Health Sciences (JIBC) finalized an agreement, forming a partnership which would see Department of National Defence (DND) personnel who were undergoing paramedic training at the JIBC, now able to complete their Field Preceptorship with the WFPS. This agreement has already provided the opportunity for 14 SARtech (Search and Rescue Technician) personnel to receive their Field Preceptorship in Winnipeg. Another group of DND MEDtech's (Medical Technician) is scheduled for Field Preceptorship in March 2010 with the anticipation of other groups to follow.

Given the expertise of both the WFPS and the JIBC School of Health Sciences, this partnership was seen as the first step towards the development of a relationship that would allow both parties the ability to work collaboratively in the field of Paramedicine and in the future be expanded to include further opportunities and joint endeavors which would prove beneficial for both parties.

### Aboriginal Youth Strategy

In 2007, City Council directed that an Aboriginal Youth Strategy be developed to guide the City's urban Aboriginal agenda during the current term of Council, 2006 to 2010. Oshki Amishimabe Nigaaniwak or Young Aboriginal People Leading is the name given to the Aboriginal Youth Strategy by Elders Jules Lavallee and Mary Richard in a naming ceremony held on August 7, 2009 at Misko-biik Training Centre. The name pays tribute to Aboriginal youth *as leaders of today as well as tomorrow.*

In 2009, 11 community-based agencies successfully implemented employment and employment development projects and met the performance measurements established within each of their funding agreements. In addition as a

part of Phase 2 of the Aboriginal Youth Strategy, the City is working with these agencies to link the project participants, as they complete their employment development programs, to employment, volunteer, mentorship and internship opportunities within the civic service. Phase 2 also includes the provision of Aboriginal youth-focused civic service initiatives beyond employment that focus on increased and enhanced literacy and education-based initiatives, as well as physical activity-based opportunities.

## Customer Service

### 311 Contact Centre Launched

In January 2009, the 311 Contact Centre – the City's first integrated call centre – was launched. This was the City's most comprehensive customer service enhancement to date, and is a more accessible, easier-to-use way for the public to get the information they need about civic services, on the web, by telephone, or in person. Winnipeggers can now contact one phone, email address or fax number to find information about all non-emergency City services. Approximately 1.9 million calls were received in 2009. There are approximately 110 employees dedicated to this service with 20 per cent of staff bilingual.

Self-service was launched in November 2009, and is located at [www.winnipeg.ca](http://www.winnipeg.ca). This online resource offers additional ways to get information and access City services by processing requests for City services online.

### Winnipeg Transit Upgrades

The installation of Electronic Bus Departure Displays (BUSwatch) at major stops throughout the city began in 2009. As well, several projects to enhance passenger comfort and safety were completed, including:

- Installation of Intelligent Bus technology (iBUS) on the entire transit fleet was completed. This included:
  - Advanced Bus Radio Communications system
  - GPS-based Automatic Vehicle Location system (AVL)
  - Automatic Schedule Adherence monitoring
  - Automated 'Next Stop' display and enunciation system

- Installation of new digital video/audio surveillance system on entire transit fleet
- Delivery of 63 new air-conditioned buses
- Increased transit fleet size from 535 buses to 545 buses to meet growing service demands
- Final year of bus stop upgrade program which included the installation of 139 new shelters in 2009 (28 of which are heated)
- Final year of the on-street transit priority program, including new diamond lanes on Portage, Main, and Coulet, and several transit signal priority lights

### Snow Mapping Service on Winnipeg.ca

The City's Public Works Department was the first public works authority in Canada to implement a web-based application to inform the public in which areas of the city crews will be clearing snow overnight during a residential overnight parking ban. This service, developed in-house, improves customer service and communication to the public by providing overnight plowing schedules on the City's website.

### New Water Billing System

In June, more than 190,000 water customers began receiving their new and improved water bill. The new bill features an easy-to-read format, a fresh new look, a clear breakdown of the charges and detailed messages for account holders.

### Integrated Community Services Delivery Model

Two service divisions were amalgamated in 2009 to form the new Community Development and Recreation Services Division that will have a dedicated focus on the assessment of community needs and priorities, utilizing recreation as a primary community development tool in contributing to building healthy communities.

# WEST END LIBRARY

Cindy Klassen Recreation Complex  
Completed in 2009. The West End  
Library is located in the new complex.

## Certified Permit Coordinator Program

As part of the City's building permit services, this new training program, piloted in 2009, facilitates and fast-tracks foundation permits for qualifying new commercial construction projects for certified professionals. This program was developed as a first step in response to a City Council-approved directive to implement recommendation nine of the Mayor's Red Tape Commission Report, relating to the proposed implementation of a certified professional program for industry professionals applying for commercial building permits.

## Recreation and Leisure

### Cindy Klassen Recreation Complex

The Cindy Klassen Recreation Complex opened to the public in February 2009. Winnipeg's one-of-a-kind complex is in recognition of the achievements of the Winnipeg athletes at the 2006 Torino Olympics. The facility is named in honor of Winnipegger Cindy Klassen, a six-time Olympic medalist and four-time speed skating World Champion.

The \$8.8 million recreation and leisure complex is home to:

- The new Olympian Indoor Track on the second floor complete with fitness and weight room areas
- The original swimming pool building
- The Susan Auch Speed Skating Oval
- Litza's Café
- Six new tennis courts
- Landscaped entrance plaza and drop-off zone and enhanced accessibility

### West End Library

The new West End Library opened as part of the Cindy Klassen Recreation Complex in February 2009. The 6,000-square-foot facility offers the West End com-

munity significant improvements in library services and amenities, including increased study and reading space, improved collections, increased parking, dedicated programming space and additional computer workstations. In its first year of operating in the new location, there has been a 53 per cent increase in circulation and a dramatic increase in the number of residents using the library.

### Free Wi-Fi at City Libraries

In 2009, the Library Services Division moved from a Pay-as-you-go service to Free Wi-Fi for library users at all branches in the city and at the Pan Am Pool. Since that time, more than 38,000 hours of Wi-Fi access have been used by library patrons to find information, support their research needs, and communicate via the web.

### Animal Services Experiences

#### Increase in Activity

- Animal Services stepped up effort promoting licensing in 2009. An automated program was also acquired to implement courtesy phone calls to residents who had let dog licenses expire.
- Animal Services continues to expand in new media and social media opportunities including joining Petfinder.com and creating a Facebook. These two internet initiatives helped Animal Services experience a record 62 per cent increase in adoptions to 351.
- Animal Services actively works with animal shelters and rescue groups. Dogs are frequently transferred to other groups to increase the odds of adoption. In 2009, 63 dogs were transferred.
- Animal Services experienced an 84 per cent increase in service calls to ensure by-law enforcement in 2009. This large increase was mainly due to the implementation of the 311 system.



# Consolidated Financial Statements

## Report from the Chief Financial Officer Financial Statement Discussion and Analysis

I am pleased to present the following Financial Statement Discussion and Analysis, which has been prepared by management. The following discussion and analysis of the financial performance of The City of Winnipeg (the "City") should be read in conjunction with the audited consolidated financial statements (the "Statements") and their accompanying notes and schedules. The Statements, as well as the accompanying materials, are prepared in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting

Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The Statements provide information about the economic resources, obligations and accumulated surplus of the City. They include departments of the City, special operating agencies, utilities, and corporations that are controlled by the City, as well as the City's investment in government businesses. A brief description of the major funds, entities and investments included in the Statements follows below.

## Funds, Entities, and Investment in Government Businesses

### Funds

A fund is a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, establishes these funds to ensure and demonstrate compliance with finance-related requirements.

The General Revenue Fund reports on tax-supported operations, which includes services provided by the City to citizens such as police, fire, ambulance, library and street maintenance. The General Capital Fund was created to account for tax-supported capital projects. The tax-supported capital program is made up of, but is not limited to, reporting on the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility operations are comprised of the Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal Funds, each accounting for its own operations and capital program.

There are four Special Operating Agency ("SOA") Funds operating within the City's organization. Animal Services (2000), Winnipeg Golf Services (2002), Fleet Manage-

ment (2003) and Winnipeg Parking Authority (2005) provide services as special units of the City.

SOAs have been given the authority to provide direct public services, internal services, or regulatory and enforcement programs. SOA status is granted when it is in the City's interest that they remain within the government but require greater freedom to operate in a more business-like manner. Each SOA is governed by its own operating charter and prepares an annual business plan for adoption by City Council.

City Council has approved the establishment of Reserve Funds, which can be categorized into three types. Capital Reserves were established to finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt. Special Purpose Reserves were established to provide designated revenue to fund the Reserves' authorized costs. Stabilization Reserves were created to assist in the funding of major unexpected expenses or deficits recorded in the General Revenue Fund.

### Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Winnipeg Public Library Board, The Convention Centre Corporation, Destination Winnipeg Inc., Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc., and Centre-Venture Development Corporation. These corporations are involved in various activities including econom-

ic development, recreation, tourism, entertainment and conventions. North Portage Development Corporation ("NPDC") and Winnipeg Housing Rehabilitation Corporation ("WHRC") are included in the Statements as an investee in government businesses.

## Results of Operations

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2009, on a comparative basis. Since annual revenues exceeded expenses, the Statements indicate the City increased its accumulated surplus during the year.

During 2009, the City recorded consolidated revenues of \$1.343 billion (2008 - \$1.271 billion), which included government transfers and developer contributions-in-kind that related to the acquisition of tangible capital assets. Consolidated expenses totalled \$1.150 billion (2008 - \$1.061 billion). As a result, the City's accumulated surplus increased by \$0.193 billion (2008 - \$0.210 billion).

CONSOLIDATED REVENUES					
For the years ended December 31 (in thousands of dollars)					
	2009		2008		Variance
Taxation	\$ 534,571	40%	\$ 521,684	41%	\$ 12,887
Sales of services and regulatory fees	413,243	31%	412,984	32%	259
Government transfers					
Operating	134,710	10%	122,722	10%	11,988
Capital	122,113	9%	90,588	7%	31,525
Investment, land sales and other revenues	68,061	5%	82,976	7%	(14,915)
Developer contributions-in-kind	70,950	5%	40,304	3%	30,646
	\$ 1,343,648		\$ 1,271,258		\$ 72,390

Revenues improved in 2009 from 2008 by \$72.4 million due to several factors. The major reason was government transfers and developer contributions-in-kind related to the acquisition of tangible capital assets, which represented 86% of the year-over-year increase in total revenues. The Transit System accounted for a \$36.8 million increase in government transfers related to capital, due to the acquisition of 63 air-conditioned buses and the commencement of the construction of stage one of the Southwest Rapid Transit Corridor. In addition, developer contributions-in-kind rose substantially as a result of increased development activity in the city.

The major components of taxation revenues are property, business, electricity and natural gas taxes. The primary reason for the increase in taxation is that property taxes rose by \$9.3 million because of growth and adjustments to the assessment roll. Taxation also increased by \$2.5 million due to the introduction of the accommodation tax late in 2008. The accommodation tax supports organizations, projects and special events that encourage tourism in Winnipeg.

Operating government transfer revenues rose in 2009 from 2008 mainly because of additional funding from the Province of Manitoba (the "Province"); \$4.1 million in di-

saster financial assistance associated with the 2009 spring flood; \$1.0 million for the OurWinnipeg initiative; \$0.9 million for the Police Service department by way of additional gaming revenue; \$4.0 million for the Fire Paramedic Service department for emergency medical services; and \$1.4 million for waste reduction support. In 2009, the Province implemented the new waste reduction and recycling support levy ("WRARS") in the amount of \$10 per tonne on the operators of all Manitoba landfills. The Province indicated that the revenue will be used to encourage sustainable waste management practices and improve waste diversion activities such as recycling and composting. The WRARS will be phased in commencing in 2009 to 2011. Landfills that accept at least 30,000 tonnes per year were required to apply the levy as of July 1, 2009. The one remaining landfill operated by the City - Brady Road Landfill - accepts approximately 420,000 tonnes per year. Under the WRARS program, 80% of the levy will be returned to municipalities based on their recycling tonnage as reported to Multi-Material Stewardship Manitoba.

Investment income, land sales and other revenues decreased by \$14.9 million. This decrease can be attributed to interest income that declined by \$8.7 million due to reductions in the Bank of Canada rate during the year.



## CONSOLIDATED EXPENSES

For the years ended December 31  
(in thousands of dollars)

	2009		2008		Variance
Protection and community services	\$ 362,341	31%	\$ 344,158	32%	\$ 18,183
Utility operations	278,848	24%	258,788	24%	20,060
Public works	270,877	24%	250,534	24%	20,343
Property and development	97,958	9%	93,738	9%	4,220
Finance and administration	61,575	5%	67,590	6%	(6,015)
General government	49,252	4%	17,283	2%	31,969
Civic corporations	29,582	3%	29,383	3%	199
	<b>\$ 1,150,433</b>		<b>\$ 1,061,474</b>		<b>\$ 88,959</b>

Consolidated expenses grew by \$89.0 million or eight percent from the previous year, due partially to an \$18.2 million increase in protection and community services expenses. This expense category includes the Police Service, Fire Paramedic Service, and Community Service departments and Museum, which reported additional salaries and employee benefits of \$17.9 million during the year.

Expenses for utility operations rose by \$20.1 million, which can be attributed to the Waterworks System – \$9.6 million and the Sewage Disposal System – \$7.0 million. The Waterworks System's expenses increased due to the completion of the Water Treatment Plant, resulting in higher operating costs such as salaries and benefits and chemical costs. The Sewage Disposal System also experienced increased amortization costs, primarily due to the capitalization of \$69.4 million related to the sewage treatment plants and lift stations, and \$16.7 million for underground networks during 2008. In 2009 these tangible capital assets were amortized for the full year, compared to one-half the year during 2008.

The public works category includes the Public Works and Water and Waste (garbage collection and land drainage)

departments. Public works experienced higher costs in 2009 because of spring flood preparation and recovery, and snow removal activities.

Moreover, general government expenses rose from the previous year. This was partially the result of changes in estimated environmental liabilities. Also included in general government expenses is a \$16.0 million cash contribution to the Canadian Museum for Human Rights ("CMHR"). Part of the cash contribution was financed by the Province in the form of an \$11.1 million interest-free loan. The loan will be repaid based on future payments-in-lieu of taxes received by the City on the museum facility. Further, as part of the contributions to this project, the City has agreed to sell, transfer and convey to the Government of Canada, for the price of one dollar, land located at The Forks, which will form part of the site on which the CMHR will be constructed. The Government of Canada will hold the land so long as the land is used for the purpose of creation, operation and maintenance of the CMHR. The City will also return development and permit fees up to an estimated value of \$1.3 million.

## CONSOLIDATED EXPENSES BY OBJECT

For the years ended December 31  
(in thousands of dollars)

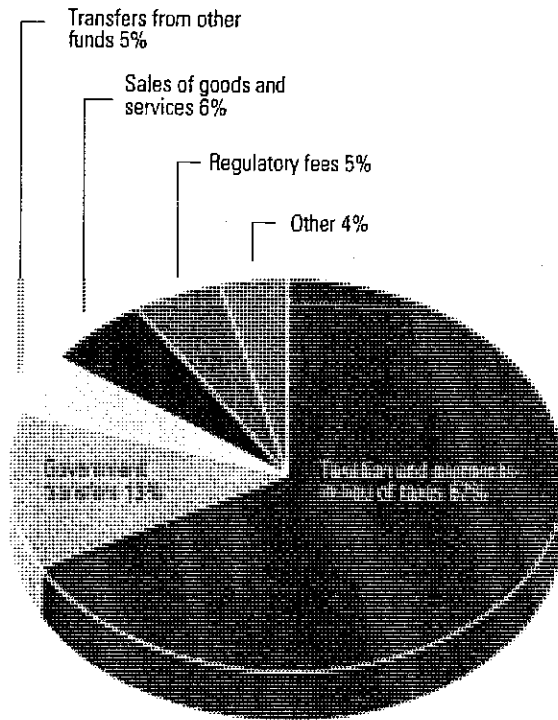
	2009		2008		Variance
Salaries and benefits	\$ 598,576	52%	\$ 565,071	53%	\$ 33,505
Goods and services	314,746	27%	291,061	28%	23,685
Amortization	155,382	14%	141,099	13%	14,283
Interest	49,588	4%	50,952	5%	(1,364)
Other expenses	32,141	3%	13,291	1%	18,850
	<b>\$ 1,150,433</b>		<b>\$ 1,061,474</b>		<b>\$ 88,959</b>

## General Revenue Fund

As mentioned previously, the Statements incorporate the services reported in the General Revenue Fund. The 2009 budget for tax-supported operations was adopted by City Council on March 24, 2009. During the budget process, the City faced several challenges to produce a balanced budget, including maintaining service levels, a commit-

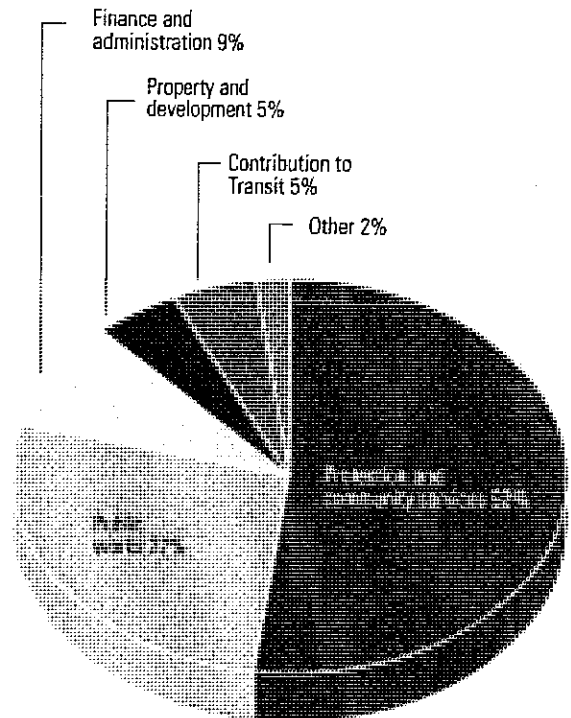
ment to a competitive tax environment, and global economic uncertainty. The result was the twelfth consecutive approved budget without an increase to property tax rates. The budget focused on expenditure investment for public safety, transit and infrastructure.

GENERAL REVENUE FUND  
2009 ACTUAL REVENUES



During 2009, the General Revenue Fund incurred revenues and expenses of \$794.8 million (2008 - \$780.6 million). Several unexpected events occurred that impacted the financial results of tax-supported operations at the City, such as better than expected revenues from investments and government transfers, which were offset by snow re-

GENERAL REVENUE FUND  
2009 ACTUAL EXPENSES



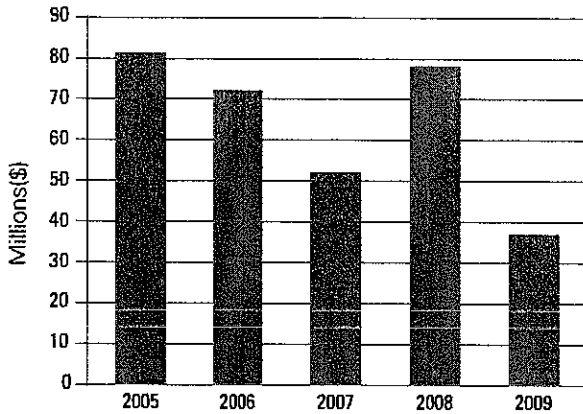
moval and spring flood preparation and recovery activities. At the end of the year, the General Revenue Fund reported a net surplus of \$9.0 million, which was transferred to the General Purpose Reserve, as directed by City Council.

## Financial Position

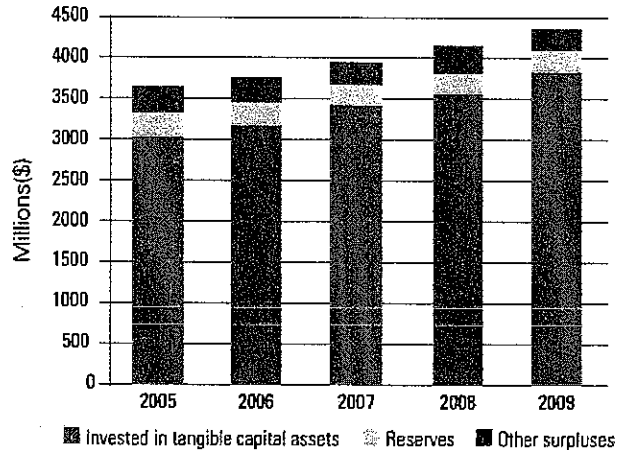
The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2009, on a comparative basis. This statement is used to evaluate the

City's ability to finance its activities and to meet its liabilities and commitments. The City's net financial assets is an important financial indicator on the Consolidated Statement of Financial Position.

### NET FINANCIAL ASSETS



### ACCUMULATED SURPLUS



Net financial assets is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2009, the City was in a net financial asset position of \$36.9 million (2008 - \$77.9 million). The change in net financial assets during the year resulted primarily from the investment in tangible capital assets of \$384.1 million, partially offset by the excess of revenues over expenses of \$193.2 million and amortization of tangible capital assets of \$155.4 million.

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). In 2009, the accumulated surplus increased primarily as a result of investments made in tangible capital assets.

The following is a discussion on some of the items that are included on the Consolidated Statement of Financial Position.

## Cash and Cash Equivalents

During 2009, the City's cash position declined by \$23.4 million. This reduction resulted primarily from cash

invested in tangible capital assets exceeding cash generated by operating activities.

## Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables (63%). Approximately half of this amount results from services rendered in the Waterworks System and Sewage Disposal System. Management has determined a low credit risk on the outstanding receivables in these two Funds and has provided an allowance for doubtful accounts of \$469 thousand (2008 - \$361 thousand).

As at December 31, 2009, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 16% (2008 - 17%) of total receivables. Taxation revenue is 40% (2008 - 41%) of total consolidated revenues.

The City of Winnipeg Charter provides the Public Service with the authority to collect taxes due on real property in the city.

TAXES RECEIVABLE						
As at December 31 (in thousands of dollars)	2009	2008	2007	2006	2005	
Taxes receivable	\$ 30,036	\$ 29,893	\$ 38,038	\$ 41,350	\$ 37,698	
Allowance for tax arrears	(3,784)	(3,657)	(6,228)	(6,326)	(6,364)	
	\$ 26,252	\$ 26,236	\$ 31,810	\$ 35,024	\$ 31,334	

## Investments

As at December 31 (in thousands of dollars)	2009	2008
Marketable securities		
Government of Canada	\$ 9,385	\$ 11,963
Provincial	18,940	20,343
Municipal	41,159	27,358
	69,484	59,664
Manitoba Hydro long-term receivable	226,640	232,679
Other	2,991	3,251
	\$ 299,115	\$ 295,594
Market value of marketable securities	\$ 71,017	\$ 61,143

In 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale includes payments of \$20 million per annum for 2008 to 2010 and \$16 million annually thereafter in perpetuity. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province.

Marketable securities are generally long-term in nature. These securities are being held to finance future anticipated costs such as perpetual maintenance at the three cemeteries maintained by the City. City Council has ap-

proved 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)

	2009	2008
<b>Debt</b>		
Sinking fund debentures	\$ 453,000	\$ 588,500
Equity in sinking funds	(199,025)	(276,158)
	<b>253,975</b>	<b>312,342</b>
Serial and installment debt	118,935	84,833
Province of Manitoba and bank loans	76,349	47,873
Capital lease obligations	30,233	31,886
	<b>\$ 479,492</b>	<b>\$ 476,934</b>

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 and is managed by the City for sinking fund arrangements after December 31, 2002. The City typically finances capital borrowing with 20-year sinking fund debentures. The City pays interest on the principal to the investors and contributes a set percentage of the principal into the sinking funds. 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.

These annual 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.

Two sinking fund debentures matured during 2009, \$50.0 million that carried an interest rate of 5.4% and 10.0% on \$85.5 million. Repayments were made from the sinking funds with the \$50.0 million debenture having a sinking fund shortfall of \$31.0 million. The shortfall along with a \$17.5 million shortfall of serial and installment debt that matured in 2007, was refinanced through the issuance of \$48.5 million in serial debt that matures on October 6, 2019 and carries an interest rate of 4.5%.

### DEBT RETIRED OVER THE NEXT FIVE YEARS

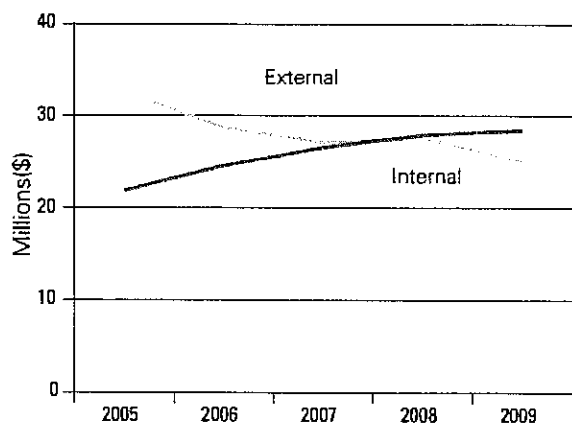
As at December 31  
(in thousands of dollars)

	2010	2011	2012	2013	2014	Thereafter
Sinking fund debentures	\$ -	\$ -	\$ -	\$ 90,000	\$ 85,000	\$ 278,000
Other debt	43,331	31,777	34,075	31,758	18,339	66,237
	<b>\$ 43,331</b>	<b>\$ 31,777</b>	<b>\$ 34,075</b>	<b>\$ 121,758</b>	<b>\$ 103,339</b>	<b>\$ 344,237</b>

The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.8% (2008 - 4.6%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on capital loans totalling \$4.9 million (2008 - \$5.1 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.

Early in 2010, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was attributed to "healthy budgetary surpluses, robust liquidity for the ratings, and strong economic performance compared with that of peers." However, S&P noted these strengths are offset to some degree by substantial infrastructure deficiencies that the City will need to address, and the increase in debt levels resulting from Winnipeg's capital plan, particularly for the utility operations. Moody's Investors Service also announced it would be maintaining the City's credit rating at Aa1.

## GENERAL CAPITAL FUND (TAX-SUPPORTED) INTEREST EXPENSE



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

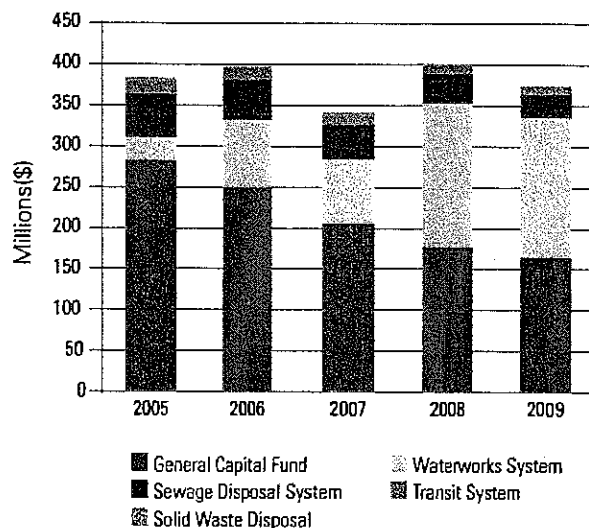
Beginning in 1998, the City discontinued issuing new tax-supported debt in the General Capital Fund. Under its capital plan, all tax-supported projects are financed internally through the Equity in Capital Assets Fund except for design, build, finance and maintain projects and local improvements. As a result, the level of tax-supported debt has decreased by \$309.1 million since 1999.

In addition, the 2005 to 2010 capital budgets for the utilities and their 2011 to 2015 capital forecasts anticipate \$988.2 million of future debt to fund projects mandated by the Province of Manitoba. During 2003, the Clean Environment Commission ("CEC") at the request of the Minister of Conservation, 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

### Tangible Capital Assets

The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment, and ensuring fiscal responsibility. The 2009 capital budget and the 2010 to 2014 five-year forecast was adopted by City Council on December 16, 2008. The capital investment plan detailed \$2.1 billion in spending over the next six years with \$476.5 million authorized for 2009. Areas of

## NET SINKING FUND DEBENTURES, SERIAL AND INSTALLMENT DEBT



collection and treatment systems, which was subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers. The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan. With this direction, a wastewater upgrade program has been developed and provides for effluent disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations. Based on preliminary assessments, the upgrade program is estimated to cost between \$1.2 to \$1.8 billion depending on market factors and interpretation of compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, (which had a balance of \$31.5 million at December 31, 2009), the Canada Strategic Infrastructure Fund ("CSIF"), and accumulated surplus.

major capital investment included in the six-year plan are \$867.8 million for sewage disposal projects; \$430.1 million for street projects; \$305.4 million for the transit system; \$114.1 million for the water system; \$77.0 million for land drainage and flood control; and \$55.6 million for public safety infrastructure.

Also included in the capital investment plan is \$45.8 million of funding from the senior levels of government through the CSIF, which was applied towards the Nutrient Removal/Expansion South End Water Pollution Control Centre project - \$39.0 million and the recreation and leisure facilities - \$6.8 million. It is anticipated that \$67.2 million will be provided under the Manitoba/Winnipeg Infrastructure Program, \$246.2 million under the Federal Gas Tax Agreement, and \$150.0 million from Provincial funding for road improvements.

During 2009, the City spent \$384.1 million on capital projects (2008 - \$330.3 million), which included \$189.2 million for tax-supported projects. Spending on tax-supported projects was primarily on roads and bridges, water and waste infrastructure, buildings and information technology.

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less estimated residual value, of the tangible capital assets is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 5 to 100 years.

During the year, there were no write-downs of tangible capital assets. Roads and underground networks contributed to the City totalled \$70.9 million (2008 - \$40.3 million), and were capitalized at their fair value at the time of receipt, along with \$2.6 million (2008 - \$1.5 million) of interest.

In 2006, the City early-adopted Public Sector Accounting Handbook section PS 3150 - Tangible Capital Assets. This was an important step in the City's plan to develop its systems of managing capital assets. The City will be improving these systems in the future through enhanced reporting and a robust asset management methodology. One definition of asset management is an integrated optimization process of managing infrastructure assets to minimize the total cost of owning them, while continuously delivering the service levels customers desire, at an acceptable level of risk. As with most municipalities, the City faces challenges including funding, growth, capital and operating budgets, potential loss of knowledge through retirements, deteriorating infrastructure and climate change. The City has identified comprehensive asset management as a key initiative to help address these challenges and set the stage for continued high performance and organizational sustainability. As well, the City has implemented processes that will result in better matching of approved capital budgets to the actual cash flows. Existing capital projects are reviewed semi-annually to determine whether any surplus capital funds are available for other capital project purposes, or will impact future capital program budgets.

<b>TANGIBLE CAPITAL ASSETS</b>			
As at December 31			
(in thousands of dollars)			
	2009		2008
<b>General</b>			
Land	\$	189,507	\$ 169,529
Buildings		292,478	256,559
Vehicles		165,860	144,500
Computer		51,975	39,157
Other		83,833	63,830
<b>Infrastructure</b>			
Plants and facilities		599,450	312,481
Roads		821,659	794,274
Underground and other networks		1,733,992	1,660,563
Bridges and other structures		307,643	308,620
		<b>4,246,397</b>	<b>3,749,513</b>
Assets under construction		44,957	308,806
	\$	<b>4,291,354</b>	\$ 4,058,319

## TANGIBLE CAPITAL ASSETS BY FUND

As at December 31  
(in thousands of dollars)

	2009		2008	
General Capital Fund	\$ 2,411,176	56%	\$ 2,312,744	57%
Waterworks System Fund	833,393	20%	788,176	19%
Sewage Disposal System Fund	780,847	18%	754,722	19%
Transit System Fund	161,378	4%	107,273	3%
Other Funds	104,560	2%	95,404	2%
	<b>\$ 4,291,354</b>		<b>\$ 4,058,319</b>	

### Accumulated Surplus

Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and corporations that are included in the Statements along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2009 - 88%; 2008 - 86%).

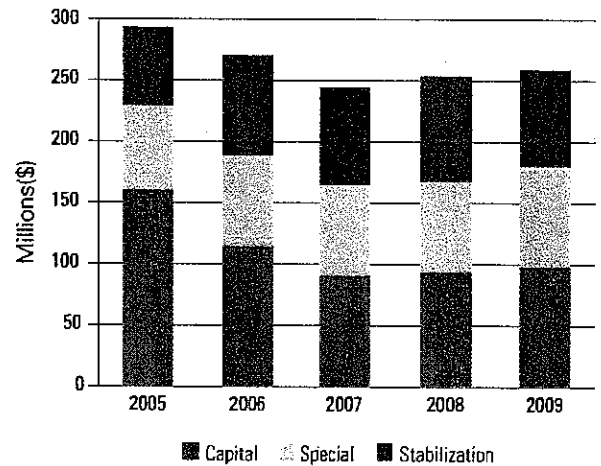
The investment in tangible capital assets basically represents the unamortized cost of the tangible capital asset which will be reported as an expense in future accounting periods, except for land. Land is non-depreciable property due to its infinite life. Investment in tangible capital assets is not readily accessible for use in funding future obligations.

### Reserves

Reserve balances have increased overall by \$6.3 million (2008 - \$9.0 million) from the prior year. The City's Capital Reserve balances have increased by \$4.2 million, the Special Purpose Reserves rose by \$8.4 million, while the Stabilization Reserves declined by \$6.3 million.

The Stabilization Reserves' accumulated surpluses are \$476 thousand, slightly under their combined targeted level of 10% of the General Revenue Fund's adopted budget expenses. Individually, the Fiscal Stabilization Reserve is at 93% of the target level and the Mill Rate Stabilization Reserve has surpassed the 5% target.

### RESERVES





## Financial Indicators

An analysis of the Consolidated Statement of Financial Position and the Consolidated Statement of Operations and Accumulated Surplus provides an overview of the City's financial condition. The financial condition of the City is assessed by its ability to meet its existing financial obliga-

tions to creditors, employees and others in a timely manner, while continuing to meet its service obligations to the public. Financial condition is measured in terms of a City's sustainability, flexibility and vulnerability.

### INDICATORS OF FINANCIAL CONDITION

As at December 31	2009	2008	2007	2006	2005
Sustainability indicators					
Assets-to-liabilities	6.05	5.88	5.89	5.61	5.98
Financial assets-to-liabilities	1.04	1.09	1.06	1.09	1.11
Flexibility indicators					
Public debt charges-to-revenues	0.04	0.04	0.04	0.04	0.05
Own-source revenues-to-taxable assessment	0.03	0.03	0.03	0.03	0.04
Vulnerability indicators					
Operating government transfers-to-operating revenues	0.12	0.11	0.11	0.10	0.10
Total government transfers-to-total revenues	0.19	0.17	0.15	0.14	0.12

Sustainability is the degree to which the City can maintain its existing service and financial commitments without increasing the relative debt or tax burden on the economy. Sustainability indicators include the City's assets-to-liabilities ratio, which has exceeded one in the current year and the previous four years. This positive ratio indicates the City has not been financing its operations by issuing debt. The financial assets-to-liabilities ratio has also exceeded one, indicating that financial resources are on hand that can finance future operations. The City is facing challenges, including some of those discussed later on under Business Risks, that need to be addressed in order to provide for a continuing fiscally sustainable future.

Flexibility is the degree to which the City can change its debt or tax burden on the economy to meet its existing financial and service commitments. The City's public debt charges (interest expense)-to-revenues has remained constant over the past several years at 0.04 to 0.05. This trend indicates the City has not chosen borrowing over other

sources of revenues or transfers from senior levels of government to meet its financial and service commitments. Another flexibility indicator is the ratio of own-source revenues-to-taxable assessment. This ratio has remained constant over the last few years, indicating the City has not reduced its flexibility to access own-source revenues in the future.

Vulnerability is the degree to which the City is dependent on sources of funding outside its control or influence, or is exposed to risks that could impair its ability to meet financial and service commitments. The government transfers-to-total revenues ratio indicates the proportion of revenues that the City receives from the senior levels of government. Over the past several years this ratio has risen marginally mainly because of funding for tangible capital assets. If the ratio is recalculated to exclude funding related to tangible capital assets, the ratio has remained relatively constant. This indicates the City has not increased its dependence on other levels of government for operating revenue.

## Accounting Policies

The significant accounting policies used in preparing the City's consolidated financial statements are summarized in Note 2 to the Statements. The accounting policies section of the Statements sets out management's decisions concerning estimates that may significantly impact the City's

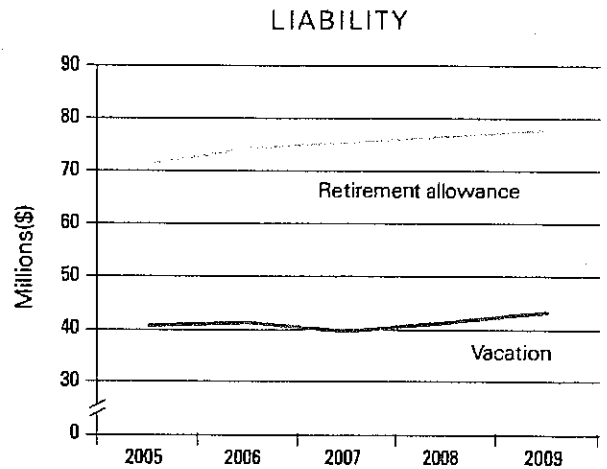
financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. The following is a discussion of these critical accounting estimates.

## Employee Benefits

The City provides pension, 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. The critical assumptions made by management are the long-term rate of investment return on plan assets, certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality, inflation, salary escalation and the discount rate used to value liabilities. 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 in future years.

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

During 2009, the members of The Winnipeg Civic Employees' Benefits Program, of which The Winnipeg Civic Employees' Pension Plan is part, contributed 6 1/2% of their Canada Pension Plan ("CPP") earnings plus 7 1/2% of any pensionable earnings in excess of CPP earnings, or 6.7% of pensionable earnings on average, which rate was matched by the City and other participating employers. Effective for 2010, contribution rates will increase to an average of 8% of pensionable earnings. This resulted from a recent strategic review of the Program, which indicated that the cost of the benefits under the Program was 24.4% of pensionable earnings while combined contributions from the employers and employees were 13.4% of pensionable earnings, resulting in a shortfall of 11% of pen-



sionable earnings. In the short-term, this funding shortfall is addressed through the Plan's special-purpose reserves. Increasing contributions to an average of 8% of pensionable earnings for both employer and employees will have the effect of reducing the shortfall, but not eliminating it. The Board of Trustees of the Program is continuing to review the program with a view to ensuring its long term financial sustainability.

The Winnipeg Police Pension Plan is a defined benefit plan to which the members and the City each contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2009, the market value of this pension fund's assets was \$854.7 million (2008 - \$760.1 million), which is \$1.2 million greater (2008 - \$95.1 million less) than the accrued pension obligation.

The cost of benefits accrued under this Plan is 23.2% of pensionable earnings. The excess of this cost over the contributions paid is funded by this Plan's Contribution Stabilization Reserve. As at December 31, 2009, this reserve has a balance of \$54.6 million. To mitigate the impact of potential funding deficiencies on the Contribution Stabilization Reserve, future years of strong investment returns will be required to absorb the balance of the effect of the 2008 financial market downturn on the pension fund. In 2009, this Plan experienced a rate of return, net of investment expenses, on Plan assets of 15.05%, a significant improvement from the 2008 level of -15.28%.

## Tangible Capital Assets

The City's management makes estimates about the expected useful lives, projected residual values and the potential for impairment of its tangible capital assets. In estimating the lives and expected residual values of assets, reliance is placed mainly on experience with the asset. Revisions to the estimates of the asset can be caused by maintenance and renewal expenditures that may result in a change in service levels, and can affect the life expectancy of the as-

set. Management evaluates these estimates and potential impairment on all tangible capital assets annually, and when events and circumstances indicate that the assets may be impaired. The effects of maintenance and renewal costs on estimated useful lives is not reported until the reduction in future economic benefits is expected to be permanent.

## Business Risks

### Environmental Matters

The City's water distribution and treatment system is governed by a license issued under the Drinking Water Safety Act and the sewage treatment plants are governed by licenses issued under the Environment Act. As well, The City of Winnipeg operates one landfill, the Brady Road Landfill Site, and maintains and monitors several former landfill sites. The City estimates costs associated with fu-

ture landfill closure and post-closure care requirements in the determination of its environmental liability. 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 long-term cost of borrowing at year-end.

### Labour Negotiations

For the year ended December 31, 2009, 52% (2008 - 53%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was

9,827, the majority being represented by eight unions and associations. The City has labour agreements in place with its unions and associations as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,318	January 15, 2011
CUPE	4,649	December 31, 2010
MGEU	252	February 13, 2010
UFFW	933	December 26, 2011
WAPSO	609	October 11, 2011
WFPSOA	40	February 22, 2010
WPA	1,779	December 23, 2010
WPSOA	25	December 19, 2010

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 of the bar-

gaining units are resolved through compulsory arbitration at the request of either or both parties.

## Infrastructure Deficit

In December 2008, the Public Service established an inter-departmental working group of department heads, managers and specialists to review the condition of the City's infrastructure. This resulted in the creation of an administrative report entitled Infrastructure Deficit and Possible Funding Options that was approved by City Council

on July 22, 2009. The report indicated that the City's total infrastructure deficit at the end of 2009 is estimated at \$3.9 billion growing to \$7.4 billion in 10 years.

The future challenge is to reduce the infrastructure deficit through various means including consideration of other funding options.

## Organizational Initiatives

### City-Owned Utility

The City's Water and Waste Department provides a broad range of services to residents and businesses in Winnipeg and continues to face a number of key challenges, including:

- Population growth in the south regions of the City causing increasing capacity requirements;
- The Manitoba Environment Act requiring the City to make upgrades to the City's wastewater treatment plants to meet nutrient and bio-solid standards mandated by the Province by December 2012 and December 2014; and
- Demographics of the current workforce and the labour force in general creating a human resource challenge. Based on years of service, 28% of the workforce is eligible to retire within four years.

To address these challenges, on July 22, 2009, City Council approved the creation of a utility corporation that will remain 100% owned by the City and ensure the protection of public health and the environment. City Council also requested that the Province pass a regulation under section 212 of The City of Winnipeg Charter to establish the utility corporation.

### Performance Reporting

The City exists to carry out public policy objectives as set out by legislative mandate, budgets or strategic plans. It is in the context of this environment that public sector performance is reported in order to demonstrate accountability as to how these public policy objectives are being met.

One of the first steps towards performance reporting was to undertake a comprehensive review of effectiveness and efficiency measurements for all City services. Departments developed measures that were reliable, valid, relevant, comparable and easily understood to the public. The creation of a system of effectiveness and efficiency indicators will be used to assess a service's progress, to adjust to changing conditions, and to help achieve its planned outcomes.

Performance measures will also be expanded in the future to include benchmarking against other cities. Winnipeg has recently joined the Ontario Municipal Benchmarking Initiative ("OMBI"), a voluntary collaboration of City Managers from many Ontario municipalities working together to achieve service excellence by leading the development and application of municipal performance measurement and benchmarking. OMBI has developed a common performance measurement framework to help cities measure/compare their programs/services on four types of measures – service level, efficiency, customer service and community impact. Winnipeg will work together with partnering municipalities to identify, collect and report comparable service-specific performance measures to build a performance culture that supports the overall objective of municipal excellence.

## Controls and Procedures and Recent Accounting Pronouncements

Over the past year, a number of audit reports were presented by the City Auditor to City Council. One report having significant implications is the Capital Projects Management audit report. Delivering capital works is an integral part of a government's ability to supply services. Successful capital project management is key to providing value for money and demonstrating sound stewardship. In total, 29 recommendations were made to strengthen and improve upon those stages critical to delivering successfully on capital projects—capital planning, budgeting, monitoring and reporting, and capital project management. A number of other reports were issued, including audits on Winnipeg Police Service Overtime, Fire Paramedic Overtime and Sick Leave, and Building Permits and Inspections Services. The Public Service considers all internal control recommendations seriously, and balances the cost of implementation against available resources and the extent of controls required to mitigate potential areas of concern. The City has a satisfactory level of controls required to ensure the accuracy of its financial statements.

This past year, City Council also introduced the role of Chief Performance Officer to the City Auditor position. Over the next few years, the Audit Department will work with the Public Service to focus on improving performance measurement at the City. The Audit Department will be providing advice and recommendations to the Public Service on the definition and development of performance measures and assistance on the implementation of performance management systems.

During February 2010, PSAB issued an accounting standard concerning tax revenue, Section 3510. The standard provides principles for the recognition, measurement and disclosure of tax revenue in government financial statements for fiscal years beginning on or after April 1, 2012. Currently the potential impact on the City's Statements is being reviewed. In November 2008, PSAB also issued a Statement of Recommended Practice on Assessment of Tangible Capital Assets. As discussed earlier, the City is reviewing plans to implement an enterprise-wide asset management system. Among other benefits, this will provide the City with additional information to aid its capital maintenance and planning processes.

## Looking Forward

Section 284(2) of The City of Winnipeg Charter requires City Council to adopt the capital budget for that year, and a capital forecast for the next five fiscal years, before December 31 of each fiscal year. On December 15, 2009, City Council adopted the 2010 annual capital budget and the 2011 to 2015 five-year forecast. The capital budget focuses on investment in priority streets and bridges, sewer systems, and community infrastructure and amenities. The six-year plan authorizes over \$2.0 billion in City capital projects, with \$439.4 million earmarked in 2010.

Some of the upcoming projects included in the 2010 capital budget are: total street projects of \$187.5 million, including: \$15.8 million – street improvements to Inkster Blvd. (Keewatin Street to Brookside Blvd.); \$36.6 million – regional and local streets; and \$51.3 million – Waverley West arterial roads project; \$8.0 million – redevelopment of Assiniboine Park through the Assiniboine Park Conservancy; \$13.1 million – transit buses; and \$64.0 million – nutrient removal and plant expansion at the South End Water Pollution Control Center.

The City continues progress on two infrastructure projects for delivery using a design, build, finance and maintain model. Plenary Roads Winnipeg (“PRW”) was chosen as the preferred proponent to deliver a replacement facility to the Disraeli Bridges. Under a 30-year agreement, PRW will be responsible to design, build, finance and maintain the new facility. For its part, the City will make a commissioning payment and annual performance-based service payments to PRW.

Key features of the proposal include:

- During construction, traffic will not be interrupted at peak travel times;
- The existing bridges will be replaced by new structures;
- The roadway will be realigned, and exits and entrances redesigned to allow for smoother traffic and pedestrian flow; and
- A separate new active transportation bridge will be built utilizing the existing facility's river bridge piers.

Section 284(1) of The City of Winnipeg Charter requires City Council to approve the tax-supported budget before March 31 of each fiscal year. On March 23, 2010, City Council approved the 2010 operating budget, which provides for the 13th consecutive year of property tax freezes or reductions. The budget plan also includes the implementation of an enhanced small business tax credit program worth \$3.2 million to eliminate business taxes for the smallest businesses (36% of all businesses). It also provides for eight additional police officers on the street, 12 paramedics to provide additional ambulance services and five positions to coordinate inter-facility medical transfers.

Currently the Public Service is developing processes and policies on creating a consolidated budget, which will be included in future consolidated financial statements.

## GENERAL REVENUE FUND-BUDGET

For the years ended December 31  
(in thousands of dollars)

	2010	2009	2008	2007	2006
<b>Revenues</b>					
Property tax	\$ 431,113	\$ 428,692	\$ 424,422	\$ 419,035	\$ 404,828
Government transfers	102,768	101,663	90,237	81,172	87,991
Sale of goods and services	76,142	73,772	66,810	63,312	65,720
Business tax	57,584	57,584	57,584	57,584	62,240
Frontage levy and other taxation	63,198	46,107	25,253	22,943	22,158
Regulation fees	35,385	37,272	30,349	26,948	23,573
Transfer from other funds	40,631	32,940	62,361	59,918	45,557
Interest	10,142	9,328	9,326	9,310	7,796
Other	723	1,372	1,280	1,020	1,096
	<b>817,686</b>	<b>788,730</b>	<b>767,622</b>	<b>741,242</b>	<b>720,959</b>
<b>Expenses</b>					
Police service	189,909	178,997	169,936	160,223	153,312
Public works	161,509	166,132	165,502	161,890	153,567
Fire paramedic service	137,648	129,452	123,613	113,899	108,753
Community services	103,479	98,869	97,150	97,228	88,588
Corporate	59,437	60,367	60,492	61,435	71,203
Planning, property and development	38,791	39,104	37,120	37,186	35,146
Water and waste	33,823	30,093	29,373	30,674	32,140
Corporate support services	33,079	30,541	27,053	26,049	-
Assessment and taxation	22,565	17,987	19,229	14,139	-
City clerks	11,913	12,475	12,133	11,847	11,256
Street lighting	10,854	10,520	10,533	10,492	10,128
Corporate finance	7,543	7,288	6,642	6,831	9,832
Other departments	7,136	6,905	8,846	9,349	47,034
	<b>817,686</b>	<b>788,730</b>	<b>767,622</b>	<b>741,242</b>	<b>720,959</b>
	\$ -	\$ -	\$ -	\$ -	\$ -

## 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 on-line at [www.winnipeg.ca](http://www.winnipeg.ca). Questions concerning the information provided in these reports should be addressed to the Cor-

porate Controller's Office, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.



Michael Ruta, FCA  
Deputy Chief Administrative Officer/Chief Financial Officer



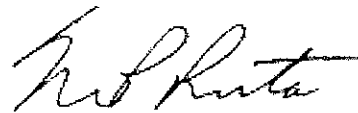
# Responsibility for Financial Reporting

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 generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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 Mayor, the Deputy Mayor, and the chairpersons of City Council's Standing Committees. 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 Committee is readily accessible to external and internal auditors.

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



Michael Ruta, FCA  
Deputy Chief Administrative Officer/Chief Financial Officer





# Auditors' Report

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

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the City'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 consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada.

April 23, 2010.

*Ernst & Young LLP*

Chartered Accountants

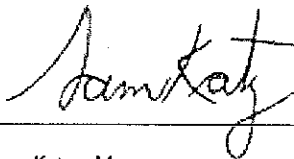
# Consolidated Statement of Financial Position

As at December 31  
(in thousands of dollars)

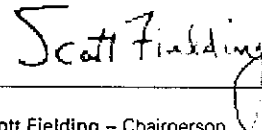
	2009	2008
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 401,145	\$ 424,593
Accounts receivable (Note 4)	161,535	157,985
Land held for resale	12,467	12,351
Investments (Note 5)	299,115	295,594
Deposits	-	16,000
Investment in government businesses (Note 6)	23,266	23,525
	<b>897,528</b>	<b>930,048</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	139,020	159,891
Deferred revenue (Note 8)	50,943	42,535
Debt (Note 9)	479,492	476,934
Other liabilities (Note 10)	46,882	32,104
Retirement allowance, vacation, compensated absences and other (Note 11)	144,288	140,734
	<b>860,625</b>	<b>852,198</b>
<b>Net Financial Assets</b>	<b>36,903</b>	<b>77,850</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 13)	4,291,354	4,058,319
Inventories	15,333	14,707
Prepaid expenses and deferred charges	5,906	5,405
	<b>4,312,593</b>	<b>4,078,431</b>
<b>Accumulated Surplus (Note 14)</b>	<b>\$ 4,349,496</b>	<b>\$ 4,156,281</b>
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:



Sam Katz - Mayor



Scott Fielding - Chairperson,  
Standing Policy Committee on Finance

# Consolidated Statement of Operations and Accumulated Surplus

For the years ended December 31  
(in thousands of dollars)

	2009	2008
<b>Revenues</b>		
Taxation (Note 16)	\$ 534,571	\$ 521,684
Sales of services and regulatory fees (Note 17)	413,243	412,984
Government transfers (Note 18)	134,710	122,722
Investment income	39,488	48,139
Land sales and other revenue (Note 6)	28,573	34,837
<b>Total Revenues</b>	<b>1,150,585</b>	<b>1,140,366</b>
<b>Expenses</b>		
Protection and community services	362,341	344,158
Utility operations	278,848	258,788
Public works	270,877	250,534
Property and development	97,958	93,738
Finance and administration	61,575	67,590
General government	49,252	17,283
Civic corporations	29,582	29,383
<b>Total Expenses (Note 19)</b>	<b>1,150,433</b>	<b>1,061,474</b>
<b>Excess Revenues Over Expenses Before Other</b>	<b>152</b>	<b>78,892</b>
<b>Other</b>		
Government transfers related to capital (Note 18)	122,113	90,588
Developer contributions-in-kind related to capital (Note 13)	70,950	40,304
	<b>193,063</b>	<b>130,892</b>
<b>Excess Revenues Over Expenses</b>	<b>193,215</b>	<b>209,784</b>
<b>Accumulated Surplus, Beginning of Year</b>	<b>4,156,281</b>	<b>3,946,497</b>
<b>Accumulated Surplus, End of Year</b>	<b>\$ 4,349,496</b>	<b>\$ 4,156,281</b>

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)

	2009	2008
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating</b>		
Excess revenues over expenses	\$ 193,215	\$ 209,784
Non-cash charges to operations		
Amortization	155,382	141,099
Other	20,804	(6,431)
	<u>369,401</u>	<u>344,452</u>
Net change in non-cash working capital balances related to operations	(29,497)	(23,768)
Cash provided by operating activities	<u>339,904</u>	<u>320,684</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(384,110)	(330,344)
Proceeds on disposal of tangible capital assets	6,018	4,912
Cash used in capital activities	<u>(378,092)</u>	<u>(325,432)</u>
<b>Financing</b>		
Increase in sinking fund investments	(27,386)	(27,472)
Sinking fund investments applied to debt redemption	104,519	-
Debenture and serial debt retired	(149,878)	(13,706)
Sinking fund and serial debenture issued	48,480	97,411
Other	26,864	18,519
Cash provided by financing activities	<u>2,599</u>	<u>74,752</u>
<b>Investing</b>		
Decrease (increase) of investments	12,141	(50,153)
Cash provided by (used in) investing activities	<u>12,141</u>	<u>(50,153)</u>
(Decrease) increase in cash and cash equivalents	(23,448)	19,851
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>424,593</u>	<u>404,742</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 401,145</b>	<b>\$ 424,593</b>

See accompanying notes and schedules to the consolidated financial statements

# Consolidated Statement of Change in Net Financial Assets

For the years ended December 31  
(in thousands of dollars)

	2009	2008
<b>Excess Revenues Over Expenses</b>	<b>\$ 193,215</b>	<b>\$ 209,784</b>
Amortization of tangible capital assets	155,382	141,099
Proceeds on disposal of tangible capital assets	6,018	4,912
Loss on sale of tangible capital assets	1,875	604
Change in inventories, prepaid expenses and deferred charges	(1,127)	(3,245)
Acquisition of tangible capital assets	(384,110)	(330,344)
Other	(12,200)	2,600
<b>(Decrease) Increase In Net Financial Assets</b>	<b>(40,947)</b>	<b>25,410</b>
<b>Net Financial Assets, Beginning Of Year</b>	<b>77,850</b>	<b>52,440</b>
<b>Net Financial Assets, End Of Year</b>	<b>\$ 36,903</b>	<b>\$ 77,850</b>

See accompanying notes and schedules to the consolidated financial statements

# Notes to the Consolidated Financial Statements

December 31, 2009

(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 generally accepted accounting principles for governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

### a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City except for the City's government businesses which are accounted for on the modified equity basis of accounting. 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:

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

#### ii) Government businesses

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

#### iii) Other organizations

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and 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.

### c) School taxes

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, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

## 2. Significant Accounting Policies (continued)

### d) Cash equivalents

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

### e) 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.

### f) Investments

Bonds and debentures 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.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

### g) Assessment appeal costs

Assessment appeal costs are estimated at the beginning of the four-year assessment cycle and are amortized over the cycle. The liability is net of the unamortized costs.

### h) Solid waste landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expenses as the landfill site's capacity is used.

### i) Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which

indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

### j) 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 purchase 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.

### k) 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. The liabilities are discounted using current interest rates on long-term bonds.

### l) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets 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 the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Vehicles	
Transit buses	18 years
Vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Other	
Machinery and equipment	10 years
Land improvements	15 years
Water and waste plants and networks	
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	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

### ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

### iii) Leases

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

### iv) Inventories

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

### m) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

### n) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.



### 3. Cash and Cash Equivalents

	2009	2008
Cash	\$ 1,411	\$ 7,020
Cash equivalents	399,734	417,573
	<b>\$ 401,145</b>	<b>\$ 424,593</b>

The average effective interest rate for cash equivalents at December 31, 2009 is 0.6% (2008 – 3.0%). Cash and cash equivalents are net of \$86.1 million (2008 – \$198.1 million) which has been received from various entities including the Board of Trustees of the Winnipeg Civic Employees'

Benefits Program. The funds are invested on a pooled basis to obtain maximum investment returns. Cash received for interest during the year is \$42.2 million (2008 – \$46.3 million).

### 4. Accounts Receivable

	2009	2008
Property, payments-in-lieu and business taxes receivable	\$ 30,036	\$ 29,893
Allowance for property, payments-in-lieu and business tax arrears	(3,784)	(3,657)
	<b>26,252</b>	<b>26,236</b>
Trade accounts and other receivables	102,345	91,833
Province of Manitoba	33,207	34,668
Government of Canada	6,836	11,751
Allowance for doubtful accounts	(7,105)	(6,503)
	<b>135,283</b>	<b>131,749</b>
	<b>\$ 161,535</b>	<b>\$ 157,985</b>

### 5. Investments

	2009	2008
Marketable securities		
Government of Canada bonds and treasury bills	\$ 9,385	\$ 11,963
Provincial bonds and coupons	18,940	20,343
Municipal bonds	41,159	27,358
	<b>69,484</b>	<b>59,664</b>
Manitoba Hydro long-term receivable	226,640	232,879
Other investments	2,991	3,251
	<b>\$ 299,115</b>	<b>\$ 295,594</b>

The aggregate market value of marketable securities at December 31, 2009 is \$71.0 million (2008 – \$61.1 million).

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included payments to the City of \$25 million per annum commencing in 2002 and for the next four years thereafter; \$20 million per annum for years six through nine; and \$16 million per annum for years ten 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 2002 average long-term borrowing rate of 6%.

## 6. Investment in Government Businesses

### a) North Portage Development Corporation

North Portage Development Corporation ("NPDC") is a government partnership that is owned equally 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 Win-

nipeg's downtown: the North Portage area and The Forks. NPDC is involved in certain business and core activities regarding the ownership, development and management of its two sites that include land investment properties and public amenities.

The condensed supplementary financial information of NPDC is as follows:

	2009	2008
<b>Financial position</b>		
Capital assets and investment in properties and infrastructure enhancements	\$ 78,154	\$ 78,711
Investments	16,965	19,040
Other assets	2,780	2,456
	<u>\$ 97,899</u>	<u>\$ 100,207</u>
Deferred contributions	\$ 21,014	\$ 23,033
Long-term debt	12,668	12,940
Current and other liabilities	6,888	5,577
	<u>40,570</u>	<u>41,550</u>
Net assets	<u>\$ 57,329</u>	<u>\$ 58,657</u>
	<u>\$ 97,899</u>	<u>\$ 100,207</u>
<b>Results of operations</b>		
Revenues	\$ 10,365	\$ 10,110
Expenditures	9,555	9,174
	<u>810</u>	<u>936</u>
Amortization	(1,183)	(1,393)
Unrealized and realized losses	(955)	(129)
Deficiency of revenues over expenditures for the year	<u>\$ (1,328)</u>	<u>\$ (586)</u>

## 6. Investment in Government Businesses (continued)

### b) Winnipeg Housing Rehabilitation Corporation

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

from Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

The condensed supplementary financial information of WHRC is as follows:

	2009	2008
<b>Financial position</b>		
Capital assets	\$ 30,521	\$ 31,779
Current and other assets	6,037	5,688
	<b>\$ 36,558</b>	<b>\$ 37,467</b>
Long-term debt	\$ 28,221	\$ 29,345
Current and other liabilities	4,181	4,148
	<b>32,402</b>	<b>33,493</b>
Replacement Reserves	3,572	3,487
WHRC Building and Acquisition Reserve	320	312
Net assets	264	175
	<b>4,156</b>	<b>3,974</b>
	<b>\$ 36,558</b>	<b>\$ 37,467</b>
<b>Results of operations</b>		
Revenues	\$ 7,191	\$ 6,991
Expenditures	7,104	7,163
Excess (deficiency) of revenues over expenditures for the year	87	(172)
Gain on sale of capital assets	2	568
Change to Replacement Reserves during the year	85	384
Change to WHRC Building and Acquisition Reserve during the year	8	312
	<b>\$ 182</b>	<b>\$ 1,092</b>

During the year, the City paid WHRC an operating grant of \$200 thousand (2008 – \$200 thousand). In addition, the

City has guaranteed WHRC's operating line of credit to a value of \$2.0 million (2008 – \$2.0 million).

### Summary of investment in Government Businesses

	2009	2008
North Portage Development Corporation (1/3 share)	\$ 19,110	\$ 19,551
Winnipeg Housing Rehabilitation Corporation	4,156	3,974
	<b>\$ 23,266</b>	<b>\$ 23,525</b>

### Summary of Results of Operations

	2009	2008
North Portage Development Corporation (1/3 share)	\$ (441)	\$ (176)
Winnipeg Housing Rehabilitation Corporation	182	1,092
	<b>\$ (259)</b>	<b>\$ 916</b>

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

sales and other revenue. These organizations report their activities based on a March 31 year-end.

## 7. Accounts Payable and Accrued Liabilities

	2009	2008
Accrued liabilities	\$ 68,859	\$ 83,500
Trade accounts payable	56,871	61,795
Accrued interest payable	13,290	14,596
	<b>\$ 139,020</b>	<b>\$ 159,891</b>

## 8. Deferred Revenue

	2009	2008
Province of Manitoba	\$ 21,740	\$ 3,350
Federal gas tax transfer	13,494	2,158
Federal public transit transfer	8,457	29,616
Other	7,252	7,411
	<b>\$ 50,943</b>	<b>\$ 42,535</b>

## 9. Debt

### Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2009	2008
1999-2009	Feb. 2	5.350	VV	7368/99	\$ -	\$ 50,000
1989-2009	Dec. 14	10.000	VH	5286/89	-	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	90,000	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	85,000	85,000
1995-2015	May 12	9.125	VR	6620/95	88,000	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
2008-2036	July 17	5.200	VZ	72/2006B	100,000	100,000
					<b>453,000</b>	<b>588,500</b>
Equity in The Sinking Funds (Note 9b)					<b>(199,025)</b>	<b>(276,158)</b>
Net sinking fund debentures outstanding					<b>253,975</b>	<b>312,342</b>
Other debt outstanding						
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.84% (2008 - 4.56%)					118,935	84,833
The Province and bank loans with varying maturities up to 2019 and a weighted average interest rate of 3.75% (2008 - 3.92%)					76,349	47,873
Capital lease obligations (Note 9c)					30,233	31,886
					<b>\$ 479,492</b>	<b>\$ 476,934</b>

## 9. Debt (continued)

Debt segregated by fund/organization:

	2009	2008
General Capital Fund	\$ 195,489	\$ 208,806
Waterworks System	170,047	175,761
Sewage Disposal System	31,094	38,232
Solid Waste Disposal	388	591
Special operating agencies and other	72,845	42,718
Transit System	9,629	10,826
	<b>\$ 479,492</b>	<b>\$ 476,934</b>

Debt to be retired over the next five years:

	2010	2011	2012	2013	2014	2015+
Sinking fund debentures	\$ -	\$ -	\$ -	\$ 90,000	\$ 85,000	\$ 278,000
Other debt	43,331	31,777	34,075	31,758	18,339	68,237
	<b>\$ 43,331</b>	<b>\$ 31,777</b>	<b>\$ 34,075</b>	<b>\$ 121,758</b>	<b>\$ 103,339</b>	<b>\$ 344,237</b>

a) As at December 31, 2009, sinking fund assets have a market value of \$209.2 million (2008 - \$289.8 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of \$17.0 million (2008 - \$40.6 million) and a market value of \$17.2 million (2008 - \$41.3 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 Decem-

ber 31, 2002. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The City is currently paying one percent or greater 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 under the capital leases together with the balance of the obligation due under the capital leases are as follows:

	Capital Leases
2010	\$ 4,117
2011	4,117
2012	3,018
2013	3,095
2014	3,098
Thereafter	41,473
Total future minimum lease payments	58,918
Amount representing interest at a weighted average rate of 8.42%	(28,685)
Capital lease liability	<b>\$ 30,233</b>

d) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2009 is \$49.6 million (2008 - \$51.0 million).

e) Cash paid for interest during the year is \$50.9 million (2008 - \$48.8 million).

## 10. Other Liabilities

	2009	2008
Developer deposits	\$ 9,084	\$ 8,861
Other liabilities	19,298	7,243
	<b>28,382</b>	<b>16,104</b>
Environmental liabilities	18,500	16,000
	<b>\$ 46,882</b>	<b>\$ 32,104</b>

In 2009, the City has accrued an overall liability for environmental matters in the amount of \$18.5 million (2008 – \$16.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Included in environmental liabilities is \$17.1 million (2008 – \$14.1 million) of 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 closure and post-closure care activities discounted at the City's average long-term borrowing rate of 6.0% (2008 – 6.0%).

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 inspec-

tion and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100-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 capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 95% of its total capacity and its remaining life is approximately 95 years, after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2009, the reserve had a balance of \$3.4 million (2008 – \$2.9 million).

## 11. Retirement Allowance, Vacation, Compensated Absences and Other

	2009	2008
Retirement allowance – accrued obligation	\$ 85,198	\$ 83,380
Unamortized net actuarial loss	(7,252)	(6,805)
Retirement allowance – accrued liability	<b>77,946</b>	<b>76,575</b>
Vacation	<b>43,170</b>	<b>41,210</b>
Compensated absences	<b>7,667</b>	<b>7,602</b>
Other	<b>15,505</b>	<b>15,347</b>
	<b>\$ 144,288</b>	<b>\$ 140,734</b>

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.8 years, which represents the expected average remaining service life of the employee group. Amortization is cal-

culated beginning in the year following the year of occurrence of the actuarial gains or losses.

The City measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2008. The results of this valuation were extrapolated to December 31, 2009.

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

	2009	2008
Retirement allowance – accrued liability		
Balance, beginning of year	\$ 76,575	\$ 75,413
Current service cost	<b>4,338</b>	4,120
Interest cost	<b>3,838</b>	3,784
Amortization of net actuarial loss	<b>1,016</b>	936
Benefit payments	<b>(7,821)</b>	<b>(7,678)</b>
Balance, end of year	<b>\$ 77,946</b>	<b>\$ 76,575</b>

## 11. Retirement Allowance, Vacation, Compensated Absences and Other (continued)

Retirement allowance expense consists of the following:

	2009	2008
Current service cost	\$ 4,338	\$ 4,120
Interest cost	3,838	3,784
Amortization of net actuarial loss	1,016	936
	<b>\$ 9,192</b>	<b>\$ 8,840</b>

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

	2009	2008
Discount rate on liability	4.40%	4.70%
General increases in pay	3.00%	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 Pension Plan

The Winnipeg Civic Employees' Benefits Pension Plan is similar to a defined contribution pension plan because it is a multi-uit pension plan governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. The Plan provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. During 2009, members contributed 6.5% of their Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, members' and employers' contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the plan was prepared on December 31, 2008, which indicated an excess of actuarial value of program assets over actuarial liabilities of \$358.0 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employees. However, a portion of the excess of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions.

The balance of the City Account at December 31, 2009 was \$85.3 million (2008 -- \$87.2 million).

Total contributions by the City to the program in 2009 were \$12.4 million (2008 -- \$11.5 million), which were expensed as incurred.



## 12. Pension Costs and Obligations (continued)

### b) Winnipeg Police Pension Plan

The Winnipeg Police Pension 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 1% 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. The plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve and thereafter 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 valuation of the plan was prepared as of December 31, 2008 and the results were extrapolated to December 31, 2009. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year (2008 – 6.00%); inflation rate of 2.00% per year (2008 – 2.25%); and general pay increases of 3.50% per year (2008 – 3.75%). 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:

	2009	2008
<b>Plan assets</b>		
Fair value, beginning of year	\$ 760,147	\$ 916,136
Employer contributions	9,026	8,602
Employee contributions and transfers	9,327	9,442
Benefits and expenses paid	(36,718)	(35,408)
Net investment income	112,953	(138,627)
Fair value, end of year	854,735	760,147
Actuarial adjustment	53,361	123,833
Actuarial value, end of year	\$ 908,096	\$ 883,980
<b>Accrued pension obligation</b>		
Beginning of year	\$ 855,245	\$ 828,910
Current period benefit cost	28,024	29,166
Benefits and expenses paid	(36,718)	(35,408)
Interest on accrued pension obligation	51,953	48,047
Actuarial gain	(44,942)	(15,470)
End of year	\$ 853,562	\$ 855,245
<b>Funded status</b>		
	\$ 54,534	\$ 28,735
Less: contribution stabilization reserve	(54,534)	(28,735)
Actuarial surplus	\$ -	\$ -
<b>Expenses related to pensions</b>		
Current period benefit cost	\$ 28,024	\$ 29,166
Amortization of actuarial gains	(8,237)	(7,599)
Less: employee contributions and transfers	(9,327)	(9,442)
Pension benefit expense	10,460	12,125
Interest on accrued pension obligation	51,953	48,047
Expected return on plan assets	(53,387)	(51,570)
Pension interest expense	(1,434)	(3,523)
Total expenses related to pensions	\$ 9,026	\$ 8,602

## 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 2009 were \$9.0 million (2008 - \$8.6 million). Total employee contributions to the Plan in 2009 were \$9.2 million (2008 - \$8.8 million). Benefits paid from the Plan in 2009 were \$35.9 million (2008 - \$34.7 million).

The expected rate of return on Plan assets in 2009 was 6.00% (2008 - 6.00%). The actual rate of return, net of investment expenses, on Plan assets in 2009 was 15.05% (2008 - (15.28%)).

As the City's contribution to the Plan each year are equal to its pension expense, no accrued pension asset or liability is reflected in the Statement of Financial Position.

### 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 2009, the City paid out \$0.3 million (2008 - \$0.3 million).

#### 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 which is consistent with the Civic Employees' Pension Plan.

### d) Group Life Insurance Plan

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

An actuarial valuation of the plan was prepared as of December 31, 2007 and the results were extrapolated to December 31, 2009. The principal long-term assumptions on which the valuation was based were: discount rate of 5.15% per year; and general pay increases of 3.75% per year. 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 plan is as follows:

	2009	2008
Group life insurance plan assets, at actuarial value	\$ 129,656	\$ 125,231
Accrued post-retirement life insurance obligations	\$ 84,010	\$ 81,573

### 13. Tangible Capital Assets

Net Book Value

	2009	2008
<b>General</b>		
Land	<b>\$ 189,507</b>	<b>\$ 169,529</b>
Buildings	<b>292,478</b>	<b>256,559</b>
Vehicles	<b>165,860</b>	<b>144,500</b>
Computer	<b>51,975</b>	<b>39,157</b>
Other	<b>83,833</b>	<b>63,830</b>
<b>Infrastructure</b>		
Plants and facilities	<b>599,450</b>	<b>312,481</b>
Roads	<b>821,659</b>	<b>794,274</b>
Underground and other networks	<b>1,733,992</b>	<b>1,660,563</b>
Bridges and other structures	<b>307,643</b>	<b>308,620</b>
	<b>4,246,397</b>	<b>3,749,513</b>
Assets under construction	<b>44,957</b>	<b>308,806</b>
	<b>\$ 4,291,354</b>	<b>\$ 4,058,319</b>

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

During the year, there were no write-downs of assets (2008 - Nil). Interest capitalized during 2009 was \$2.6 million

(2008 - \$1.5 million). In addition, roads and underground networks contributed to the City totalled \$71.0 million in 2009 (2008 - \$40.3 million) and were capitalized at their fair value at the time of receipt.

## 14. Accumulated Surplus

Accumulated surplus consists of individual fund surplus/  
(deficit) and reserves as follows:

	2009	2008
<b>Surplus</b>		
Invested in tangible capital assets	\$ 3,834,764	\$ 3,568,485
Unamortized gain on Winnipeg Hydro sale	226,640	232,679
Waterworks System	84,949	109,947
Sewage Disposal System	45,769	71,234
North Portage Development Corporation	19,110	19,551
Fleet Management—Special Operating Agency	13,444	12,637
Equipment and Material Services	11,442	11,403
CentreVenture Development Corporation	9,481	11,225
Solid Waste Disposal	3,864	5,620
Other	16,104	13,965
Winnipeg Parking Authority—Special Operating Agency	(4,510)	(7,257)
(Unfunded) funded expenses		
Canadian Museum for Human Rights grant	(11,100)	4,900
Environmental liabilities	(17,858)	(15,550)
Retirement allowance, vacation, compensated absences and other	(141,270)	(134,968)
<b>Total Surplus</b>	<b>4,090,829</b>	<b>3,903,871</b>
<b>Reserves (Schedule 4)</b>		
<b>Capital Reserves</b>		
Sewer System Rehabilitation Reserve	35,998	36,318
Environmental Projects Reserve	31,539	27,224
Transit Bus Replacement Reserve	11,808	16,885
Rapid Transit Infrastructure Reserve	7,046	2,790
Other	11,938	10,939
	<b>98,329</b>	<b>94,156</b>
<b>Special Purpose Reserves</b>		
Land Operating Reserve	20,668	16,106
General Purpose Reserve	14,162	7,707
Perpetual Maintenance Fund—Brookside Cemetery	12,123	11,653
Heritage Investment Reserve	7,484	8,654
Contribution in Lieu of Land Dedication Reserve	5,497	3,595
Destination Marketing Reserve	4,760	-
Workers Compensation Reserve	3,173	3,500
Insurance Reserve (Note 20)	1,639	1,769
Snow Clearing Reserve	-	4,364
Other	12,435	16,226
	<b>81,941</b>	<b>73,574</b>
<b>Stabilization Reserves</b>		
Mill Rate Stabilization Reserve	41,912	49,932
Fiscal Stabilization Reserve	36,485	34,748
	<b>78,397</b>	<b>84,680</b>
<b>Total Reserves</b>	<b>258,667</b>	<b>252,410</b>
	<b>\$ 4,349,496</b>	<b>\$ 4,156,281</b>

## 15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2009 are as follows:

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

	Operating Leases
2010	\$ 4,120
2011	3,946
2012	3,312
2013	2,804
2014 and thereafter	12,133
	<b>\$ 26,315</b>

b) The City is not a defendant in any significant lawsuits as at December 31, 2009. 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.

c) 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, 2009 is \$4.9 million (2008 - \$5.1 million).

## 16. Taxation

	2009	2008
Municipal and school property taxes	\$ 852,364	\$ 833,802
Payments-in-lieu of property (municipal and school) and business taxes	38,871	39,210
	<b>891,235</b>	<b>873,012</b>
Payments to Province and school divisions	(474,445)	(465,001)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	<b>416,790</b>	<b>408,011</b>
Business tax and license-in-lieu of business taxes	56,539	56,284
Local improvement and frontage levies	29,055	28,745
Electricity and natural gas sales taxes	17,989	17,762
Amusement and accommodation taxes and mobile home license	14,198	10,882
	<b>\$ 534,571</b>	<b>\$ 521,684</b>

The property tax roll includes school taxes of \$451.4 million (2008 - \$442.2 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2009 totalled \$23.0 million (2008 - \$22.5 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are re-

mitted 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.

## 17. Sales of Services and Regulatory Fees

	2009	2008
Water sales and sewage services	\$ 205,533	\$ 209,249
Other sales of goods and services	93,001	92,952
Transit fares	63,906	61,493
Regulatory fees	50,803	49,290
	<b>\$ 413,243</b>	<b>\$ 412,984</b>

## 18. Government Transfers

	2009	2008
<b>Operating</b>		
Province of Manitoba		
Building Manitoba Fund	\$ 55,404	\$ 55,404
Ambulance, libraries and other	48,058	35,547
Transit	24,276	25,130
Unconditional	19,888	19,888
Support	10,632	10,226
Support for provincial programs	(23,650)	(23,650)
	<b>134,608</b>	<b>122,545</b>
Government of Canada		
Other	102	177
<b>Total Operating</b>	<b>134,710</b>	<b>122,722</b>
<b>Capital</b>		
Province of Manitoba		
	<b>52,983</b>	<b>63,950</b>
Government of Canada		
Federal gas tax revenue	29,731	19,516
Public transit	21,159	6,150
Other capital funding	18,240	972
	<b>69,130</b>	<b>26,638</b>
<b>Total Capital</b>	<b>122,113</b>	<b>90,588</b>
	<b>\$ 256,823</b>	<b>\$ 213,310</b>

In accordance with the recommendations of PSAB, government transfers 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. Expenses by Object

	2009	2008
Salaries and benefits	\$ 598,576	\$ 565,071
Goods and services	314,746	291,061
Amortization	155,382	141,099
Interest	49,588	50,952
Other expenses	32,141	13,291
	<b>\$ 1,150,433</b>	<b>\$ 1,061,474</b>

## 20. 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 Fund (Note 14) that

enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2009 is \$1.6 million (2008 – \$1.8 million).

## 21. 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 sick and injured; for handling hazardous materials incidents; for the mitigation of calamitous incidents; and for the evacuation of people when in charge at an incident.

### Community Services

The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement such as insect control and the regulation of food service establishments. The department also contributes towards 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, 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.

## 21. Segmented Information (continued)

### Public Works and Water

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

### Transit System Fund

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

### Water and Waste Funds

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information see the Consolidated Schedule of Segment Disclosure—Service (Schedule 2) and Schedule of Segment Disclosure with Budget Information (Schedule 3).

## 22. Funds Held in Trust

Trust funds administered by the City for the benefit of external parties of \$0.6 million (2008 – \$0.6 million) are not included in the consolidated financial statements.

## 23. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.



# Consolidated Schedule of Tangible Capital Assets SCHEDULE 1

As at December 31  
(in thousands of dollars)

	INFRASTRUCTURE										TOTALS	
	GENERAL					INFRASTRUCTURE					2009	2008
	Land	Buildings	Vehicles	Computer	Other	Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction		
<b>Cost</b>												
Balance, beginning of year	\$ 169,529	\$ 479,594	\$ 275,310	\$ 109,252	\$ 113,736	\$ 489,755	\$ 1,576,374	\$ 2,469,381	\$ 494,378	\$ 308,806	\$ 6,486,115	\$ 6,206,458
Add: Additions during the year	8,734	57,579	40,062	23,669	28,726	300,346	89,633	109,835	9,375	(263,849)	384,110	330,344
Less: Disposals during the year	956	4,853	13,006	783	2,051	1,607	23,468	4,281	-	-	51,005	48,087
Other	12,200	-	-	-	-	-	-	-	-	-	12,200	(2,600)
Balance, end of year	189,507	532,320	302,366	132,138	140,411	788,494	1,622,539	2,574,935	503,753	44,957	6,831,420	6,486,115
<b>Accumulated amortization</b>												
Balance, beginning of year	-	223,035	130,810	70,095	49,906	177,274	782,100	808,818	185,758	-	2,427,796	2,329,268
Add: Amortization	-	18,296	18,704	10,851	8,691	12,307	42,104	34,077	10,352	-	155,382	141,099
Less: Accumulated amortization on disposals	-	1,489	13,008	783	2,019	537	23,324	1,952	-	-	43,112	42,571
Balance, end of year	-	239,842	136,506	80,163	56,578	189,044	800,880	840,943	196,110	-	2,540,066	2,427,796
<b>Net Book Value of Tangible Capital Assets</b>	\$ 189,507	\$ 292,478	\$ 165,860	\$ 51,975	\$ 83,833	\$ 599,450	\$ 821,659	\$ 1,733,992	\$ 307,643	\$ 44,957	\$ 4,291,354	\$ 4,058,319

# Consolidated Schedule of Segment Disclosure – Service SCHEDULE 2

For the year ended December 31, 2009  
(in thousands of dollars)

## GENERAL REVENUE FUND

	Protection	Community Services	Planning	Public Works and Water	Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
<b>Revenues</b>										
Taxation	\$ 204,598	\$ 64,319	\$ 7,334	\$ 167,054	\$ 89,909	\$ -	\$ -	\$ 17,583	\$ (16,226)	\$ 534,571
Sales of services and regulatory fees	42,295	17,399	15,917	3,917	10,484	65,910	224,473	74,963	(42,115)	413,243
Government transfers (Note 18)	53,068	12,407	4,389	20,321	14,630	49,340	3,787	108,826	(9,945)	256,823
Transfer from other funds	3,363	1,443	8,771	20,358	3,070	78,879	31,839	298,683	(446,406)	-
Other	7,962	2,617	1,221	5,733	12,187	1,318	39,127	75,386	(6,540)	139,011
	311,286	99,185	37,632	217,383	130,280	195,447	299,226	575,441	(521,232)	1,343,648
<b>Expenses (Note 19)</b>										
Salaries and benefits	265,975	44,159	19,701	59,711	34,326	77,583	52,783	37,336	7,002	598,576
Goods and services	30,651	11,847	3,105	100,952	12,155	36,961	71,017	90,105	(42,047)	314,746
Interest	1,494	363	2,413	36,296	4,805	3,054	20,768	55,607	(75,212)	49,588
Transfer to other funds	7,575	35,520	8,564	4,984	59,011	11,481	50,289	150,693	(328,117)	-
Other	5,591	6,296	3,849	15,440	19,983	10,818	34,311	144,037	(52,802)	187,523
	311,286	99,185	37,632	217,383	130,280	139,897	229,168	477,778	(491,176)	1,150,433
<b>Net Surplus</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,550	\$ 70,058	\$ 97,663	\$ (30,056)	\$ 193,215

# Consolidated Schedule of Segment Disclosure – Service SCHEDULE 2

For the year ended December 31, 2008  
(in thousands of dollars)

## GENERAL REVENUE FUND

	Protection	Community Services	Planning	Public Works and Water	Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
<b>Revenues</b>										
Taxation	\$ 186,687	\$ 59,578	\$ 10,096	\$ 152,151	\$ 103,467	\$ -	\$ -	\$ 25,885	\$ (16,180)	\$ 521,684
Sales of services and regulatory fees	40,780	15,115	15,511	3,782	11,548	63,509	231,360	72,835	(41,456)	412,984
Government transfers (Note 18)	45,226	11,342	3,107	18,228	14,306	30,720	8,079	90,992	(8,690)	213,310
Transfer from other funds	13,227	6,218	8,510	24,446	6,080	49,081	38,084	262,098	(407,744)	-
Other	7,740	2,650	1,244	5,887	9,994	684	18,145	112,881	(35,925)	123,280
	293,660	94,903	38,468	204,494	145,395	143,974	295,668	564,691	(509,995)	1,271,258
<b>Expenses (Note 19)</b>										
Salaries and benefits	248,798	42,543	19,192	56,057	33,876	74,651	48,949	36,175	4,830	565,071
Goods and services	29,936	11,770	2,782	86,266	13,252	38,898	64,190	84,068	(40,101)	291,061
Interest	1,774	328	2,405	37,635	6,477	2,920	18,571	58,670	(77,828)	50,952
Transfer to other funds	6,196	34,498	9,517	7,274	65,112	10,273	60,139	109,575	(302,584)	-
Other	6,956	5,764	4,572	17,262	26,678	8,577	26,666	154,327	(96,412)	154,390
	293,660	94,903	38,468	204,494	145,395	135,319	218,515	442,815	(512,095)	1,061,474
<b>Net Surplus</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,655	\$ 77,153	\$ 121,876	\$ 2,100	\$ 209,784

# Schedule of Segment Disclosure with Budget Information

SCHEDULE 3

General Revenue Fund  
For the years ended December 31  
(in thousands of dollars)

	2009		2008
	Budget	Actual	Actual
<b>Protection</b>			
<b>Revenues</b>			
Taxation	\$ 200,099	\$ 204,598	\$ 186,687
Sales of services and regulatory fees	45,980	42,295	40,780
Government transfers	53,713	53,068	45,226
Transfer from other funds	3,297	3,363	13,227
Other	7,890	7,962	7,740
	<b>310,979</b>	<b>311,286</b>	<b>293,660</b>
<b>Expenses</b>			
Salaries and benefits	265,238	265,975	248,798
Goods and services	31,267	30,651	29,936
Interest	1,494	1,494	1,774
Transfer to other funds	8,076	7,575	6,196
Other	4,904	5,591	6,956
	<b>310,979</b>	<b>311,286</b>	<b>293,660</b>
<b>Net Surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Community Services</b>			
<b>Revenues</b>			
Taxation	\$ 65,058	\$ 64,319	\$ 59,578
Sales of services and regulatory fees	17,710	17,399	15,115
Government transfers	11,777	12,407	11,342
Transfer from other funds	1,116	1,443	6,218
Other	2,567	2,617	2,650
	<b>98,228</b>	<b>98,185</b>	<b>94,903</b>
<b>Expenses</b>			
Salaries and benefits	42,822	44,159	42,543
Goods and services	12,170	11,847	11,770
Interest	375	363	328
Transfer to other funds	35,752	35,520	34,498
Other	7,109	6,296	5,764
	<b>98,228</b>	<b>98,185</b>	<b>94,903</b>
<b>Net Surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Schedule of Segment Disclosure with Budget Information

SCHEDULE 3

General Revenue Fund  
For the years ended December 31  
(in thousands of dollars)

	2009		2008
	Budget	Actual	Actual
<b>Planning</b>			
<b>Revenues</b>			
Taxation	\$ 7,663	\$ 7,334	\$ 10,096
Sales of services and regulatory fees	17,512	15,917	15,511
Government transfers	4,230	4,389	3,107
Transfer from other funds	8,411	8,771	8,510
Other	1,181	1,221	1,244
	<u>38,997</u>	<u>37,632</u>	<u>38,468</u>
<b>Expenses</b>			
Salaries and benefits	19,988	19,701	19,192
Goods and services	3,509	3,106	2,782
Interest	2,413	2,413	2,405
Transfer to other funds	8,268	8,564	9,517
Other	4,819	3,849	4,572
	<u>38,997</u>	<u>37,632</u>	<u>38,468</u>
<b>Net Surplus</b>	\$ -	\$ -	\$ -
<b>Public Works and Water</b>			
<b>Revenues</b>			
Taxation	\$ 160,884	\$ 167,054	\$ 152,151
Sales of services and regulatory fees	4,458	3,917	3,782
Government transfers	17,979	20,321	18,228
Transfer from other funds	16,893	20,358	24,446
Other	6,216	5,733	5,887
	<u>206,430</u>	<u>217,383</u>	<u>204,494</u>
<b>Expenses</b>			
Salaries and benefits	55,388	59,711	56,057
Goods and services	94,009	100,952	86,266
Interest	36,296	36,296	37,635
Transfer to other funds	5,231	4,984	7,274
Other	15,506	15,440	17,262
	<u>206,430</u>	<u>217,383</u>	<u>204,494</u>
<b>Net Surplus</b>	\$ -	\$ -	\$ -

# Schedule of Segment Disclosure with Budget Information

SCHEDULE 3

General Revenue Fund  
For the years ended December 31  
(in thousands of dollars)

	2009		2008
	Budget	Actual	Actual
<b>Finance and Administration</b>			
<b>Revenues</b>			
Taxation	\$ 99,035	\$ 89,909	\$ 103,467
Sales of services and regulatory fees	11,315	10,484	11,548
Government transfers	13,964	14,630	14,306
Transfer from other funds	3,003	3,070	6,080
Other	6,560	12,187	9,994
	<b>133,877</b>	<b>130,280</b>	<b>145,395</b>
<b>Expenses</b>			
Salaries and benefits	34,814	34,326	33,876
Goods and services	18,740	12,155	13,252
Interest	7,193	4,805	6,477
Transfer to other funds	47,227	59,011	65,112
Other	25,903	19,983	26,678
	<b>133,877</b>	<b>130,280</b>	<b>145,395</b>
<b>Net Surplus</b>	\$ -	\$ -	\$ -

# Schedule of Reserves SCHEDULE 4

For the years ended December 31  
(in thousands of dollars)

	2009		2008
	Budget	Actual	Actual
<b>Capital</b>			
<b>Revenues</b>			
Taxation	\$ 7,500	\$ 7,500	\$ 27,415
Sales of services and regulatory fees	-	3	-
Government transfers	63,331	50,890	25,666
Transfer from other funds	41,604	39,781	17,455
Other	2,905	785	4,394
	<b>115,340</b>	<b>98,959</b>	<b>74,930</b>
<b>Expenses</b>			
Goods and services	1,221	637	521
Transfer to other funds	157,344	94,139	70,140
Other	10	10	-
	<b>158,575</b>	<b>94,786</b>	<b>70,661</b>
<b>Net Surplus (Deficit)</b>	<b>(43,235)</b>	<b>4,173</b>	<b>4,269</b>
<b>Opening Equity</b>	<b>94,156</b>	<b>94,156</b>	<b>89,887</b>
<b>Ending Equity</b>	<b>\$ 50,921</b>	<b>\$ 98,329</b>	<b>\$ 94,156</b>
<b>Special Purpose</b>			
<b>Revenues</b>			
Taxation	\$ 9,360	\$ 8,979	\$ 2,336
Sales of services and regulatory fees	166	122	152
Transfer from other funds	8,878	16,535	16,989
Other	59,499	17,596	17,546
	<b>77,903</b>	<b>43,232</b>	<b>37,023</b>
<b>Expenses</b>			
Salaries and benefits	1,003	450	78
Goods and services	29,782	6,708	9,908
Transfer to other funds	21,393	19,220	11,178
Other	22,536	8,487	17,205
	<b>74,714</b>	<b>34,865</b>	<b>38,369</b>
<b>Net Surplus (Deficit)</b>	<b>3,189</b>	<b>8,367</b>	<b>(1,346)</b>
<b>Opening Equity</b>	<b>73,574</b>	<b>73,574</b>	<b>74,920</b>
<b>Ending Equity</b>	<b>\$ 76,763</b>	<b>\$ 81,941</b>	<b>\$ 73,574</b>

# Schedule of Reserves SCHEDULE 4

For the years ended December 31  
(in thousands of dollars)

	2009		2008
	Budget	Actual	Actual
<b>Stabilization</b>			
<b>Revenues</b>			
Taxation	\$ -	\$ 421	\$ (4,564)
Transfer from other funds	-	870	14,103
Other	2,329	1,421	2,378
	<u>2,329</u>	<u>2,712</u>	<u>11,915</u>
<b>Expenses</b>			
Goods and services	254	-	-
Transfer to other funds	7,918	8,995	5,854
	<u>8,172</u>	<u>8,995</u>	<u>5,854</u>
<b>Net (Deficit) Surplus</b>	<u>(5,843)</u>	<u>(6,283)</u>	<u>6,061</u>
<b>Opening Equity</b>	<u>84,680</u>	<u>84,680</u>	<u>78,619</u>
<b>Ending Equity</b>	<u>\$ 78,837</u>	<u>\$ 78,397</u>	<u>\$ 84,680</u>



# Consolidated Financial Statements Five-Year Review

December 31

("\$" amounts in thousands of dollars, except as noted)

(Unaudited)

	2009	2008	2007	2006	2005
1. Population (as restated per Statistics Canada)	675,100	665,900	658,900	653,500	650,900
Unemployment rate (per Statistics Canada)					
Winnipeg	5.4%	4.3%	4.7%	4.6%	4.8%
National average	8.3%	6.1%	6.0%	6.3%	6.8%
2. Average annual headcount (restated)	9,827	9,823	9,552	9,536	9,534
3. Number of taxable properties	213,574	211,048	209,127	206,658	206,170
Payments-in-lieu of taxes – Number of properties	903	908	945	922	874
4. Assessment (see note)					
Residential	\$ 24,048,221	23,666,110	23,223,839	22,800,354	18,460,471
Commercial and industrial	8,242,789	8,161,490	8,095,206	7,959,866	7,209,121
Farm and golf	128,611	131,414	156,357	162,390	102,742
	<b>\$ 32,419,621</b>	<b>31,959,014</b>	<b>31,475,402</b>	<b>30,922,610</b>	<b>25,772,334</b>
Assessment per capita (in dollars)	\$ 48,022	47,994	47,770	47,318	39,595
Commercial and industrial as a percentage of assessment	25.43%	25.54%	25.72%	25.74%	27.97%
5. Tax arrears	\$ 30,036	29,893	38,038	41,350	37,698
6. Tax arrears - per capita (in dollars)	\$ 44.49	44.89	57.73	63.27	57.92
7. Municipal mill rate	25.448	25.448	25.448	25.448	29.688
- Percentage change adjusted for portioning and reassessment	0.00%	0.00%	0.00%	0.00%	0.00%
8. Winnipeg consumer price index (per Statistics Canada) (annual average)					
2002 base year 100	113.9	113.3	110.8	108.5	106.5
Percentage increase	0.5%	2.3%	2.1%	1.9%	2.7%
9. Consolidated revenues					
Taxation	\$ 534,571	521,684	515,197	518,661	503,594
User charges	413,243	412,984	381,273	356,761	339,539
Government transfers	256,823	213,310	188,563	152,300	120,725
Interest and other revenue	139,011	123,280	135,781	77,811	75,266
	<b>\$ 1,343,648</b>	<b>1,271,258</b>	<b>1,220,814</b>	<b>1,105,533</b>	<b>1,039,124</b>
10. Consolidated expenses by function					
Municipal operations	\$ 842,003	773,303	765,732	729,753	712,630
Public utilities	278,848	258,788	242,797	231,306	225,133
Civic corporations	29,582	29,383	25,000	24,174	25,836
	<b>\$ 1,150,433</b>	<b>1,061,474</b>	<b>1,033,529</b>	<b>985,233</b>	<b>963,399</b>
11. Growth in accumulated surplus	\$ 193,215	209,784	187,285	120,300	75,725

(Note: In 2006, the City conducted a general reassessment which moved from a 1999 level of value to a 2003 level of value.)

# Consolidated Financial Statements Five-Year Review

December 31

("\$" amounts in thousands of dollars, except as noted)

(Unaudited)

	2009	2008	2007	2006	2005
<b>12. Consolidated expenses by object</b>					
Salaries and benefits	\$ 598,576	565,071	539,405	530,881	510,928
Goods and services	314,746	291,061	291,032	271,530	270,707
Amortization	155,382	141,099	133,635	125,681	122,718
Interest	49,588	50,952	46,950	45,665	50,283
Other expenses	32,141	13,291	22,507	11,476	8,763
	<b>\$ 1,150,433</b>	<b>1,061,474</b>	<b>1,033,529</b>	<b>985,233</b>	<b>963,399</b>
<b>13. Payments to school authorities</b>	<b>\$ 474,445</b>	<b>465,001</b>	<b>452,937</b>	<b>437,317</b>	<b>435,205</b>
<b>14. Debt</b>					
Tax-supported	\$ 294,449	378,872	379,836	411,043	429,287
Transit	22,088	24,914	25,464	26,813	27,520
City-owned utilities	288,899	304,834	206,261	207,581	151,700
Other	73,081	44,472	34,587	24,893	5,160
Total gross debt	678,517	753,092	646,148	670,330	613,667
Less: Sinking Funds	199,025	276,158	248,686	222,723	198,965
Total net long-term debt	<b>\$ 479,492</b>	<b>476,934</b>	<b>397,462</b>	<b>447,607</b>	<b>414,702</b>
Percentage of total assessment	1.48%	1.49%	1.26%	1.45%	1.61%
<b>15. Acquisition of tangible capital assets</b>	<b>\$ 384,110</b>	<b>330,344</b>	<b>352,149</b>	<b>263,066</b>	<b>199,313</b>
<b>16. Net financial assets</b>	<b>\$ 36,903</b>	<b>77,850</b>	<b>52,440</b>	<b>71,767</b>	<b>81,020</b>
<b>17. Accumulated surplus</b>					
Surpluses					
Invested in tangible capital assets	\$ 3,834,764	3,568,485	3,434,876	3,181,870	3,038,586
Unamortized gain on Winnipeg Hydro sale	226,640	232,679	238,376	243,751	253,539
Other surpluses	199,653	253,225	187,543	215,383	192,331
Unfunded liabilities	(170,228)	(150,518)	(157,724)	(152,059)	(138,345)
	<b>4,090,829</b>	<b>3,903,871</b>	<b>3,703,071</b>	<b>3,488,945</b>	<b>3,346,111</b>
Reserves					
Capital	98,329	94,156	89,887	114,359	159,772
Special Purpose	81,941	73,574	74,920	74,679	69,025
Stabilization	78,397	84,680	78,619	81,229	64,004
	<b>258,667</b>	<b>252,410</b>	<b>243,426</b>	<b>270,267</b>	<b>292,801</b>
	<b>\$ 4,349,496</b>	<b>4,156,281</b>	<b>3,946,497</b>	<b>3,759,212</b>	<b>3,638,912</b>
<b>18. Government specific indicators</b>					
Assets-to-liabilities	6.05	5.88	5.89	5.61	5.98
Financial assets-to-liabilities	1.04	1.09	1.06	1.09	1.11
Public debt charges-to-revenues	0.04	0.04	0.04	0.04	0.05
Own-source revenues-to-taxable assessment	0.03	0.03	0.03	0.03	0.04
Government transfers-to-revenues	0.19	0.17	0.15	0.14	0.12

## Key City Contacts

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## Photo Credits

### Winnipeg Free Press

#### COVER

Winnipeg's commercial real estate market escaped the recession relatively unscathed compared to other locations.  
PHOTOGRAPHER Wayne Glowacki

#### PAGE 7

Cranes rise over the Human Rights Museum site at The Forks. Construction has remained a pillar of economic strength for Manitoba in the global downturn. PHOTOGRAPHER Ken Gigliotti

#### PAGE 8

Members of the public fill the gallery in council chambers as debate rages on Wednesday. PHOTOGRAPHER Mike Aporius

### Destination Winnipeg

#### PAGE 3

Red River College  
PHOTOGRAPHER Harv Sawatsky

#### PAGE 10-11

The Forks hay ride PHOTO COURTESY  
The Forks North Portage  
Development Corporation

#### PAGE 11

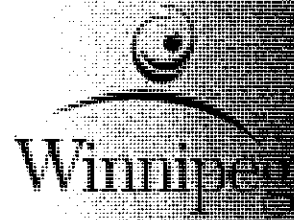
Assiniboine Park Zoo PHOTO COURTESY  
The Forks North Portage  
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Fire Dancer  
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#### PAGE 20

Red River College  
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Exchange District  
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# 2011

## PRELIMINARY OPERATING BUDGET

**City of Winnipeg**



# Water

## Contributing Departments

Water & Waste 100 %

Operating Budget (in millions of \$)	2009 Actual	2010 Budget	2011 Preliminary Budget	Variance Expl.	2012 Projection	2013 Projection
Service revenue	87.269	92.968	91.288		93.883	97.040
Provincial funding (service specific)	0.621	0.638	0.738		0.807	0.833
<b>Revenues</b>	<b>87.890</b>	<b>93.606</b>	<b>92.026</b>	<b>1</b>	<b>94.690</b>	<b>97.873</b>
Salaries and benefits	34.660	28.676	28.576		28.816	29.314
Debt and finance charges*	12.692	18.126	18.651		18.856	18.517
Other	25.092	47.469	46.556		49.031	50.920
<b>Expenses</b>	<b>72.444</b>	<b>94.272</b>	<b>93.783</b>	<b>2</b>	<b>96.703</b>	<b>98.751</b>
<b>Surplus/(Deficit)</b>	<b>15.446</b>	<b>(0.666)</b>	<b>(1.756)</b>		<b>(2.013)</b>	<b>(0.878)</b>
Full-time Equivalent Positions	394	435	427		428	428

\*2009 Actual does not include principal payments on debt.

Note: 2011 "Other" expenses include the following:

Transfer to Watermain Renewal Reserve	13.000
Chemicals	6.325
Municipal taxes	3.554
Maintenance materials	2.864
Light and power	2.624
Certificates, permits, and licenses	2.477
Non-professional services	2.258
Fleet capital leases	2.084
General government charges	1.313
Heat	1.257
Transfer to Municipal Accommodations	1.103
Office equipment maintenance	1.057
Fleet operating leases	1.021
Allocated departmental costs	0.513

The Water Utility maintains a retained earnings/working capital balance to fund capital projects on a pay as you go basis, to provide a reserve to prevent significant rate increases in the event of major unforeseen expenditures or shortfalls in revenue, and to pay dividends. The 2010 unaudited retained earnings position for the Water Utility is \$67.28 million and the 2011 budgeted dividend is \$7.047 million.

### Explanation of 2011 Change from 2010

(in millions of \$)

#### 1 Revenues

Decrease in water sales per 2011 Rate Model	(1.340)
Decrease in bank interest	(0.740)
Increase in earnings on Sinking Fund per 2011 Rate Model	0.279
Increase in provincial support grant	0.100
Miscellaneous adjustments	0.121
	<u>(1.580)</u>



# Water

## 2 Expenses

Decrease in chemical costs	(3,507)
Decrease in municipal taxes due to reassessment	(0,884)
Increase in recoveries	(0,731)
Decrease in consultant services	(0,690)
Decrease in allocated department costs	(0,330)
Increase in transfer to Watermain Renewal Reserve	2,500
Increase in fleet costs	0,762
Increase in street cut permit costs	0,702
Increase in real property contracts construction maintenance	0,532
Increase in debt and finance charges	0,525
Increase in provincial payroll tax	0,169
Increase in costs for 311 Contact Centre services	0,142
Miscellaneous adjustments	0,321
	<u>(0,489)</u>

### Full-time Equivalent Positions

Decrease of 8 due to allocation of mechanical, electrical and civil maintenance staff for the maintenance of the water treatment plants and distribution systems and allocation of environmental standards staff for the regulatory programs.

Service Data		2009	2010	2011	2012	2013
Sub-Services (in millions of \$)		Actual	Budget	Preliminary Budget	Projection	Projection
Water Supply & Treatment	Revenue	43,881	46,743	45,956	47,288	48,879
	Expense	32,932	49,481	47,082	49,143	50,639
		10,949	(2,738)	(1,127)	(1,855)	(1,760)
Water Distribution	Revenue	44,008	46,863	46,071	47,403	48,994
	Expense	39,511	44,790	46,700	47,560	48,112
		4,497	(2,073)	(0,630)	(0,157)	0,882
<b>Surplus/(Deficit)</b>		<b>15,446</b>	<b>(0,666)</b>	<b>(1,756)</b>	<b>(2,013)</b>	<b>(0,878)</b>

### Additional Financial Information

Reserves		2009	2010	2011	2012	2013
Balance, December 31 (in millions of \$)		Actual	Budget	Preliminary Budget	Projection	Projection
Aqueduct Retain Reserve		0,300	0,002	0,140	0,140	0,140
Watermain Renewal Reserve		1,633	1,648	2,430	2,430	2,430

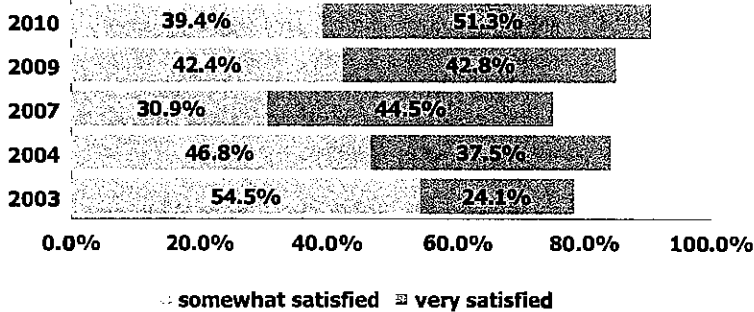
Capital Budget	2011	2012 - 2016	6 Year
(in millions of \$)	Preliminary	Forecast	Total
	27,570	143,965	171,535

# Water

## Performance Measurements

### Effectiveness Measurements

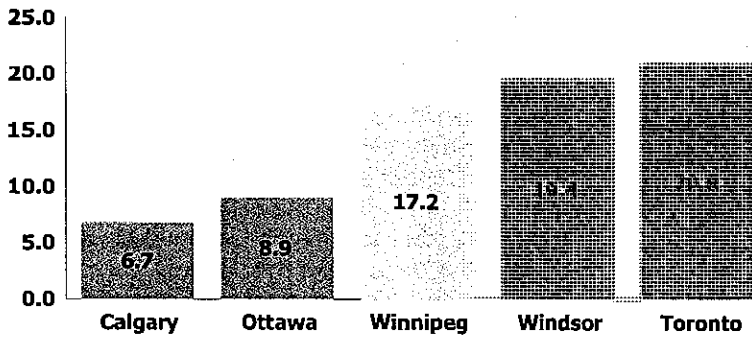
Citizen Satisfaction with Quality of Drinking Water



There was an increase in citizen satisfaction with the quality of drinking water. About 91% of citizens were satisfied in 2010 compared to about 85% in 2009.

	2003	2004	2007	2009	2010
<b>Total Satisfied</b>	78.6%	84.3%	75.4%	85.2%	90.7%

Number of Breaks at Watermain per 100 Kilometres (2009)



Watermain breaks are caused by a number of factors including soil conditions, pipe age, material and the condition of the piping. Winnipeg's soil is highly conductive and corrodes metallic pipes from the outside in. Frost penetration during winter months is also an issue. Although not illustrated, over the past two decades the number of breaks has been reduced from about 100 per 100 Km to 17 per 100 Km in 2009 due to cathodic protection of metallic mains and the use of PVC pipes for new construction and renewals.

Wpg. Trend	2005	2006	2007	2008	2009
	20	30	28	21	17

Water Use (Megalitres Distributed) per Household

Wpg. Trend	2006	2007	2008	2009
	0.2435	0.2324	0.2255	0.2151

Water use per household has been steadily declining since the mid-1990's due primarily to water conservation measures, which include changes to the plumbing code (low flow toilets, shower heads etc), low water use appliances, and increased environmental awareness.

This represents the water use by residential households (single family and multi-family residential).

# Water

## Water Treatment Testing

Parameters Tested Operating License Requirements	2007	2008	2009
Filter Turbidity (No more than 0.3 NTU)	n/a	n/a	0.22
Free Chlorine (No less than 0.5 mg/L)	n/a	n/a	0.84

Note: Yearly average results for the period are provided.  
n/a: Not analyzed because the water treatment plant was under construction.

Water tests are conducted to ensure that the water supplied meets Provincial regulations and Federal Health Guidelines. Winnipeg water is intensively monitored on a routine basis to ensure that the water is safe and that regulatory requirements are met. The City of Winnipeg ensures that a high quality of water is delivered to customers and actions are taken to continuously improve water quality.

On October 9, 2009, the City of Winnipeg was issued a Public Drinking Water System Operating Licence. On December 9, 2009, the new Water Treatment Plant came into operation. The City has increased the number of tests performed and ensures conformity with guidelines and regulations. The water treatment regulated results are shown in the "Water Treatment Testing" table. Results are not provided for the years prior to water treatment.

## Distribution System Water Testing

Parameters Tested Operating License Requirements	2005	2006	2007	2008	2009
Trihalomethanes (No more than 100 ug/L)	115.00	103.00	98.00	89.00	94.00
Fluoride (Range of 0.8 mg/L to 1.2 mg/L)	0.85	0.83	0.85	0.84	0.84
Free Chlorine (No less than 0.1 mg/L)	0.46	0.46	0.55	0.54	0.56
Total Coliform Samples (Minimum 1820 samples required)	3,240	3,111	3,061	3,027	3,061
Positive Total Coliform (Less than 10% positive)	0.40%	0.90%	0.70%	0.60%	0.20%

Note: Yearly average results for the period are provided for free chlorine, trihalomethanes and fluoride.

The City performs routine testing for certain parameters throughout the water distribution system. The table to the left highlights the results from 2005 to 2009 for the distribution system. Microbiological samples are taken weekly at over 60 locations throughout the system. Because water quality is so important, our level of monitoring and sampling exceeds Provincial regulatory and operating licence requirements. Winnipeg's water is frequently tested for coliform bacteria and less than 1% of the samples are positive, which is well below the regulated requirement of less than 10%. Whenever a positive result is encountered, further investigation is conducted and subsequent testing is performed to ensure the water is safe.

In addition to routine testing, we also conduct other testing to measure general water chemistry, heavy metals and microbial parasites. We also respond to customer inquiries and complaints about water quality.

For a more complete list of results, please refer to the City of Winnipeg, Water and Waste Department web page at <http://winnipeg.ca/waterandwaste/water/testResults/Winnipeg.stm>.

# Water

## Efficiency Measurements

### Total Cost for Supply, Treatment and Distribution of Water per Megalitre Pumped

Wpg. Trend	2005	2006	2007	2008	2009
	\$440	\$453	\$493	\$553	\$638

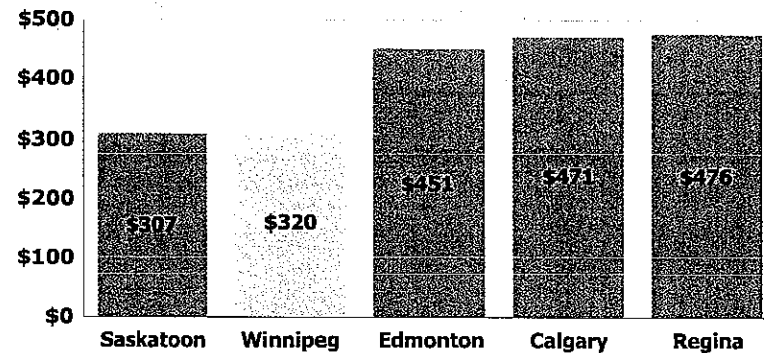
Total cost for supply, treatment and distribution of water per megalitre pumped has been increasing since 2005. This is primarily due to increased costs resulting from construction of and preparation for the new water treatment plant combined with slightly lower pumpage as a result of seasonal weather fluctuations. Costs exclude transfers and debt and finance charges.

### Total Cost for Supply, Treatment and Distribution of Water per Kilometre

Wpg. Trend	2005	2006	2007	2008	2009
	\$13,561	\$14,329	\$14,962	\$16,479	\$18,489

Total cost for supply, treatment and distribution of water per kilometre has been increasing since 2005 due to increased costs resulting from construction of and preparation for the new water treatment plant. Costs exclude transfers and debt and finance charges.

## Annual Residential Water Bill (2009)



Based on 238 cubic metres per year consumption, Winnipeg's annual water cost is among the lowest of major western Canadian cities.

Wpg. Trend	2005	2006	2007	2008	2009
	\$256	\$254	\$287	\$312	\$320

# Wastewater

**Includes:**

- Wastewater Collection
- Wastewater Treatment

## Description

To provide property owners with the collection, transmission, disposal, treatment and monitoring of wastewater in order to ensure the environmentally appropriate handling of high volume sewage discharge.

## Key Goals

1. To improve the state of the environment / improve public health.
2. To exceed our customer's needs and expectations.
3. To establish an arm's length 100% city-owned utility corporation that the City cannot sell in whole or in part.
4. To increase the efficiency and effectiveness of our services.
5. To deliver on the Council directive to retain a strategic partner.
6. To complete upgrades to the Sewer Treatment Plants to meet new Provincial Standards over the next 5 years.
7. To strive to further reduce combined sewer overflows.
8. To implement best practices throughout the Department.
9. To maintain a high quality working environment for our staff.
10. To improve information management in the Department.

## Service Level Statistics

Description	2007	2008	2009
Number of billed sewer accounts	190,790	191,854	192,569
Number of complaints - raw sewer backup***	654	675	895
Number of complaints - clean sewer backup***	474	572	289
Volume of wastewater processed (ML/D)	294	283	310
Kilometres of collection system pipeline*	2,473	2,485	2,511
Number of pumping stations	73	75	73
Number of diversion chambers	10	12	11
Kilometres of sewer inspected and cleaned	129	134	183
Number of industrial waste tests conducted	17,186	25,035	26,246
Number of treatment plant tests conducted	82,812	108,781	96,305
Number of maintenance holes	44,818	45,177	45,671
Average monthly residential sewer bill**	\$25.98	\$30.00	\$28.24

\* Includes sanitary, combined and interceptor sewers.

\*\* Calculation for 2007/08 uses industry standard consumption. Due to new system capabilities effective 2009 the average monthly bill calculation uses actual average 30 day consumption, and also includes the Sewer portion of the basic charge.

\*\*\* Reflects total complaints received - after investigation it has been determined that a high percentage of these are problems within the customers own system (i.e. Not within the City system). 2009 reflects complaints through the City's 311 system.

# Wastewater

## Contributing Departments

Water & Waste 100 %

Operating Budget (in millions of \$)	2009 Actual	2010 Budget	2011 Preliminary Budget	Variance Expl	2012 Projection	2013 Projection
Service revenue	128.422	142.614	133.719	1	139.705	145.386
Provincial funding (service specific)	0.278	0.207	0.813		0.828	0.837
<b>Revenues</b>	<b>128.700</b>	<b>142.821</b>	<b>134.532</b>		<b>140.534</b>	<b>146.223</b>
Salaries and benefits	15.877	25.583	26.832	2	27.192	27.832
Debt and finance charges*	8.161	13.883	14.003		14.460	13.938
Other	72.050	69.470	77.753		81.636	85.047
<b>Expenses</b>	<b>96.088</b>	<b>108.937</b>	<b>118.588</b>		<b>123.288</b>	<b>126.817</b>
<b>Surplus/(Deficit)</b>	<b>32.612</b>	<b>33.884</b>	<b>15.944</b>		<b>17.246</b>	<b>19.406</b>
<b>Full-time Equivalent Positions</b>	<b>378</b>	<b>380</b>	<b>394</b>		<b>394</b>	<b>394</b>

\*2009 Actual does not include principal payments on debt.

**Note:** 2011 "Other" expenses include the following:

Transfer to Land Drainage	13.665
Transfer to Environmental Reserve	13.571
Transfer to Sewer Rehabilitation Reserve	13.200
Municipal taxes	8.370
Chemicals	3.940
Light and power	3.294
Allocated departmental costs	2.448
Maintenance materials	2.061
Landfill tipping fees	1.762
Purchase discounts	1.728
Water	1.572
Heat	1.377
Fleet capital lease	1.237
Basement Flooding Protection Subsidy Program	1.180
Electrical and communication	1.107
Transfer to Municipal Accommodations	1.103
Hauling expense	1.050

The Wastewater Utility maintains a retained earnings/working capital balance to fund capital projects on a pay as you go basis, to provide a reserve to prevent significant rate increases in the event of major unforeseen expenditures or shortfalls in revenue and to pay dividends. The 2010 unaudited retained earnings position for the Wastewater Utility is \$91.85 million and the 2011 budgeted dividend is \$10.135 million.

### Explanation of 2011 Change from 2010

(in millions of \$)

#### 1 Revenues

Decrease in sewer revenue per 2011 Rate Model	(9.045)
Decrease in bank interest	(0.275)
Increase in Provincial Grant - Basement Flooding Protection Subsidy Program	0.500
Increase in earnings on Sinking Fund per 2011 Rate Model	0.253
Miscellaneous adjustments	0.278
	(8.289)

# Wastewater

## 2 Expenses

Increase in transfer to Sewer Rehabilitation Reserve	4.200
Increase in transfer to Environmental Projects Reserve	1.578
Increase in water costs	1.531
Increase in tipping fees	1.260
Increase in salaries and benefits	1.249
Basement Flooding Protection Subsidy Program	1.180
Increase in allocated departmental costs	0.675
Increase in fleet costs	0.426
Increase in large volume sewer discounts	0.243
Payments for Tree Roots Program	0.235
Increase in transfer to Land Drainage	0.224
Increase in provincial payroll taxes	0.122
Increase in debt and finance charges	0.120
Decrease in municipal taxes due to reassessment	(2.894)
Decrease in non-professional services	(0.418)
Decrease in chemicals	(0.334)
Miscellaneous adjustments	0.254
	9.651

### Full-time Equivalent Positions

Increase of 14 due to allocation of mechanical, electrical and civil maintenance staff for the maintenance of wastewater treatment plants and collection systems and environmental standards staff for the regulatory programs.

Sub-services (in millions of \$)		2010		2011		2013
		Actual	Budget	Preliminary Budget	Projection	Projection
Wastewater Collection	Revenue	62.963	69.960	65.766	68.667	71.461
	Expense	42.905	48.175	52.620	54.998	56.773
		20.058	21.785	13.146	13.669	14.688
Wastewater Treatment	Revenue	65.737	72.860	68.766	71.867	74.761
	Expense	53.183	60.762	65.968	68.290	70.044
		12.554	12.099	2.798	3.577	4.718
<b>Surplus/(Deficit)</b>		<b>32.612</b>	<b>33.884</b>	<b>15.944</b>	<b>17.246</b>	<b>19.406</b>

### Additional Financial Information

Reserves		2010		2011		2013	
Balance, December 31 (in millions of \$)		Actual	Budget	Preliminary Budget	2012 Projection	2013 Projection	
Environmental Projects Reserve		31.539	30.291	31.617	23.755	11.126	
Sewer System Rehab Reserve		35.998	28.257	21.746	9.746	8.346	

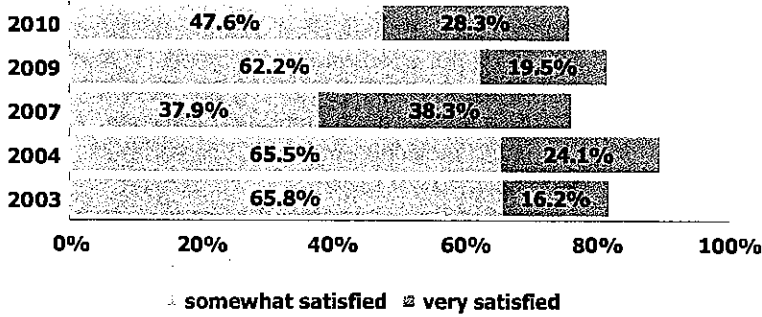
Capital Budget		2011	2012 - 2016	6 Year
(In millions of \$)		Preliminary	Forecast	Total
		47.590	858.150	905.740

# Wastewater

## Performance Measurements

### Effectiveness Measurements

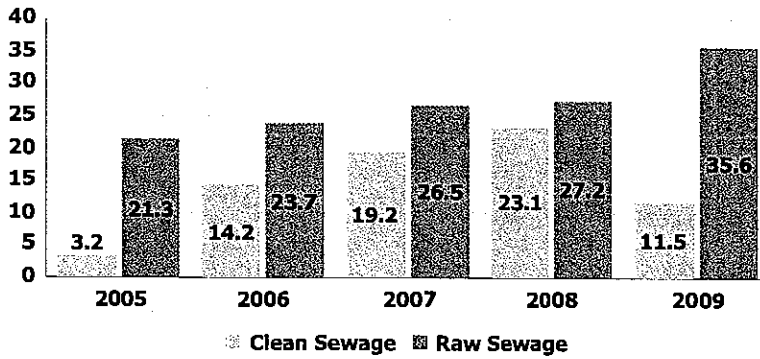
Citizen Satisfaction with Protection from Sewer Back-up



2010 was an abnormally wet year with significant rainfall events and high river levels. As a result, there were more basement flooding events than in an average year. This resulted in increased customer awareness and a reduction in customer satisfaction for protection from sewer back-up.

	2003	2004	2007	2009	2010
<b>Total Satisfied</b>	82.0%	89.6%	76.2%	81.7%	75.9%

Number of Sewer Backup Complaints per 100 kilometre of Collection System Pipeline



The number of sewer backup complaints has increased over the past few years. This is a direct result of heavy rainfalls combined with high river levels in areas where there is a combined sewer system.

Number of Wastewater Pumping Station Failures

Wpg. Trend	2005	2006	2007	2008	2009
	6	1	1	0	0

A wastewater lift station failure is defined as an occurrence which results in basement flooding or sanitary sewage overflow to a receiving stream except in wet weather conditions.



# Wastewater

## Water Pollution Control Centres - Monthly Averages Exceeding Limits for Total Suspended Solids (TSS) & Carbonaceous Biochemical Oxygen Demand (CBOD5) Tests

### North End Water Pollution Control Centre

Year	Provincial Limits for TSS (mg/L) not > 30	Provincial Limits for CBOD5 (mg.L) not >25
2005	1	1
2006	0	0
2007	0	0
2008	0	0
2009	1	0

New licence requirements will be based on a 30 day rolling average.

Higher TSS is an indication that the treatment process is not operating as designed. Five-day Carbonaceous Biochemical Oxygen Demand (CBOD5) measures the amount of oxygen consumed by living organisms (bacteria) in decomposition of organics in wastewater. It is a measure of the "strength" of sewage or as in this case, of the effluent. Operational measures are being implemented and the plants are being upgraded to consistently meet these limits.

### South End Water Pollution Control Centre

Year	Provincial Limits for TSS (mg/L) not > 30	Provincial Limits for CBOD5 (mg/L) not >25
2006	1	0
2007	0	0
2008	0	0
2009	1	0

The licences and monitoring results are published on the department website, <http://winnipeg.ca/waterandwaste/sewage/wpcclicensemonitor.stm>

### West End Water Pollution Control Centre

Year	Provincial Limits for TSS (mg/L) not > 45*	Provincial Limits for CBOD5 (mg/L) not >25
2005	1	0
2006	0	0
2007	0	0
2008	0	0
2009	3	0

[a] NEWPCC Licence 2684 RRR (revised June 19, 2009), previously Licence 2684 RR, reporting in effect on June 1, 2005

[b] SEWPCC Licence 2716 R (revised June 19, 2009), previously Licence 2716, reporting in effect on March 1, 2006

[c] WEPCC Licence 2669 ERR (revised June 19, 2009), previously Licence 2669 ER, reporting in effect on September 2004

\* As of December 1, 2008, the licence limit for Total Suspended Solids changed from 45 mg/L to 30 mg/L.

## Efficiency Measurements

### Total Cost for Treatment of Wastewater per Megalitre

Wpg. Trend	2005	2006	2007	2008	2009
	\$195	\$251	\$263	\$291	\$292

Cost per megalitre has been steadily increasing because of the significant upgrades to the wastewater treatment plants mandated by the Clean Environment Commission.

Total cost includes operational expenses related to treatment, support service expenses for engineering, finance and administration, environmental standards, information systems and technology, customer services and human resources. It excludes debt and finance charges, and transfers to other funds.

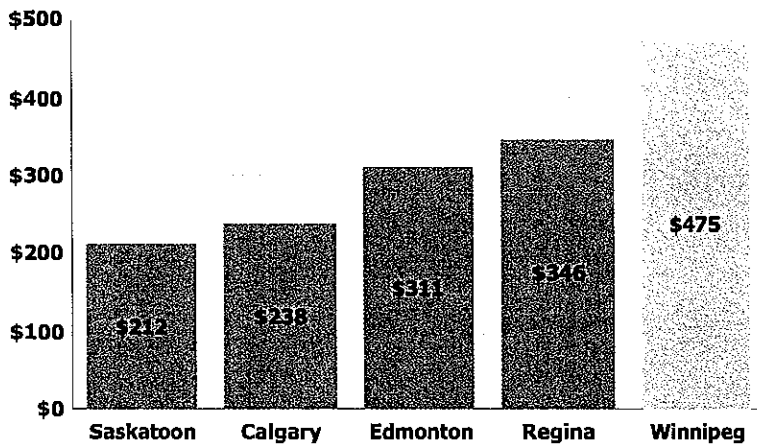
# Wastewater

## Total Cost for Collection of Wastewater per kilometre of Wastewater Pipe

Wpg. Trend	2005	2006	2007	2008	2009
	\$6,555	\$7,069	\$7,621	\$8,186	\$9,058

Costs for collection of wastewater are the same as described in the table above. Wastewater pipe consists of combined sewers, interceptors and sanitary sewers and excludes all land drainage and storm relief sewer mains.

## Annual Residential Sewer Bill (2009)



Winnipeg's annual sewer costs are the highest compared to other western Canadian cities based on 238 cubic metre consumption per year. Rate increases since 2004 are partially attributed to capital improvements mandated by the Clean Environment Commission.

Wpg. Trend	2005	2006	2007	2008	2009
	\$315	\$357	\$407	\$463	\$475

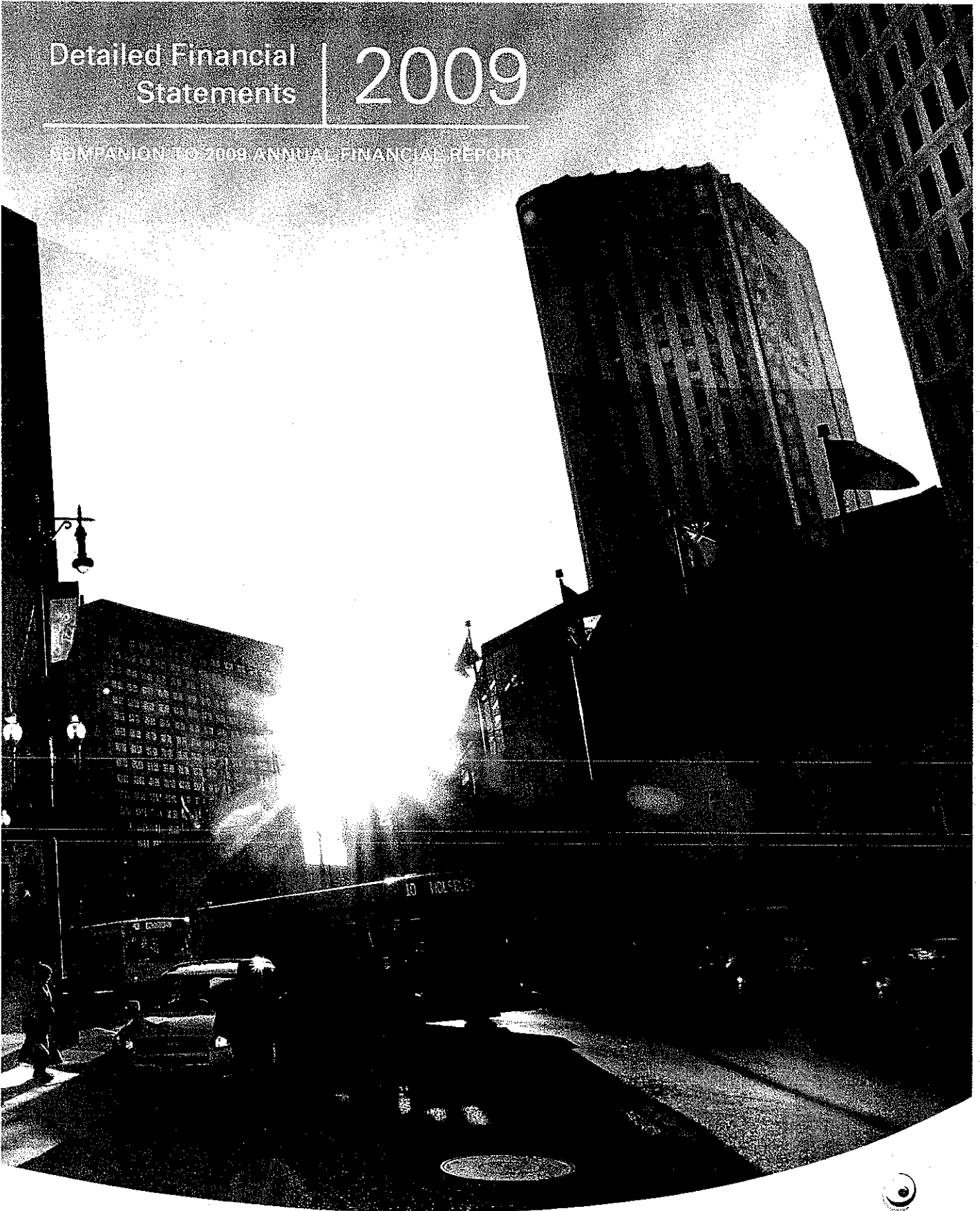




Detailed Financial  
Statements

2009

COMPANION TO 2009 ANNUAL FINANCIAL REPORT





## **THE CITY OF WINNIPEG WATERWORKS SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems, one water treatment plant, and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Main Renewal Reserve.

On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant. The facility was constructed at the Deacon Booster Pumping Station and has been in operation since 2007.

On June 25, 2003, City Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility.

On March 23, 2005, City Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation and on November 23, 2005, City Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of \$2.8 million.

The water treatment plant was commissioned during the fall of 2009 with a total cost of construction of \$300 million. The plant has a treatment capacity of 400 million litres per day and was constructed to enhance public health protection. The benefits of water treatment are: reduced risk of waterborne disease, reduced levels of disinfection by-products, and to meet more stringent Canadian drinking water quality guidelines.

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

December 31  
(unaudited)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 3.55	\$ 3.45	\$ 3.15	\$ 2.75	\$ 2.75
Annual water pumped (million litres)	78,587	78,587	79,624	82,831	80,713
Water pumped in litres per capita per day	326	326	334	347	339
Average daily water pumped (million litres per day)	215	215	218	227	221
Maximum day water pumping rates (million litres per day)	259	259	295	340	267
Maximum hour water pumping rates (million litres per day)	384	384	447	549	391
Kilometres of aqueduct	174.5	174.5	174.5	174.5	174.5
Kilometres of feeder mains	150.2	150.1	155.9	151.5	150.3
Kilometres of water mains	2,519.3	2,484.9	2,464.0	2,447.0	2,435.5
Number of hydrants	20,562	20,293	20,265	20,085	19,930
Number of billed services	193,107	191,416	190,318	188,328	187,619



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current		
Cash	\$ 21	\$ (126)
Accounts receivable (Note 3)	20,539	17,325
Due from General Revenue Fund (Note 4)	70,027	105,741
Inventories	<u>1,025</u>	<u>1,006</u>
	91,612	123,946
Tangible capital assets (Note 5)	833,393	788,176
Deferred charges (Note 6)	<u>2,497</u>	<u>2,589</u>
	<u>\$ 927,502</u>	<u>\$ 914,711</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 9,133	\$ 16,533
Current portion of long-term debt (Note 8)	<u>4,136</u>	<u>4,182</u>
	13,269	20,715
Long-term debt (Note 8)	<u>165,911</u>	<u>171,579</u>
	179,180	192,294
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>748,322</u>	<u>722,417</u>
	<u>\$ 927,502</u>	<u>\$ 914,711</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF OPERATIONS

For the years ended December 31  
(in thousands of dollars)  
(unaudited)

	2009 Budget	2009 Actual	2008 Actual
<b>REVENUES (Schedule 1)</b>			
Sale of goods and services (Note 10)	\$ 89,342	\$ 84,429	\$ 89,625
Interest	3,575	1,842	3,997
Government transfers, permits and other	1,325	1,663	1,790
Total revenues	<u>94,242</u>	<u>87,934</u>	<u>95,412</u>
<b>EXPENSES (Schedules 2 and 3)</b>			
Water distribution	34,411	32,482	27,326
Debt and finance	18,007	12,426	10,626
Taxes, employee benefits and other (Note 11)	6,927	7,197	6,877
Finance and administration	4,149	3,285	3,350
Engineering services	3,059	3,101	2,701
Customer services	903	1,301	581
Information systems and technology	1,263	1,112	1,182
Environmental standards	887	841	746
Human resources	772	787	725
Total expenses from operations	<u>70,378</u>	<u>62,532</u>	<u>54,114</u>
Surplus for the year from operations	23,864	25,402	41,298
Transfers to other funds (Note 12)	10,000	9,926	14,747
Net surplus from operations after transfers to other funds	13,864	15,476	26,551
Net surplus (deficit) from capital (Schedule 4)	-	10,429	(1,529)
<b>NET SURPLUS FOR THE YEAR</b>	<u>\$ 13,864</u>	25,905	25,022
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<u>722,417</u>	<u>697,395</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<u>\$ 748,322</u>	<u>\$ 722,417</u>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009</u>	<u>2008</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 25,905	\$ 25,022
Non-cash items related to operations		
Amortization	16,247	12,616
Loss on disposal of tangible capital assets	436	627
Other	92	-
	<u>42,680</u>	<u>38,265</u>
Working capital from operations		
Change in net working capital other than cash	<u>(10,633)</u>	<u>(5,529)</u>
	<u>32,047</u>	<u>32,736</u>
<b>FINANCING</b>		
Debt retired	(1,500)	(7)
Debt issued	-	97,411
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(1,532)	(1,319)
Due from General Revenue Fund	35,714	(40,803)
Payments to The Sinking Fund Trustees for outstanding debt	<u>(2,682)</u>	<u>(2,330)</u>
	<u>30,000</u>	<u>52,952</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	<u>(61,900)</u>	<u>(86,112)</u>
Increase (Decrease) in cash	147	(424)
Cash, beginning of year	<u>(126)</u>	<u>298</u>
Cash, end of year	<u>\$ 21</u>	<u>\$ (126)</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

The operations are accounted for on the accrual basis except for vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

1. *Significant Accounting Policies (continued)*

**c) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

**d) Debenture discounts and issue expenses**

Issue expenses are charged to operations in the year of the related debenture issue and discounts on debentures issued are amortized over future periods to which they relate.

**e) Shoal Lake Agreement**

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

**f) Water Main Renewal Reserve Fund**

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, the frontage levy revenue collected on the property tax be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the source of funding for the Water Main Renewal Reserve Fund is the revenue from water rates.

**g) Aqueduct Rehabilitation Reserve Fund**

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project was completed in 2009.

**2. Status of the Waterworks System**

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

**3. Accounts Receivable**

	<u>2009</u>	<u>2008</u>
Water billings and other	\$ 21,008	\$ 17,626
Allowance for doubtful accounts	(469)	(301)
	<u>\$ 20,539</u>	<u>\$ 17,325</u>

**4. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2009 effective interest rate was 0.2% (2008 - 1.5%).

**5. Tangible Capital Assets**

	Net Book Value	
	<u>2009</u>	<u>2008</u>
Land	\$ 1,824	\$ 1,824
Buildings	3,738	3,838
Machinery and equipment	1,200	1,172
Computer	12,876	5,012
Underground networks	473,944	457,476
Water pumping stations and reservoirs	338,795	64,755
Assets under construction	1,016	254,099
	<u>\$ 833,393</u>	<u>\$ 788,176</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2009, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2009 were \$44 thousand (2008 - \$15 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$13.4 million in 2009 (2008 - \$3.7 million) and were capitalized at their fair value at the time of receipt.

**6. Deferred Charges**

	<u>2009</u>	<u>2008</u>
Deferred debenture discount	\$ 2,497	\$ 2,589

7. *Accounts Payable and Accrued Liabilities*

	<u>2009</u>	<u>2008</u>
Accrued debenture interest	\$ 4,762	\$ 4,769
Trade accounts payable	2,436	10,010
Other accrued liabilities	1,593	1,437
Deferred revenue and other	342	317
	<u>\$ 9,133</u>	<u>\$ 16,533</u>

8. *Long-Term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2009</u>	<u>2008</u>
1989-2009	Dec. 14	10.000	VH	5286/89	\$ -	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
2008-2036	July 17	5.200		72/2006 B	100,000	100,000
					<u>203,000</u>	<u>204,500</u>
Equity in Sinking Funds (Note 8b)					<u>(32,953)</u>	<u>(28,739)</u>
Net sinking fund debentures outstanding					170,047	175,761
Current portion of long-term debt					<u>(4,136)</u>	<u>(4,182)</u>
					<u>\$ 165,911</u>	<u>\$ 171,579</u>

Principal retirement on long-term debt over the next five years is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>
Sinking fund debentures	\$ -	\$ -	\$ -	\$ 5,000	\$ 13,000	\$ 185,000

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Cash paid for interest during the year was \$12.3 million (2008 - \$7.4 million).

9. *Accumulated Surplus*

	<u>2009</u>	<u>2008</u>
Invested in tangible capital assets	\$ 663,373	\$ 612,470
Retained earnings	<u>84,949</u>	<u>109,947</u>
	<u>\$ 748,322</u>	<u>\$ 722,417</u>

10. *Revenue*

Effective January 1, 2009 the block 1 water rate was \$3.55 per hundred cubic feet (2008 - \$3.45).

11. *Taxes, Employee Benefits and Other*

**Property taxes**

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2009, taxes paid to the General Revenue Fund was \$3.1 million (2008 - \$3.0 million).

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2009 is \$2.7 million (2008 - \$2.7 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2009 is estimated at \$437 thousand (2008 - \$309 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2009 at \$3.6 million (2008 - \$3.6 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2009 at \$0.4 million (2008 - \$0.3 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year \$1.9 million (2008 - \$1.7 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2008 and has disclosed an actuarial surplus.



**11. Taxes, Employee Benefits and Other (continued)**

**Rent**

Included in expenses is \$1.1 million (2008 - \$1.1 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

**General government charges**

Included in expenses is \$1.2 million (2008 - \$0.7 million) in general government and business technology service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual business technology service charges applicable to the Waterworks System.

**Insurance and damage claims**

Included in expenses is \$186 thousand (recovery 2008 - \$21 thousand) by the Insurance Reserve.

**12. Transfers to Other Funds**

Beginning in 1988, City Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer was calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. Beginning in 2009, City Council adopted a further motion that approved the discontinuation of transfers to the General Revenue Fund for general transfers and hydrant rentals. In addition, frontage levy revenue collected on the tax bill, which was reported in the Water Main Renewal Reserve Fund, be reported in the General Revenue Fund to pay for upgrading, repair, replacement, and maintenance of streets and sidewalks. Therefore, in the Reserve, the source of funding from frontage levies was replaced with revenue from water rates.

	<u>2009</u>	<u>2008</u>
Transfer to Water Main Renewal Reserve	\$ 10,000	\$ -
Transfer to General Revenue Fund	-	14,663
Transfer (from) to General Capital Fund	<u>(74)</u>	<u>84</u>
	<u>\$ 9,926</u>	<u>\$ 14,747</u>

**13. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 1

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Sale of goods and services</b>			
Water sales	\$ 89,292	\$ 84,234	\$ 85,698
Fire hydrant and other rentals	20	158	3,861
Sale of scrap material	30	37	66
	<u>89,342</u>	<u>84,429</u>	<u>89,625</u>
<b>Interest</b>			
Sinking Fund earnings	1,535	1,532	1,319
Interest	2,000	266	2,663
Interest capitalized	40	44	15
	<u>3,575</u>	<u>1,842</u>	<u>3,997</u>
<b>Government transfers, permits and other</b>			
Permits and fees	447	813	1,007
Provincial support transfer	662	621	576
Other	216	229	207
	<u>1,325</u>	<u>1,663</u>	<u>1,790</u>
<b>Total Revenues</b>	<u>\$ 94,242</u>	<u>\$ 87,934</u>	<u>\$ 95,412</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2009 Budget</b>	<b>2009 Actual</b>	<b>2008 Actual</b>
<b>Water distribution</b>			
Water main maintenance	\$ 7,921	\$ 8,185	\$ 8,857
Water treatment plant	9,458	6,536	507
Service pipe maintenance	3,400	4,453	2,825
General administration	(48)	2,458	1,844
Pumping stations	3,093	2,368	4,118
Hydrant maintenance	2,016	2,079	1,510
Emergency services	2,049	1,627	1,599
Railway maintenance and operations	1,741	1,161	1,431
Mechanical/civil/electrical maintenance allocation	1,117	983	2,213
Water meter maintenance	751	900	673
Valve maintenance	934	555	473
Intake operation	455	394	414
Water supply administration	1,002	339	306
Stores - 552 Plinguet	316	328	517
Meter shop	111	69	29
Staff house	95	46	7
Backflow prevention	-	1	3
	<u>34,411</u>	<u>32,482</u>	<u>27,326</u>
<b>Debt and finance</b>			
Long-term debt			
Interest	12,273	12,334	9,935
Amortization	5,714	-	-
Finance charges	20	92	691
	<u>18,007</u>	<u>12,426</u>	<u>10,626</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	4,305	3,395	3,354
Employee benefits	864	1,294	1,008
Rent	988	1,069	1,065
Provincial payroll tax	662	657	587
General government charges	753	612	612
Insurance and damage claims	520	478	512
Other services	(765)	368	266
Recoveries	(400)	(676)	(527)
	<u>6,927</u>	<u>7,197</u>	<u>6,877</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Finance and administration division</b>			
Customer billing	2,706	2,412	2,108
Accounting services	263	295	236
Financial planning	250	238	232
Administrative services	796	204	666
Process improvement	134	134	108
Knowledge management	-	2	-
	<u>4,149</u>	<u>3,285</u>	<u>3,350</u>
<b>Engineering services division</b>			
Water planning	1,092	788	670
Design and construction	665	515	606
Customer technical services	439	486	351
Administration	27	485	219
Drafting and graphics	583	458	464
Asset management	199	185	193
Services development	159	136	136
Resource centre	68	48	63
Project management	-	-	(1)
Wastewater planning	(173)	-	-
	<u>3,059</u>	<u>3,101</u>	<u>2,701</u>
<b>Customer services division</b>			
Customer relations	506	865	462
Administration	326	335	58
Communications	44	66	40
Public consultation	27	35	21
	<u>903</u>	<u>1,301</u>	<u>581</u>
<b>Information systems and technology division</b>			
Major systems	859	626	831
Support services	404	486	351
	<u>1,263</u>	<u>1,112</u>	<u>1,182</u>
<b>Environmental standards division</b>			
Analytical services	562	505	436
Compliance	323	243	231
Administration	2	93	78
Research	-	-	1
	<u>887</u>	<u>841</u>	<u>746</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2009 Budget</b>	<b>2009 Actual</b>	<b>2008 Actual</b>
<b>Human resources division</b>			
Human resources	277	329	300
Timekeeping and payroll	188	181	193
Human resources training	164	164	151
Work place health and safety	143	113	81
	<u>772</u>	<u>787</u>	<u>725</u>
<b>Total Expenses from Operations</b>	<u>70,378</u>	<u>62,532</u>	<u>54,114</u>
<b>Transfers to other funds (Note 12)</b>			
Transfer to Water Main Renewal Reserve	10,000	10,000	-
Transfer to General Revenue Fund	-	-	14,663
Transfer (from) to General Capital Fund	-	(74)	84
	<u>10,000</u>	<u>9,926</u>	<u>14,747</u>
<b>Total transfer to other funds</b>	<u>10,000</u>	<u>9,926</u>	<u>14,747</u>
<b>Total Expenses</b>	<u>\$ 80,378</u>	<u>\$ 72,458</u>	<u>\$ 68,861</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Salaries	\$ 29,861	\$ 29,658	\$ 26,845
Goods and services	28,086	24,643	20,436
Interest on long-term debt	12,273	12,334	9,935
Transfers	10,471	10,396	14,747
Other expenses	4,948	6,061	5,701
Employee benefits	5,730	5,002	4,244
Grants	100	100	95
Finance charges	20	92	691
Amortization	5,714	-	-
Recoveries	(16,825)	(15,828)	(13,833)
<b>Total Expenses</b>	<u>\$ 80,378</u>	<u>\$ 72,458</u>	<u>\$ 68,861</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 4

**NET SURPLUS (DEFICIT) FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Revenues</b>		
Transfers		
Water Main Renewal Reserve	\$ 9,437	\$ 7,769
Sewage Disposal System	4,849	185
Aqueduct Rehabilitation Reserve	10	84
	<u>14,296</u>	<u>8,038</u>
Developer contributions-in-kind	13,392	3,699
Total revenue from capital	<u>27,688</u>	<u>11,737</u>
<b>Expenses</b>		
Amortization	16,247	12,616
Other expenses	576	23
Loss on disposal of assets	436	627
Total expenses from capital	<u>17,259</u>	<u>13,266</u>
Net surplus (deficit) from capital	<u>\$ 10,429</u>	<u>\$ (1,529)</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	Land	Buildings	Machinery and Equipment	Computer
<b>Cost</b>				
Balance, beginning of year	\$ 1,824	\$ 5,399	\$ 9,559	\$ 24,148
Add: Additions during the year	-	-	175	9,759
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,824</u>	<u>5,399</u>	<u>9,734</u>	<u>33,907</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,561	8,387	19,136
Add: Amortization	-	100	147	1,895
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,661</u>	<u>8,534</u>	<u>21,031</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,824</u>	<u>\$ 3,738</u>	<u>\$ 1,200</u>	<u>\$ 12,876</u>



Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2009	2008
\$ 655,482	\$ 111,590	\$ 254,099	\$ 1,062,101	\$ 978,330
26,282	278,767	(253,083)	61,900	86,112
(947)	-	-	(947)	(2,341)
<u>680,817</u>	<u>390,357</u>	<u>1,016</u>	<u>1,123,054</u>	<u>1,062,101</u>
198,006	46,835	-	273,925	263,023
9,378	4,727	-	16,247	12,616
(511)	-	-	(511)	(1,714)
<u>206,873</u>	<u>51,562</u>	<u>-</u>	<u>289,661</u>	<u>273,925</u>
<u>\$ 473,944</u>	<u>\$ 338,795</u>	<u>\$ 1,016</u>	<u>\$ 833,393</u>	<u>\$ 788,176</u>

## THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, and the aquatic environment through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

An Environmental Projects Reserve Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would protect river quality. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, nutrient removal, and mitigation of combined sewer overflows.

River quality is under the jurisdiction of the Province of Manitoba. In 2003, the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatments systems, which was subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers (NEWPCC, WEWPCC, and SEWPCC). The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan. With this direction, a wastewater upgrade program was developed and provisioned for effluent disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations. Based on preliminary assessments, the upgrade program is estimated to cost between \$1.2 to \$1.8 billion depending on market factors and interpretation on compliance requirements.

Wastewater treatment upgrades to the NEWPCC effluent disinfection, NEWPCC centrate, and WEWPCC plant are complete and fully operational. The NEWPCC ultraviolet (UV) light disinfection system was commissioned in July 2006. The NEWPCC centrate phosphorus removal was commissioned in May 2007, the state-of-the-art centrate nitrogen removal system was commissioned in December 2008. The upgrade of the WEWPCC to full biological nutrient removal using the most current technology and processes was commissioned in December 2008. The implementation of effluent disinfection at the WEWPCC has been deferred indefinitely. Review of the effluent quality from the existing polishing ponds indicates that natural sunlight sufficiently reduces microbiological levels.

The biological nutrient removal ("BNR") upgrades at the NEWPCC and WEWPCC plants are removing more than the required interim reduction targets of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on BNR at the SEWPCC was initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC BNR will commence after a NEWPCC Master Plan and Biosolids Master Plan studies have been completed. Construction of the NEWPCC BNR is to be completed by 2014. The Department is currently exploring alternative service delivery methods through the assistance of a strategic partner to realize upgrades to comply with the remaining Licence requirements at the NEWPCC, SEWPCC, and biosolids management.

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

December 31  
(unaudited)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Rate in dollars (per 100 cu. ft.)	\$ 5.26	\$ 5.12	\$ 4.46	\$ 3.87	\$ 3.39
Annual sewage received (million litres)*	112,974	103,397	107,310	102,609	123,584
Daily sewage received (million litres)*	309.5	283.3	294.0	281.1	339.6
Kilometres of interceptor sewers	116.2	116.4	114.4	109.1	109.7
Kilometres of combined sewers**	1,043.5	1,044.5	1,045.4	1,283.2	1,338.2
Kilometres of wastewater sewers	1,351.6	1,323.6	1,313.5	1,456.6	1,427.1
Kilometres of storm sewers***	1,659.3	1,803.0	1,775.0	1,668.8	2,260.7
Number of lift stations	73	75	76	76	76
Number of billed sewer services	192,913	191,736	190,318	188,887	187,398

Note:

- \* Sewage received is dependent on both levels of precipitation and water conservation efforts.
- \*\* Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.
- \*\*\* Estimates of storm sewers only include actual pipe in the ground, whereas, prior to 2006 estimates include surface ditch drainage.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current		
Cash	\$ 1	\$ 1
Inventory	317	244
Accounts receivable (Note 3)	30,472	26,575
Due from General Revenue Fund (Note 4)	<u>59,681</u>	<u>51,085</u>
	90,471	77,905
 Tangible capital assets (Note 5)	 <u>780,847</u>	 <u>754,722</u>
	<u>\$ 871,318</u>	<u>\$ 832,627</u>
 <b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 6,340	\$ 6,299
Performance and other deposits	337	311
Current portion of long-term debt (Note 7)	<u>3,853</u>	<u>4,108</u>
	10,530	10,718
 Long-term debt (Note 7)	 <u>27,299</u>	 <u>34,189</u>
	37,829	44,907
 <b>ACCUMULATED SURPLUS (Note 8)</b>	 <u>833,489</u>	 <u>787,720</u>
	<u>\$ 871,318</u>	<u>\$ 832,627</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## STATEMENT OF OPERATIONS

For the years ended December 31  
(in thousands of dollars)  
(unaudited)

	2009 Budget	2009 Actual	2008 Actual
<b>REVENUES (Schedule 1)</b>			
Sewer services (Note 9)	\$ 129,565	\$ 121,439	\$ 123,961
Government transfers, permits and other	3,624	3,872	3,619
Interest	4,037	3,389	4,338
<b>Total revenues</b>	<b>137,226</b>	<b>128,700</b>	<b>131,918</b>
<b>EXPENSES (Schedules 2 and 3)</b>			
Collection, interception and treatment	32,275	28,808	26,967
Taxes, employee benefits and other (Note 10)	14,005	14,241	12,345
Debt and finance	15,311	8,161	8,352
Engineering services	4,507	4,670	4,047
Finance and administration	4,090	3,186	3,167
Environmental standards	2,269	1,859	1,541
Customer services	916	1,165	680
Information systems and technology	1,277	1,156	1,093
Human resources	736	688	616
<b>Total expenses from operations</b>	<b>75,386</b>	<b>63,934</b>	<b>58,808</b>
Surplus for the year from operations	61,840	64,766	73,110
Transfers to other funds (Note 11)	33,946	32,154	30,160
Net surplus for the year from operations after transfer to other funds	27,894	32,612	42,950
Net surplus from capital (Schedule 4)	-	13,157	9,246
Net surplus for the year	<u>\$ 27,894</u>	<u>45,769</u>	<u>52,196</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<u>787,720</u>	<u>735,524</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<u>\$ 833,489</u>	<u>\$ 787,720</u>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009</u>	<u>2008</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 45,769	\$ 52,196
Non-cash items related to operations		
Amortization	17,834	16,347
Net assets transferred to General Capital Fund	262	-
Loss on disposal of tangible capital assets	397	299
	<u>64,262</u>	<u>68,842</u>
Working capital from operations	(3,903)	586
Change in net working capital other than cash		
	<u>60,359</u>	<u>69,428</u>
<b>FINANCING</b>		
Debt retired	(1,367)	(1,302)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(3,037)	(2,793)
Due from General Revenue Fund	(8,596)	(16,763)
Payments to The Sinking Fund Trustees for outstanding long-term debt	(2,601)	(2,601)
Other	(140)	(131)
	<u>(15,741)</u>	<u>(23,590)</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	(44,618)	(45,838)
Increase in cash	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Information systems	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

**I. Significant Accounting Policies (continued)**

**c) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

**d) Sewer System Rehabilitation Reserve Fund**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements. On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

The Director of the Water and Waste Department is the Fund Manager.

**e) Environmental Projects Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this Reserve.

The 2009 sewer rate includes a provision of 45.3 cents per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2009, \$9.7 million (2008 - \$7.4 million) was transferred to the Environmental Projects Reserve Fund.



2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. *Accounts Receivable*

	<u>2009</u>	<u>2008</u>
Sewer billings and other	\$ 30,472	\$ 26,635
Allowance for doubtful accounts	-	(60)
	<u>\$ 30,472</u>	<u>\$ 26,575</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2009 effective interest rate was 0.2% (2008 - 1.5%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2009</u>	<u>2008</u>
Land	\$ 1,441	\$ 1,451
Buildings	324	334
Equipment	240	219
Information technology	181	190
Underground networks	522,967	488,585
Sewage treatment plants and lift stations	246,036	234,656
Assets under construction	9,658	29,287
	<u>\$ 780,847</u>	<u>\$ 754,722</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2009 and 2008, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2009 were \$206 thousand (2008 - \$237 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totaled \$18.6 million in 2009 (2008 - \$4.1 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2009</u>	<u>2008</u>
Trade accounts payable	\$ 2,927	\$ 2,865
Accrued debenture interest	2,849	2,926
Other accrued liabilities	564	508
	<u>\$ 6,340</u>	<u>\$ 6,299</u>

7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2009	2008
1989-2009	Dec. 14	10.000	VH	5286/89	\$ -	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>75,000</u>	<u>86,000</u>
Equity in Sinking Fund (Note 7b)					<u>(53,805)</u>	<u>(59,167)</u>
Net sinking fund debentures outstanding					<u>21,195</u>	<u>26,833</u>
<b>Other long-term debt outstanding</b>						
Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.82% (2008 - 4.78%)					6,631	7,998
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 6.59% (2008 - 8.25%)					58	65
Pointe West Properties debt, maturity in 2012, interest rate of 6.65%					<u>3,268</u>	<u>3,401</u>
					<u>31,152</u>	<u>38,297</u>
Current portion of long-term debt					(3,703)	(3,967)
Current portion of Equity in Capital Assets Fund debt					(7)	(7)
Current portion of Pointe West Properties debt					<u>(143)</u>	<u>(134)</u>
Current portion of long-term debt					<u>(3,853)</u>	<u>(4,108)</u>
					<u>\$ 27,299</u>	<u>\$ 34,189</u>

Principal retirement on long-term debt over the next five years is as follows:

	2010	2011	2012	2013	2014	Thereafter
Sinking fund debentures \$	-	\$ -	\$ -	\$ 40,000	\$ 35,000	\$ -
Serial and installment	1,435	1,506	1,580	1,659	451	-
Equity in Capital Assets Fund	7	8	8	9	5	21
Pointe West debt	143	100	3,025	-	-	-
	<u>\$ 1,585</u>	<u>\$ 1,614</u>	<u>\$ 4,613</u>	<u>\$ 41,668</u>	<u>\$ 35,456</u>	<u>\$ 21</u>

7. *Long-term Debt (continued)*

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. ("PWP"), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2012 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$8.2 million (2008 - \$8.4 million).
- e) Interest paid to the Equity in Capital Assets Fund during 2009 was \$4 thousand (2008 - \$5 thousand).

8. *Accumulated Surplus*

	<u>2009</u>	<u>2008</u>
Invested in tangible capital assets	\$ 787,720	\$ 716,486
Retained earnings	45,769	71,234
	<u>\$ 833,489</u>	<u>\$ 787,720</u>

9. *Revenue*

The 2009 sewer rate increased to 5.26 cents per hundred cubic feet (2008 - 5.12 cents). The Environmental Projects Reserve contribution for 2009 was 45.3 cents per hundred cubic feet (2008 - 45.3 cents).

10. *Taxes, Employee Benefits and Other*

**Property taxes**

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2009, realty and business taxes paid and transferred to the General Revenue Fund were \$10.6 million (2008 - \$9.2 million).

**10. Taxes, Employee Benefits and Other (continued)**

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2009 is \$1.2 million (2008 - \$1.2 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2009 is estimated at \$590 thousand (2008 - \$415 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2009 is estimated at \$0.2 million (2008 - \$0.2 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2009 at \$1.8 million (2008 - \$1.8 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year \$853 thousand (2008 - \$853 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2008 and has disclosed an actuarial surplus.

**General government charges**

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2009, this amounted to \$0.5 million (2008 - \$0.5 million) and was transferred to the General Revenue Fund.

**Rent**

Included in expenses is \$1.1 million (2008 - \$1.1 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Insurance and damage claims**

Included in expenses is \$283 thousand (2008 - \$128 thousand charged) that has been received from the Insurance Reserve Fund.

**11. Transfers to Other Funds**

Beginning in 1988, City Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2009, the Utility contributed \$13.4 million (2008 - \$13.7 million) to the General Revenue Fund to support the land drainage program.

	<u>2009</u>	<u>2008</u>
Transfer to General Revenue Fund	\$ 13,463	\$ 22,553
Transfer to Environmental Projects Reserve	9,737	7,367
Transfer to Sewer System Rehabilitation Reserve	9,000	-
Transfer (from) to General Capital Fund	<u>(46)</u>	<u>240</u>
	<u>\$ 32,154</u>	<u>\$ 30,160</u>

**12. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 1

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Sewer services</b>	<b>\$ 129,565</b>	<b>\$ 121,439</b>	<b>\$ 123,961</b>
<b>Government transfers, permits and other</b>			
Industrial waste surcharges	2,900	1,766	1,711
Other	379	1,651	1,527
Provincial support transfer	222	278	206
Permits and fees	123	177	175
	<u>3,624</u>	<u>3,872</u>	<u>3,619</u>
<b>Interest</b>			
Sinking Fund earnings	3,037	3,037	2,793
Capitalized	200	206	237
Interest	800	146	1,308
	<u>4,037</u>	<u>3,389</u>	<u>4,338</u>
<b>Total Revenues</b>	<b><u>\$ 137,226</u></b>	<b><u>\$ 128,700</u></b>	<b><u>\$ 131,918</u></b>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	2009 Budget	2009 Actual	2008 Actual
<b>Collection, interception and treatment</b>			
North end water pollution control centre	\$ 11,168	\$ 9,267	\$ 9,159
Local sewer	5,365	4,989	4,717
South end water pollution control centre	2,850	3,001	2,836
Administration	2,160	2,175	1,280
West end water pollution control centre	2,435	2,037	1,982
Mechanical maintenance	2,118	1,994	1,589
Interception system	1,870	1,800	2,004
Sludge disposal	1,959	1,606	1,672
Electrical maintenance/instrumentation	1,428	1,112	1,069
Civil maintenance	922	827	659
	<u>32,275</u>	<u>28,808</u>	<u>26,967</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	10,774	10,598	9,252
Miscellaneous	1,530	1,943	1,660
Rent	988	1,069	1,065
Employee benefits	521	846	649
General government charges	608	467	467
Insurance and claims	362	362	311
Provincial payroll tax	222	286	282
Recoveries	(1,000)	(1,330)	(1,341)
	<u>14,005</u>	<u>14,241</u>	<u>12,345</u>
<b>Debt and finance</b>			
Long-term debt interest	8,155	8,155	8,350
Finance charges	10	6	2
Amortization - debt principal	7,146	-	-
	<u>15,311</u>	<u>8,161</u>	<u>8,352</u>
<b>Engineering services</b>			
Wastewater planning	1,554	1,284	1,100
Sewer connections	760	1,024	867
Design and construction	667	515	606
Customer technical services	440	486	351
Administrative services	27	463	219
Drafting and graphic	583	458	464
Asset management	200	206	192
Engineering services development	158	136	136
Land drainage and flood planning	50	50	50
Resource centre	68	48	62
	<u>4,507</u>	<u>4,670</u>	<u>4,047</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	2009 Budget	2009 Actual	2008 Actual
<b>Finance and administration</b>			
Customer accounts	2,796	2,423	2,107
Financial services	224	258	201
Financial planning	213	209	197
Administrative services	743	179	570
Process improvement	114	117	92
	4,090	3,186	3,167
<b>Environmental standards</b>			
Analysis	1,440	1,094	945
Industrial waste	621	478	408
Administration	180	266	168
Compliance	28	21	20
	2,269	1,859	1,541
<b>Customer services</b>			
Customer relations	593	865	540
Administration	240	231	68
Communications	51	45	48
Public consultation	32	24	24
	916	1,165	680
<b>Information systems and technology</b>			
Major systems	831	731	706
Support services	446	425	387
	1,277	1,156	1,093
<b>Human resources</b>			
Human resources	314	287	255
Timekeeping and payroll	160	158	164
Human resources training	140	144	128
Work place health and safety	122	99	69
	736	688	616
<b>Total Expenses from Operations</b>	75,386	63,934	58,808



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 2**

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2009 Budget</b>	<b>2009 Actual</b>	<b>2008 Actual</b>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	13,463	13,463	22,553
Transfer to Environmental Projects Reserve	11,483	9,737	7,367
Transfer to Sewer System Rehabilitation Reserve	9,000	9,000	-
Transfer (from) to General Capital Fund	-	(46)	240
	<u>33,946</u>	<u>32,154</u>	<u>30,160</u>
<b>Total Expenses</b>	<u>\$ 109,332</u>	<u>\$ 96,088</u>	<u>\$ 88,968</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 3

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Transfers to other funds	\$ 33,946	\$ 32,154	\$ 30,160
Goods and services	33,608	30,072	27,841
Other expenses	12,974	13,613	12,896
Salaries	14,620	13,315	13,327
Interest on long-term debt	15,301	8,155	8,350
Employee benefits	2,544	2,562	2,266
Finance charges	10	6	2
Recoveries	(3,671)	(3,789)	(5,874)
<b>Total Expenses</b>	<u>\$ 109,332</u>	<u>\$ 96,088</u>	<u>\$ 88,968</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 4

**NET SURPLUS FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2009 Actual</b>	<b>2008 Actual</b>
<b>Revenues</b>		
Transfer from Sewer System Rehabilitation Reserve	\$ 12,082	\$ 11,401
Transfer from Environmental Projects Reserve	5,462	18,646
Provincial and Federal capital transfers	2,837	7,005
	<u>20,381</u>	<u>37,052</u>
Developer contributions-in-kind	18,620	4,104
	<u>39,001</u>	<u>41,156</u>
<b>Expenses</b>		
Amortization	17,834	16,347
Transfer to Waterworks System	4,849	185
Capital maintenance	2,502	1,371
Loss on disposal of tangible capital assets	397	299
Transfer to General Capital Fund	262	13,708
	<u>25,844</u>	<u>31,910</u>
<b>Net surplus from capital</b>	<u>\$ 13,157</u>	<u>\$ 9,246</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Information Technology</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ 257	\$ 200
Add: Additions during the year	-	-	49	12
Less: Disposals during the year	-	-	-	-
Less: Transfer to General Capital Fund	(10)	-	-	-
Balance, end of year	<u>1,441</u>	<u>885</u>	<u>306</u>	<u>212</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	551	38	10
Add: Amortization	-	10	28	21
Less: Accumulated amortization on disposals	-	-	-	-
Less: Transfer to General Capital Fund	-	-	-	-
Balance, end of year	<u>-</u>	<u>561</u>	<u>66</u>	<u>31</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,441</u>	<u>\$ 324</u>	<u>\$ 240</u>	<u>\$ 181</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	2009	2008
\$ 778,369	\$ 359,718	\$ 29,287	\$ 1,170,167	\$ 1,125,717
45,287	18,899	(19,629)	44,618	45,838
(2,375)	-	-	(2,375)	(1,388)
-	(789)	-	(799)	-
821,281	377,828	9,658	1,211,611	1,170,167
289,784	125,062	-	415,445	400,187
10,508	7,267	-	17,834	16,347
(1,978)	-	-	(1,978)	(1,089)
-	(537)	-	(537)	-
298,314	131,792	-	430,764	415,445
\$ 522,967	\$ 246,036	\$ 9,658	\$ 780,847	\$ 754,722

## **THE CITY OF WINNIPEG CAPITAL RESERVES**

The City of Winnipeg ("the City") operates thirteen Capital Reserves to account for the use of designated revenue for specific purposes. The thirteen funds included are as follows:

### **Water Main Renewal Reserve Fund**

On February 18, 1981, City Council authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System Fund. Since 1974 through to 2008, the City has used a frontage levy to fund water main renewals.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected on property taxes would be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

### **Sewer System Rehabilitation Reserve Fund**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds. These Reserves were established for the renewal and rehabilitation of combined sewers and wastewater sewers, respectively, with funding provided from the frontage levy identified for this purpose in By-law 549/73 (amended by By-law 7138/97). The purpose of the Reserves was to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements.

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

The Director of Water and Waste is the Fund Manager.



## **THE CITY OF WINNIPEG CAPITAL RESERVES**

### **Environmental Projects Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this Reserve.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

River quality is under the jurisdiction of the Province and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50-year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25-year period, which was subsequently ordered by the Minister of Conservation on September 26, 2003.

On September 3, 2004, the Province issued Environment Act License No. 2669 for the West End Water Pollution Control Centre, which provided for the plan as directed by the Minister of Conservation. Certain provisions of this license were appealed by the City. Revised License No. 2669 E R and No. 2684 R, for the North End Water Pollution Control Center, were issued August 17, 2005, incorporating the City's requested changes. On March 3, 2006, similar license (No. 2716) was issued for the South End Water Pollution Control Centre. This Reserve partially funds capital projects to bring the City in compliance with the license requirements.

The Director of Water and Waste is the Fund Manager.

### **Brady Landfill Site Rehabilitation Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site. The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund based on tonnages processed at the landfill.

The Director of Water and Waste is the Fund Manager.

### **Golf Course Reserve Fund**

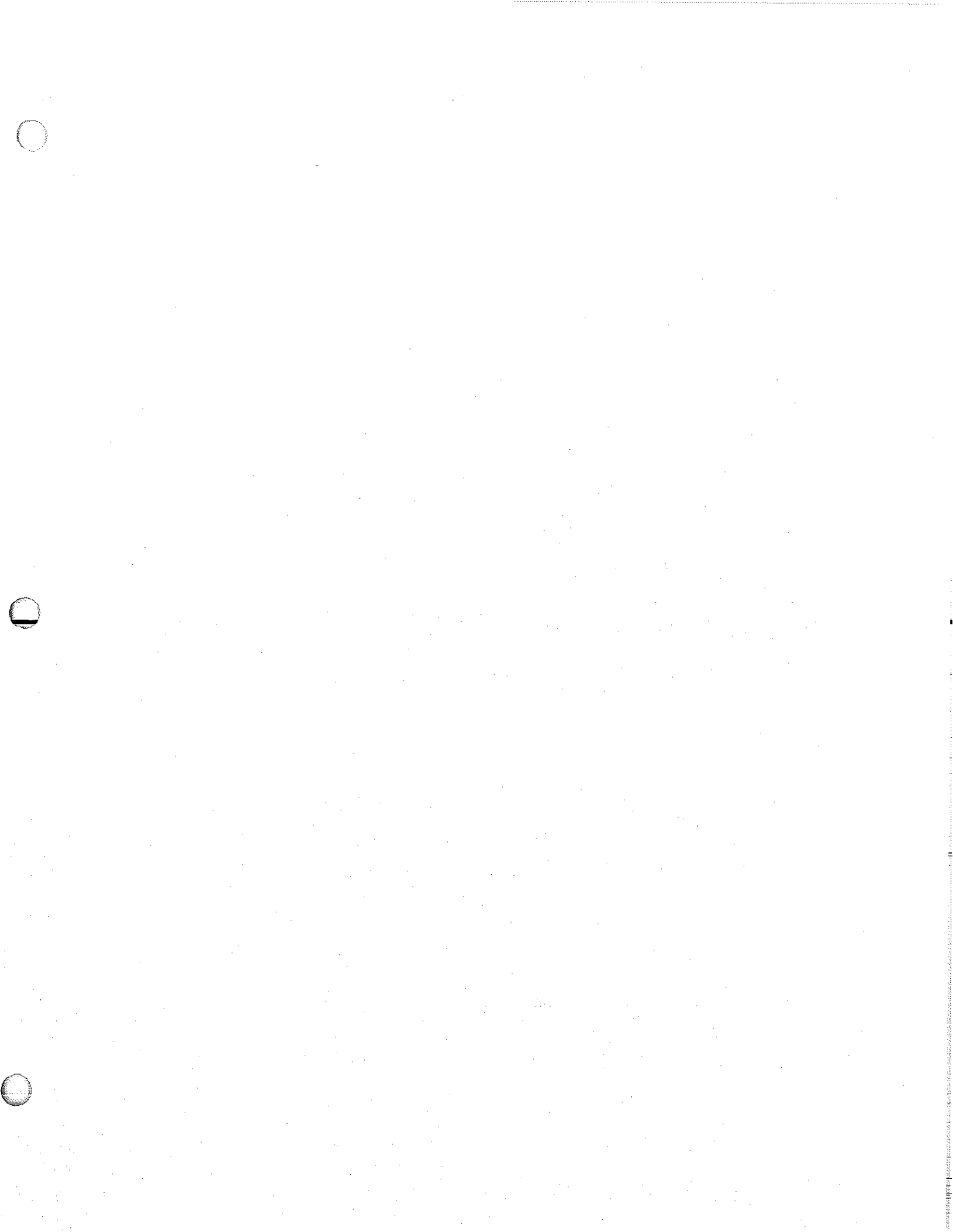
The Golf Course Reserve Fund was created by City Council on April 28, 1994, to provide funding for enhancements to the Municipal Golf Courses in order to keep them competitive with those in the private sector.

The Director of Planning, Property and Development is the Fund Manager.

### **Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the reserve. The Director of Community Services is the Fund Manager.





## **THE CITY OF WINNIPEG CAPITAL RESERVES (continued)**

### **Transit Bus Replacement Reserve Fund**

On December 15, 1994, City Council approved the establishment of the Transit Bus Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement or refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and insurance claims on bus equipment written off. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards that purchase. The Director of Transit is the Fund Manager.

### **Concession Equipment Replacement Reserve Fund**

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase and replacement of concession equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

### **Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

### **Aqueduct Rehabilitation Reserve Fund**

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Reserve was 2003.

The Director of Water and Waste is the Fund Manager.

### **Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of the Federal Gas Tax Revenue Reserve Fund. The purpose of the Reserve is to account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under this deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are intended specifically for eligible projects such as: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

# THE CITY OF WINNIPEG CAPITAL RESERVES

## FIVE-YEAR REVIEW

December 31

("S" amounts in thousands of dollars)

(unaudited)

	2009	2008	2007	2006	2005
<b>Water Main Renewal Reserve Fund</b>					
Frontage levy revenue	\$ -	\$ 7,063	\$ 7,002	\$ 6,912	\$ 6,871
Water main renewals funded	\$ 9,437	\$ 7,769	\$ 6,470	\$ 7,836	\$ 7,299
Kilometres of water mains	2,519	2,485	2,464	2,447	2,436
Water main repairs	433	514	691	727	484
<b>Sewer System Rehabilitation Reserve Fund</b>					
Frontage levy revenue	\$ 7,500	\$ 20,352	\$ 19,096	* \$ 423	\$ 19,805
Sewer renewals funded	\$ 16,874	\$ 13,765	\$ 17,376	* \$ 568	\$ 21,986
Kilometres of sewers	2,511	2,484	2,473	2,463	2,513
Kilometres of sewers renewed	9.40	12.13	15.59	5.90	5.61
<b>Environmental Projects Reserve Fund</b>					
Transfer from Sewage Disposal System	\$ 9,737	\$ 7,367	\$ 8,006	\$ 8,501	\$ 13,533
Transfer to Sewage Disposal System - capital projects	\$ 5,462	\$ 18,646	\$ 19,294	\$ 15,839	\$ 13,755
<b>Brady Landfill Site Rehabilitation Reserve Fund</b>					
Transfer from Solid Waste Disposal	\$ 175	\$ 175	\$ 174	\$ 175	\$ 192
<b>Golf Course Reserve Fund</b>					
Equity	\$ 1,087	\$ 1,037	\$ 1,951	\$ 1,860	\$ 1,773
<b>Library Reserve Fund</b>					
Transfer from General Revenue Fund	\$ 214	\$ -	\$ 279	\$ 281	\$ 230
<b>Transit Bus Replacement Reserve Fund</b>					
Transfer from/(to) Transit System, net	\$ (5,102)	\$ 4,732	\$ 4,197	\$ 6,530	\$ 217
Number of buses financed	63	33	12	-	40
<b>Concession Equipment Replacement Reserve Fund</b>					
Transfer from General Revenue Fund	\$ 12	\$ 15	\$ 19	\$ 13	\$ 12
Purchase of equipment	\$ 3	\$ -	\$ 11	\$ 8	\$ 20

\* In 2007, the Sewer System Rehabilitation Reserve Fund frontage levy revenue was reinstated. In 2006, capital projects in the Sewer System Rehabilitation Reserve Fund were funded by the Federal Gas Tax Revenue Reserve Fund.

# THE CITY OF WINNIPEG CAPITAL RESERVES

## FIVE-YEAR REVIEW (continued)

December 31

("\$" amounts in thousands of dollars)

(unaudited)

	2009	2008	2007	2006	2005
<b>Computer Replacement Reserve Fund</b>					
Allocation of equity:					
Corporate Finance	\$ 801	\$ 929	\$ 971	\$ 878	\$ 776
Corporate Support					
Services **	289	191	226	79	-
Community Services	274	228	336	365	271
Planning, Property and					
Development ***	211	200	217	140	101
Public Works ***	114	226	291	264	249
Audit	10	10	9	8	-
Mayor's Office	6	5	4	3	6
Chief Administrative					
Offices	1	1	3	9	3
EPC Secretariat	-	7	10	10	7
	<b>\$ 1,706</b>	<b>\$ 1,797</b>	<b>\$ 2,067</b>	<b>\$ 1,756</b>	<b>\$ 1,413</b>

### Aqueduct Rehabilitation Reserve Fund

Transfer to Waterworks					
System - capital projects	\$ 10	\$ 84	\$ 38	\$ 68	\$ 416

### Federal Gas Tax Revenue Reserve Fund

Government of					
Canada funding	\$ 36,030	\$ 20,533	\$ 16,427	\$ 23,308	\$ -
Transfer to General Capital					
Fund	\$ 25,355	\$ 17,460	\$ 16,865	\$ 16,776	\$ -
Transfer to Sewage Disposal					
System - capital projects	\$ -	\$ -	\$ 1,726	\$ 1,883	\$ -
Transfer to Transit System					
- capital projects	\$ 4,376	\$ 2,056	\$ 1,344	\$ -	\$ -

### Public Transit Reserve Fund

Government of					
Canada funding	\$ -	\$ -	\$ 24,790	\$ 14,328	\$ -
Transfer to Transit System					
- capital projects	\$ 21,159	\$ 6,150	\$ 2,682	\$ 670	\$ -

### Rapid Transit Infrastructure Reserve Fund

Transfer from					
Transit System	\$ 4,250	\$ 2,750	\$ -	\$ -	\$ -

\*\* In 2008, the Corporate Information Technology and Corporate Services departments were amalgamated and renamed the Corporate Support Services department.

\*\* Prior to 2007, the Building Services Fund was under the auspices of the Public Works department, this subsequently changed to the Planning, Property and Development department.

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Water Main Renewal Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Sub-total</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 1,633	\$ 35,998	\$ 31,539	\$ 69,170
Call loans - General Revenue Fund (Note 4)	-	-	-	-
Accounts receivable	-	-	-	-
	<u>1,633</u>	<u>35,998</u>	<u>31,539</u>	<u>69,170</u>
Investments (Note 5)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 6)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,633</u>	<u>\$ 35,998</u>	<u>\$ 31,539</u>	<u>\$ 69,170</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
<b>EQUITY</b>				
Allocated	1,134	29,793	31,539	62,466
Unallocated	499	6,205	-	6,704
	<u>1,633</u>	<u>35,998</u>	<u>31,539</u>	<u>69,170</u>
	<u>\$ 1,633</u>	<u>\$ 35,998</u>	<u>\$ 31,539</u>	<u>\$ 69,170</u>

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-total Brought Forward</u>	<u>Brady Landfill Reserve</u>	<u>Golf Course Reserve</u>	<u>Library Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 69,170	\$ 744	\$ 153	\$ 837
Call loans - General Revenue Fund (Note 4)	-	503	-	-
Accounts receivable	-	5	-	-
	<u>69,170</u>	<u>1,252</u>	<u>153</u>	<u>837</u>
Investments (Note 5)	-	2,152	-	-
Due from Golf Services - Special Operating Agency (Note 6)	-	-	934	-
	<u>-</u>	<u>-</u>	<u>934</u>	<u>-</u>
	<u>\$ 69,170</u>	<u>\$ 3,404</u>	<u>\$ 1,087</u>	<u>\$ 837</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
<b>EQUITY</b>				
Allocated	62,466	3,404	-	-
Unallocated	6,704	-	1,087	837
	<u>69,170</u>	<u>3,404</u>	<u>1,087</u>	<u>837</u>
	<u>\$ 69,170</u>	<u>\$ 3,404</u>	<u>\$ 1,087</u>	<u>\$ 837</u>

*See accompanying notes to the financial statements*

<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Sub-total</u>
\$ 11,808	\$ 79	\$ 1,706	\$ 300	\$ 84,797
-	-	-	-	503
-	-	-	-	5
11,808	79	1,706	300	85,305
-	-	-	-	2,152
-	-	-	-	934
<u>\$ 11,808</u>	<u>\$ 79</u>	<u>\$ 1,706</u>	<u>\$ 300</u>	<u>\$ 88,391</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8,920	-	1,706	300	76,796
2,888	79	-	-	11,595
11,808	79	1,706	300	88,391
<u>\$ 11,808</u>	<u>\$ 79</u>	<u>\$ 1,706</u>	<u>\$ 300</u>	<u>\$ 88,391</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-total Brought Forward</u>	<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>	<u>Transit Infrastructure Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 84,797	\$ 14,221	\$ 10,622	\$ 7,046
Call loans - General Revenue Fund (Note 4)	503	-	-	-
Accounts receivable	5	-	-	-
	<u>85,305</u>	<u>14,221</u>	<u>10,622</u>	<u>7,046</u>
Investments (Note 5)	2,152	-	-	-
Due from Golf Services - Special Operating Agency (Note 6)	934	-	-	-
	<u>\$ 88,391</u>	<u>\$ 14,221</u>	<u>\$ 10,622</u>	<u>\$ 7,046</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ 13,494	\$ 8,457	\$ -
<b>EQUITY</b>				
Allocated	76,796	727	2,000	2,750
Unallocated	11,595	-	165	4,296
	<u>88,391</u>	<u>727</u>	<u>2,165</u>	<u>7,046</u>
	<u>\$ 88,391</u>	<u>\$ 14,221</u>	<u>\$ 10,622</u>	<u>\$ 7,046</u>

*See accompanying notes to the financial statements*



<u>Totals 2009</u>	<u>Totals 2008</u>
\$ 116,686	\$ 122,619
503	359
<u>5</u>	<u>4</u>
117,194	122,982
2,152	1,992
<u>934</u>	<u>956</u>
<u>\$ 120,280</u>	<u>\$ 125,930</u>
\$ 21,951	\$ 31,774
82,273	78,359
<u>16,056</u>	<u>15,797</u>
98,329	94,156
<u>\$ 120,280</u>	<u>\$ 125,930</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Water Main Renewal Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>
Balance, beginning of year	\$ 1,068	\$ 36,318	\$ 27,224	\$ 2,923
Add:				
Government of Canada transfers	-	-	-	-
Transfer from Sewage Disposal System	-	9,000	9,737	-
Transfer from Transit System	-	-	-	-
Transfer from Waterworks System	10,000	-	-	-
Frontage levy	-	7,500	-	-
Interest earned	14	150	107	84
Transfer from General Revenue Fund	-	-	-	-
Other	-	-	-	230
Transfer from Solid Waste Disposal	-	-	-	175
Transfer from Building Services	-	-	-	-
	<u>10,014</u>	<u>16,650</u>	<u>9,844</u>	<u>489</u>
Deduct:				
Transfer to Transit System	-	-	-	-
Transfer to General Capital Fund	-	4,792	-	-
Transfer to Sewage Disposal System	-	12,082	5,462	-
Transfer to Waterworks System	9,437	-	-	-
Other	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	12	96	67	8
Transfer to General Revenue Fund	-	-	-	-
	<u>9,449</u>	<u>16,970</u>	<u>5,529</u>	<u>8</u>
Balance, end of year	<u>\$ 1,633</u>	<u>\$ 35,998</u>	<u>\$ 31,539</u>	<u>\$ 3,404</u>

*See accompanying notes to the financial statements*

<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Sub-total</u>
\$ 1,037	\$ 887	\$ 16,885	\$ 70	\$ 1,797	\$ 310	\$ 88,519
-	-	-	-	-	-	-
-	-	6,126	-	-	-	18,737
-	-	-	-	-	-	6,126
-	-	-	-	-	-	10,000
-	-	-	-	-	-	7,500
59	4	64	-	7	1	490
-	214	-	12	256	-	482
-	-	-	-	-	-	230
-	-	-	-	-	-	175
-	-	-	-	11	-	11
<u>59</u>	<u>218</u>	<u>6,190</u>	<u>12</u>	<u>274</u>	<u>1</u>	<u>43,751</u>
-	-	11,228	-	-	-	11,228
-	-	-	-	-	-	4,792
-	-	-	-	-	-	17,544
-	-	-	-	-	10	9,447
-	234	-	-	103	-	337
9	32	-	3	258	-	302
-	2	39	-	4	1	229
-	-	-	-	-	-	-
<u>9</u>	<u>268</u>	<u>11,267</u>	<u>3</u>	<u>365</u>	<u>11</u>	<u>43,879</u>
<u>\$ 1,087</u>	<u>\$ 837</u>	<u>\$ 11,808</u>	<u>\$ 79</u>	<u>\$ 1,706</u>	<u>\$ 300</u>	<u>\$ 88,391</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Sub-total Brought Forward</u>	<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>	<u>Transit Infrastructure Reserve</u>
Balance, beginning of year	\$ 88,519	\$ 729	\$ 2,118	\$ 2,790
Add:				
Government of Canada transfers	-	29,731	21,159	-
Transfer from Sewage Disposal System	18,737	-	-	-
Transfer from Transit System	6,126	-	-	4,250
Transfer from Waterworks System	10,000	-	-	-
Frontage levy	7,500	-	-	-
Interest earned	490	5	47	13
Transfer from General Revenue Fund	482	-	-	-
Other	230	-	-	3
Transfer from Solid Waste Disposal	175	-	-	-
Transfer from Building Services	11	-	-	-
	<u>43,751</u>	<u>29,736</u>	<u>21,206</u>	<u>4,266</u>
Deduct:				
Transfer to Transit System	11,228	4,376	21,159	-
Transfer to General Capital Fund	4,792	25,355	-	-
Transfer to Sewage Disposal System	17,544	-	-	-
Transfer to Waterworks System	9,447	-	-	-
Other	337	7	-	1
Purchase of equipment	302	-	-	-
Transfer to General Revenue Fund - investment management fee	229	-	-	9
Transfer to General Revenue Fund	-	-	-	-
	<u>43,879</u>	<u>29,738</u>	<u>21,159</u>	<u>10</u>
Balance, end of year	<u>\$ 88,391</u>	<u>\$ 727</u>	<u>\$ 2,165</u>	<u>\$ 7,046</u>

*See accompanying notes to the financial statements*

<u>Totals 2009</u>	<u>Totals 2008</u>
<u>\$ 94,156</u>	<u>\$ 89,887</u>
50,890	25,666
18,737	7,367
10,376	9,897
10,000	-
7,500	27,415
555	4,394
482	16
233	-
175	175
11	-
<u>98,959</u>	<u>74,930</u>
36,763	10,621
30,147	19,824
17,544	30,047
9,447	7,853
345	189
302	332
238	320
-	1,475
<u>94,786</u>	<u>70,661</u>
<u>\$ 98,329</u>	<u>\$ 94,156</u>

# THE CITY OF WINNIPEG CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The Capital Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

Water Main Renewal Reserve Fund	Concession Equipment Replacement Reserve Fund
Sewer System Rehabilitation Reserve Fund	Computer Replacement Reserve Fund
Environmental Projects Reserve Fund	Aqueduct Rehabilitation Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund	Federal Gas Tax Revenue Reserve Fund
Golf Course Reserve Fund	Public Transit Reserve Fund
Library Reserve Fund	Rapid Transit Infrastructure Reserve Fund
Transit Bus Replacement Reserve Fund	

#### b) Basis of accounting

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

#### c) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

#### d) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

#### e) Deferred revenue

The City of Winnipeg ("the City") receives funds dedicated to the acquisition of specific tangible capital assets. When capital funds are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

1. *Significant Accounting Policies (continued)*

**f) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

2. *Status of the Capital Reserves*

**Water Main Renewal Reserve Fund**

City Council, on February 18, 1981, authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established in 1981 by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System Fund.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected from property taxes would be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

**Sewer System Rehabilitation Reserve Fund**

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the rehabilitation of combined sewers. City Council also authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers. Funding for both Reserves was provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects funded by this Reserve.

The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2009 sewer rate includes a provision of 45.3 cents (2008 - 31.3 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Brady Landfill Site Rehabilitation Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2008 - 50 cents) per tonne for each tonne disposed at the Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Golf Course Reserve Fund**

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve Fund for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency. The Director of Planning, Property and Development is the Fund Manager.

**Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

**Transit Bus Replacement Reserve Fund**

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.



2. *Status of the Capital Reserves (continued)*

**Concession Equipment Replacement Reserve Fund**

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase and replacement of concession equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

**Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

**Aqueduct Rehabilitation Reserve Fund**

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003.

The Director of Water and Waste is the Fund Manager.

**Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of a Federal Gas Tax Revenue Reserve Fund. The purpose of this Reserve is to administer and account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Public Works is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Public Transit Reserve Fund**

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve Fund dedicated for eligible projects to be funded by the Government of Canada through Bill C-66.

The Government of Canada and the Province entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives, and the agreement is in effect until March 31, 2010.

Subsequent to this, the Province and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2011. The Province has committed to extend the existing agreement to provide additional funding. This is pursuant to the Government of Canada also providing additional funding to the Province through the Public Transit Capital Trust.

As approved by City Council, this Reserve will terminate once eligible projects have been completed.

The Director of Transit is the Fund Manager.

**Rapid Transit Infrastructure Reserve Fund**

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

The Director of Transit is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2009 effective interest rate was 0.2% (2008 - 1.5%).

4. *Call Loans - General Revenue Fund*

Call loans represent short-term investments with the General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

5. *Investments*

	<u>2009</u>	<u>2008</u>
Marketable securities		
Provincial bonds and bond coupons	\$ 657	\$ 1,016
Government of Canada bonds	1,495	976
	<u>\$ 2,152</u>	<u>\$ 1,992</u>

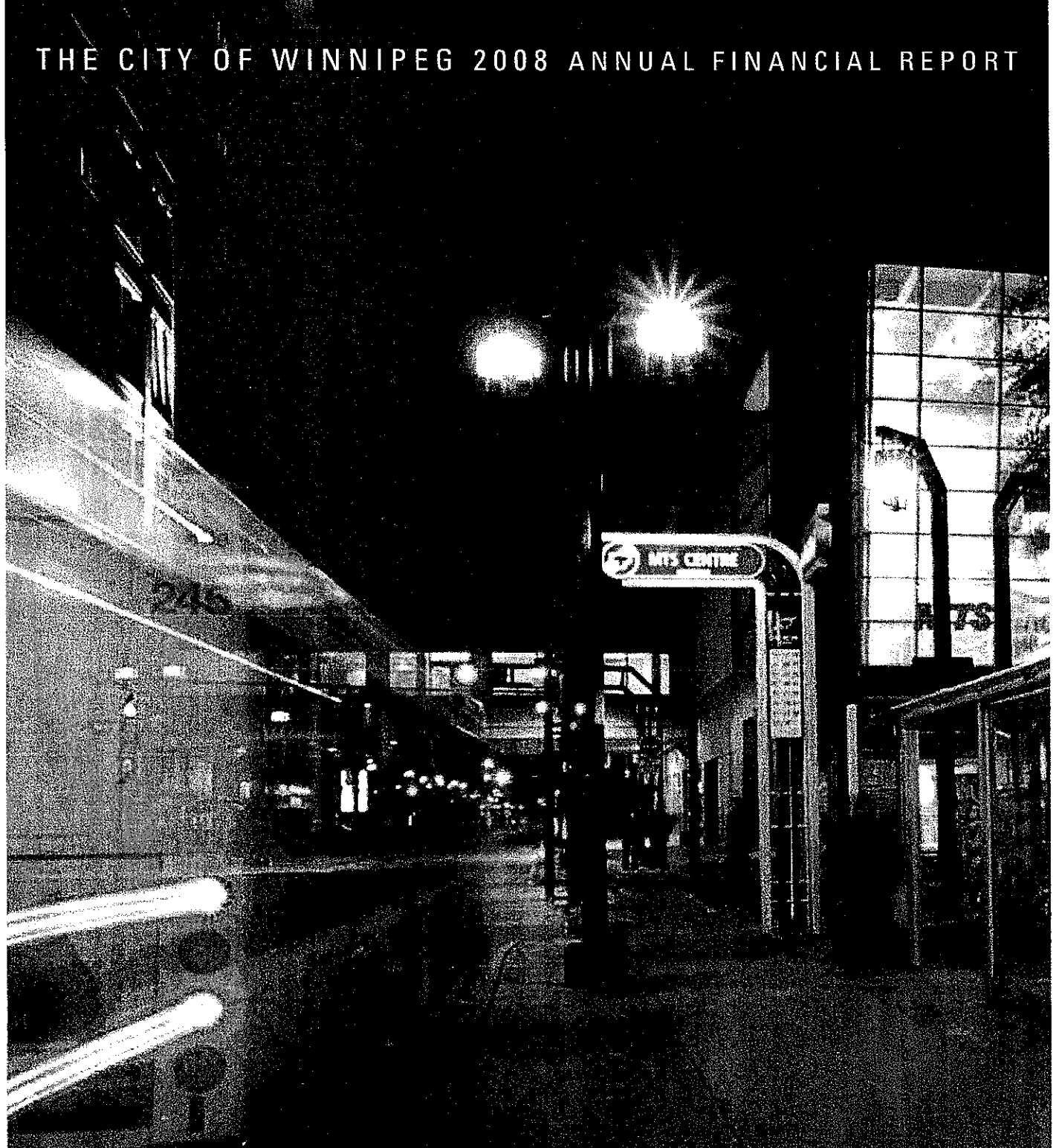
The aggregate market value of marketable securities at December 31, 2009 was \$2,352 thousand (2008 - \$2,349 thousand).

6. *Due from Golf Services - Special Operating Agency*

	<u>2009</u>	<u>2008</u>
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 35	\$ 43
- 2005	43	50
- 2006	77	87
- 2007	186	207
- 2008	257	282
- 2009	12	13
- 2010	274	274
- 2011	50	-
	<u>\$ 934</u>	<u>\$ 956</u>

Included in interest earned is \$59 thousand (2008 - \$53 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

THE CITY OF WINNIPEG 2008 ANNUAL FINANCIAL REPORT



## **THE CITY OF WINNIPEG WATERWORKS SYSTEM**

The Water and Waste Department (the "Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the Intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Treatment Reserve, which ceased in 2008.

The Water Treatment Reserve was established on December 17, 1993, to fund 50% of the cost of building a water treatment plant then estimated at \$204 million.

On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant.

On June 25, 2003, City Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility.

On March 23, 2005, City Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation and on November 23, 2005, City Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of \$2.8 million.

The construction of the ultraviolet light disinfection facility at the Deacon Booster Pumping Station started in 2004 and it became operational in 2007.

The water treatment plant construction is nearing completion. The estimated cost is \$300 million. The water treatment plant has a treatment capacity of 400 million litres per day and is expected to be placed into service in 2009.

The water treatment plant is being constructed to enhance public health protection. The benefits of water treatment are: reduced risk of waterborne disease, reduced levels of disinfection by-products, and to meet more stringent Canadian drinking water quality guidelines.

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

December 31  
(unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 3.45	\$ 3.15	\$ 2.75	\$ 2.75	\$ 2.75
Annual water pumped (million litres)	78,587	79,624	82,831	80,713	81,045
Water pumped in litres per capita per day	326	334	347	339	343
Average daily water pumped (million litres per day)	215	218	227	221	222
Maximum day water pumping rates (million litres per day)	259	295	340	267	285
Maximum hour water pumping rates (million litres per day)	384	447	549	391	411
Kilometres of aqueduct	174.5	174.5	174.5	174.5	174.5
Kilometres of feeder mains	150.1	155.9	151.5	150.3	156.8
Kilometres of water mains	2,484.9	2,464.0	2,447.0	2,435.5	2,427.0
Number of hydrants	20,293	20,265	20,085	19,930	20,661
Number of billed services	191,416	190,318	188,328	187,619	186,160

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current		
Cash	\$ (126)	\$ 298
Accounts receivable (Note 3)	17,325	16,121
Due from General Revenue Fund (Note 4)	105,741	64,938
Inventories	<u>1,006</u>	<u>904</u>
	123,946	82,261
Tangible capital assets (Note 5)	788,176	715,307
Deferred charges (Note 6)	<u>2,589</u>	<u>-</u>
	<u>\$ 914,711</u>	<u>\$ 797,568</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 16,533	\$ 20,756
Current portion of long-term debt (Note 8)	<u>4,182</u>	<u>2,337</u>
	20,715	23,093
Long-term debt (Note 8)	<u>171,579</u>	<u>77,080</u>
	192,294	100,173
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>722,417</u>	<u>697,395</u>
	<u>\$ 914,711</u>	<u>\$ 797,568</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF OPERATIONS

For the years ended December 31  
(in thousands of dollars)  
(unaudited)

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>REVENUES (Schedule 1)</b>			
Sale of goods and services (Note 10)	\$ 89,081	\$ 89,625	\$ 83,351
Interest	3,243	3,997	5,456
Government transfers, permits and other	1,297	1,790	2,097
Total revenues	<u>93,621</u>	<u>95,412</u>	<u>90,904</u>
<b>EXPENSES (Schedules 2 and 3)</b>			
Water distribution	31,645	27,326	24,175
Debt and finance	16,563	10,626	7,084
Taxes, employee benefits and other (Note 11)	6,641	6,877	6,681
Finance and administration	4,024	3,350	3,153
Engineering services	3,332	2,701	2,595
Information systems and technology	1,293	1,182	947
Environmental standards	1,004	746	523
Human resources	855	725	668
Customer services	502	581	569
Total expenses from operations	<u>65,859</u>	<u>54,114</u>	<u>46,395</u>
Surplus for the year from operations	27,762	41,298	44,509
Transfers to other funds (Note 12)	14,663	14,747	23,114
Net surplus from operations after transfers to other funds	13,099	26,551	21,395
Net (deficit) surplus from capital (Schedule 4)	-	(1,529)	34,685
<b>NET SURPLUS FOR THE YEAR</b>	<u>\$ 13,099</u>	25,022	56,080
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<u>697,395</u>	<u>641,315</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<u>\$ 722,417</u>	<u>\$ 697,395</u>

See accompanying notes and schedules to the financial statements



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008</u>	<u>2007</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 25,022	\$ 56,080
Non-cash items related to operations		
Amortization	12,616	12,187
Loss on disposal of tangible capital assets	627	795
	<u>38,265</u>	<u>69,062</u>
Working capital from operations	(5,529)	6,920
Change in net working capital other than cash		
	<u>32,736</u>	<u>75,982</u>
<b>FINANCING</b>		
Debt retired	(7)	(6)
Debt issued	97,411	-
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(1,319)	(1,150)
Due from General Revenue Fund	(40,803)	33,972
Payments to The Sinking Fund Trustees for outstanding debt	(2,330)	(2,330)
	<u>52,952</u>	<u>30,486</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	(86,112)	(106,245)
(Decrease) Increase in cash	(424)	223
Cash, beginning of year	298	75
	<u>\$ (126)</u>	<u>\$ 298</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

1. *Significant Accounting Policies (continued)*

c) **Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

d) **Shoal Lake Agreement**

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg (the "City"), the Province of Manitoba (the "Province") and the Shoal Lake Indian Band Number 40 (the "Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

e) **Water Main Renewal Reserve Fund**

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

f) **Aqueduct Rehabilitation Reserve Fund**

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The aqueduct project will end early 2009.

g) **Water Treatment Reserve Fund**

On December 17, 1993, City Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% of the funding for the construction of a water treatment plant. The 2008 water rates did not include a provision (2007 - 40.63 cents) per 100 cubic feet of water consumption billed for water treatment. In 2008, funds were not transferred to the Water Treatment Reserve (2007 - \$10.5 million).

2. *Status of the Waterworks System*

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

3. *Accounts Receivable*

	<u>2008</u>	<u>2007</u>
Water billings and other	\$ 17,626	\$ 16,412
Allowance for doubtful accounts	<u>(301)</u>	<u>(291)</u>
	<u>\$ 17,325</u>	<u>\$ 16,121</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2008 effective interest rate was 1.5% (2007 - 4.2%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,824	\$ 1,824
Buildings	3,838	3,938
Machinery and equipment	1,172	1,156
Computer	5,012	5,833
Underground networks	457,476	453,700
Water pumping stations and reservoirs	64,755	66,623
Assets under construction	<u>254,099</u>	<u>182,233</u>
	<u>\$ 788,176</u>	<u>\$ 715,307</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2008, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2008 were \$15 thousand (2007 - \$26 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$3.7 million in 2008 (2007 - \$5.3 million) and were capitalized at their fair value at the time of receipt.

6. *Deferred Charges*

	<u>2008</u>	<u>2007</u>
Deferred debenture discount	<u>\$ 2,589</u>	<u>\$ -</u>

7. *Accounts Payable and Accrued Liabilities*

	<u>2008</u>	<u>2007</u>
Trade accounts payable	\$ 10,010	\$ 16,932
Accrued debenture interest	4,769	2,391
Other accrued liabilities	1,437	1,170
Deferred revenue and other	<u>317</u>	<u>263</u>
	<u>\$ 16,533</u>	<u>\$ 20,756</u>

8. Long-Term Debt

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2008	2007
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 1,500	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
2008-2036	July 17	5.200		72/2006B	100,000	-
					<b>204,500</b>	<b>104,500</b>
Equity in Sinking Funds (Note 8b)					<b>(28,739)</b>	<b>(25,090)</b>
Net sinking fund debentures outstanding					<b>175,761</b>	<b>79,410</b>
<b>Other long-term debt outstanding</b>						
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2007 - 5.75%)					-	7
					<b>175,761</b>	<b>79,417</b>
Current portion of long-term debt					<b>(4,182)</b>	<b>(2,330)</b>
Current portion of Equity in Capital Assets Fund debt					-	(7)
Current portion of long-term debt					<b>(4,182)</b>	<b>(2,337)</b>
					<b>\$ 171,579</b>	<b>\$ 77,080</b>

Principal retirement on long-term debt over the next five years is as follows:

	2009	2010	2011	2012	2013	Thereafter
Sinking fund debentures	\$ 1,500	\$ -	\$ -	\$ -	\$ 5,000	\$ 198,000

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

8. *Long-Term Debt (continued)*

- c) Cash paid for interest during the year was \$7.4 million (2007 - \$7.1 million).
- d) Interest paid to the Equity in Capital Assets Fund during 2008 was \$nil (2007 - \$1 thousand).

9. *Accumulated Surplus*

	<u>2008</u>	<u>2007</u>
Invested in tangible capital assets	\$ 612,470	\$ 635,995
Retained earnings	<u>109,947</u>	<u>61,400</u>
	<u>\$ 722,417</u>	<u>\$ 697,395</u>

10. *Revenue*

Effective January 1, 2008 the block 1 water rate was \$3.45 cents per hundred cubic feet (2007 - \$3.15).

11. *Taxes, Employee Benefits and Other*

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2008, realty and business taxes paid to the General Revenue Fund was \$3.0 million (2007 - \$3.1 million).

Included in expenses is \$0.7 million (2007 - \$0.7 million) in general government and computer service charges which represents the estimated share of The City of Winnipeg General Revenue Fund's general expenditure and actual computer service charges applicable to the Waterworks System.

Included in expenses is \$1.1 million (2007 - \$0.9 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is a recovery of \$21 thousand (2007 - \$124 thousand) by the Insurance Reserve.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2008 is \$2.7 million (2007 - \$2.4 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2008 is estimated at \$309 thousand (2007 - \$308 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2008 at \$3.6 million (2007 - \$3.6 million).

**11. Taxes, Employee Benefits and Other (continued)**

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2008 is estimated at \$0.3 million (2007 - \$0.4 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year \$1.7 million (2007 - \$1.6 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2007 and has disclosed an actuarial surplus.

**12. Transfers to Other Funds**

Beginning in 1988, City Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. In addition, the Utility transferred \$6.1 million in 2008 (2007 - \$6.1 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	<u>2008</u>	<u>2007</u>
Transfer to General Revenue Fund	\$ 14,663	\$ 12,580
Transfer to General Capital Fund	84	19
Transfer to Water Treatment Reserve	-	10,515
	<u>\$ 14,747</u>	<u>\$ 23,114</u>

**13. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 1**

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Sale of goods and services</b>			
Water sales	\$ 85,326	\$ 85,698	\$ 79,514
Fire hydrant and other rentals	3,725	3,861	3,803
Sale of scrap material	30	66	34
	<u>89,081</u>	<u>89,625</u>	<u>83,351</u>
<b>Interest</b>			
Interest	400	2,663	4,280
Sinking Fund earnings	2,793	1,319	1,150
Interest capitalized	50	15	26
	<u>3,243</u>	<u>3,997</u>	<u>5,456</u>
<b>Government transfers, permits and other</b>			
Permits and fees	485	1,007	625
Provincial support transfer	595	576	589
Other	217	207	883
	<u>1,297</u>	<u>1,790</u>	<u>2,097</u>
<b>Total Revenues</b>	<u>\$ 93,621</u>	<u>\$ 95,412</u>	<u>\$ 90,904</u>



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Water distribution</b>			
Water main maintenance	\$ 7,077	\$ 8,857	\$ 7,193
Pumping stations	3,701	4,118	3,302
Service pipe maintenance	3,227	2,825	2,780
Mechanical/civil/electrical maintenance allocation	2,359	2,213	2,179
General administration	1,305	1,844	1,689
Emergency services	1,888	1,599	1,494
Hydrant maintenance	2,017	1,510	1,508
Railway maintenance and operations	1,641	1,431	1,418
Water meter maintenance	966	673	653
Stores - 552 Plinguet	292	517	363
Water treatment plant	4,599	507	-
Valve maintenance	913	473	442
Intake operation	417	414	469
Water supply administration	1,027	306	449
Meter shop	112	29	56
Staff house	104	7	41
Backflow prevention	-	3	139
	<u>31,645</u>	<u>27,326</u>	<u>24,175</u>
<b>Debt and finance</b>			
Long-term debt			
Interest	11,685	9,935	7,061
Amortization	4,476	-	-
Finance charges	402	691	23
	<u>16,563</u>	<u>10,626</u>	<u>7,084</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	3,546	3,354	3,379
Rent	957	1,065	932
Employee benefits	850	1,008	1,016
General government charges	612	612	612
Provincial payroll tax	600	587	562
Insurance and damage claims	484	512	427
Other services	(12)	266	167
Recoveries	(396)	(527)	(414)
	<u>6,641</u>	<u>6,877</u>	<u>6,681</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2008 Budget</b>	<b>2008 Actual</b>	<b>2007 Actual</b>
<b>Finance and administration division</b>			
Customer billing	2,675	2,108	1,963
Administrative services	725	666	668
Accounting services	248	236	202
Financial planning	245	232	197
Process improvement	131	108	123
	<u>4,024</u>	<u>3,350</u>	<u>3,153</u>
<b>Engineering services division</b>			
Water planning	1,091	670	450
Design and construction	892	606	554
Drafting and graphics	466	464	503
Customer technical services	381	351	357
Administration	580	219	222
Asset management	274	193	162
Services development	(532)	136	142
Resource centre	87	63	58
Land drainage/flood planning	45	-	(3)
Wastewater planning	48	-	(5)
Project management	-	(1)	155
	<u>3,332</u>	<u>2,701</u>	<u>2,595</u>
<b>Information systems and technology division</b>			
Major systems	881	831	636
Support services	412	351	311
	<u>1,293</u>	<u>1,182</u>	<u>947</u>
<b>Environmental standards division</b>			
Analytical services	604	436	398
Compliance	356	231	6
Administration	44	78	58
Research	-	1	61
	<u>1,004</u>	<u>746</u>	<u>523</u>
<b>Human resources division</b>			
Human resources	370	300	304
Timekeeping and payroll	184	193	163
Human resources training	160	151	114
Work place health and safety	141	81	87
	<u>855</u>	<u>725</u>	<u>668</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Customer services division</b>			
Customer relations	452	462	454
Administration	(26)	58	53
Communications	46	40	40
Public consultation	30	21	22
	<u>502</u>	<u>581</u>	<u>569</u>
<b>Total Expenses from Operations</b>	<u>65,859</u>	<u>54,114</u>	<u>46,395</u>
<b>Transfers to other funds (Note 12)</b>			
Transfer to General Revenue Fund	14,663	14,663	12,580
Transfer to General Capital Fund	-	84	19
Transfer to Water Treatment Reserve	-	-	10,515
	<u>14,663</u>	<u>14,747</u>	<u>23,114</u>
<b>Total transfer to other funds</b>	<u>14,663</u>	<u>14,747</u>	<u>23,114</u>
<b>Total Expenses</b>	<u>\$ 80,522</u>	<u>\$ 68,861</u>	<u>\$ 69,509</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Salaries	\$ 28,509	\$ 26,845	\$ 24,886
Goods and services	28,260	20,436	17,517
Transfers	14,663	14,747	23,114
Interest on long-term debt	11,690	9,935	7,061
Other expenses	2,750	5,636	5,313
Employee benefits	5,338	4,244	4,019
Finance charges	512	756	136
Grants	95	95	90
Amortization	4,476	-	-
Recoveries	(15,771)	(13,833)	(12,627)
<b>Total Expenses</b>	<u>\$ 80,522</u>	<u>\$ 68,861</u>	<u>\$ 69,509</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 4**

**NET (DEFICIT) SURPLUS FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Revenues</b>		
Transfers		
Water Main Renewal Reserve	\$ 7,769	\$ 6,470
Sewage Disposal System	185	23
Aqueduct Rehabilitation Reserve	84	38
Water Treatment Reserve	-	36,301
	<u>8,038</u>	42,832
Developer contributions-in-kind	<u>3,699</u>	5,288
Total revenue from capital	<u>11,737</u>	48,120
<b>Expenses</b>		
Amortization	12,616	12,187
Loss on disposal of assets	627	795
Other expenses	23	453
Total expenses from capital	<u>13,266</u>	13,435
Net (deficit) surplus from capital	<u>\$ (1,529)</u>	<u>\$ 34,685</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	Land	Buildings	Machinery and Equipment	Computer
<b>Cost</b>				
Balance, beginning of year	\$ 1,824	\$ 5,399	\$ 9,400	\$ 23,589
Add: Additions during the year	-	-	159	559
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,824</u>	<u>5,399</u>	<u>9,559</u>	<u>24,148</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,461	8,244	17,756
Add: Amortization	-	100	143	1,380
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,561</u>	<u>8,387</u>	<u>19,136</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,824</u>	<u>\$ 3,838</u>	<u>\$ 1,172</u>	<u>\$ 5,012</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2008	2007
\$ 644,388	\$ 111,497	\$ 182,233	\$ 978,330	\$ 875,371
13,435	93	71,866	86,112	106,245
(2,341)	-	-	(2,341)	(3,286)
<u>655,482</u>	<u>111,590</u>	<u>254,099</u>	<u>1,062,101</u>	<u>978,330</u>
190,688	44,874	-	263,023	253,327
9,032	1,961	-	12,616	12,187
(1,714)	-	-	(1,714)	(2,491)
<u>198,006</u>	<u>46,835</u>	<u>-</u>	<u>273,925</u>	<u>263,023</u>
<u>\$ 457,476</u>	<u>\$ 64,755</u>	<u>\$ 254,099</u>	<u>\$ 788,176</u>	<u>\$ 715,307</u>





## THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, the environment, and the aesthetic quality of the rivers through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

An Environmental Projects Reserve was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would improve river quality. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal ("BNR") and combined sewer overflow mitigation infrastructure.

River quality is under the jurisdiction of the Province of Manitoba. In 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period which was subsequently ordered by the Minister of Conservation on September 26, 2003, with some initiatives to be completed sooner than recommended by the CEC.

Manitoba Conservation subsequently issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers (NEWPCC, WEWPCC, and SEWPCC). The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan.

The 25 year wastewater improvement program, which includes effluent ultraviolet (UV) disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations is estimated to cost \$1.2 billion.

Wastewater treatment upgrades to the NEWPCC and WEWPCC are complete and under commissioning. The NEWPCC effluent disinfection was commissioned in July 2006. The NEWPCC centrate phosphorus removal was commissioned in May 2007. The need for WEWPCC effluent disinfection is in discussions with the Provincial Regulator.

The biological nutrient removal upgrades are removing more than the required interim reduction targets of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on biological nutrient removal at the SEWPCC was initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC biological nutrient removal will commence after a NEWPCC Master Plan and Biosolids Master Plan studies have been completed. Construction of the NEWPCC BNR is to be completed by 2014. The department is currently exploring alternative service delivery methods.

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

December 31  
(unaudited)

	2008	2007	2006	2005	2004
Rate in dollars (per 100 cu. ft.)	\$ 5.12	\$ 4.46	\$ 3.87	\$ 3.39	\$ 3.11
Annual sewage received (million litres)*	103,397	107,310	102,609	123,584	127,534
Daily sewage received (million litres)*	283.3	294.0	281.1	339.6	349.4
Kilometres of interceptor sewers	116.4	114.4	109.1	109.7	109.7
Kilometres of combined sewers**	1,044.5	1,045.4	1,283.2	1,338.2	1,334.1
Kilometres of wastewater sewers	1,323.6	1,313.5	1,456.6	1,427.1	1,422.3
Kilometres of storm sewers***	1,803.0	1,775.0	1,668.8	2,260.7	2,241.9
Number of lift stations	75	76	76	76	76
Number of billed sewer services	191,736	190,318	188,887	187,398	185,939

Note:

- \* Sewage received is dependent on both levels of precipitation and water conservation efforts.
- \*\* Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.
- \*\*\* Estimates of storm sewers only include actual pipe in the ground, whereas, prior to 2006 estimates include surface ditch drainage.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current		
Cash	\$ 1	\$ 1
Inventory	244	250
Accounts receivable (Note 3)	26,575	34,641
Due from General Revenue Fund (Note 4)	<u>51,085</u>	<u>34,322</u>
	77,905	69,214
Tangible capital assets (Note 5)	<u>754,722</u>	<u>725,530</u>
	<u>\$ 832,627</u>	<u>\$ 794,744</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 6,299	\$ 13,832
Performance and other deposits	311	264
Current portion of long-term debt (Note 7)	<u>4,108</u>	<u>4,034</u>
	10,718	18,130
Long-term debt (Note 7)	<u>34,189</u>	<u>41,090</u>
	44,907	59,220
<b>ACCUMULATED SURPLUS (Note 8)</b>	<u>787,720</u>	<u>735,524</u>
	<u>\$ 832,627</u>	<u>\$ 794,744</u>

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF OPERATIONS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>REVENUES (Schedule 1)</b>			
Sewer services (Note 9)	\$ 125,113	\$ 123,961	\$ 106,948
Interest	3,393	4,338	4,052
Government transfers, permits and other	<u>3,352</u>	<u>3,619</u>	<u>4,393</u>
Total revenues	<u>131,858</u>	<u>131,918</u>	<u>115,393</u>
<b>EXPENSES (Schedules 2 and 3)</b>			
Collection, interception and treatment	29,629	26,967	24,681
Taxes, employee benefits and other (Note 10)	12,471	12,345	11,916
Debt and finance	15,203	8,352	8,359
Engineering services	3,887	4,047	3,806
Finance and administration	3,857	3,167	2,978
Environmental standards	2,202	1,541	1,557
Information systems and technology	1,238	1,093	883
Customer services	765	680	677
Human resources	<u>676</u>	<u>616</u>	<u>575</u>
Total expenses from operations	<u>69,928</u>	<u>58,808</u>	<u>55,432</u>
Surplus for the year from operations	61,930	73,110	59,961
Transfers to other funds (Note 11)	<u>29,936</u>	<u>30,160</u>	<u>28,143</u>
Net surplus for the year from operations after transfer to other funds	31,994	42,950	31,818
Net surplus from capital (Schedule 4)	<u>-</u>	<u>9,246</u>	<u>25,507</u>
Net surplus for the year	<u>\$ 31,994</u>	<u>52,196</u>	<u>57,325</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<u>735,524</u>	<u>678,199</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<u>\$ 787,720</u>	<u>\$ 735,524</u>

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008</u>	<u>2007</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 52,196	\$ 57,325
Non-cash items related to operations		
Amortization	16,347	15,142
Net assets transferred to General Capital Fund	-	7,663
Loss on disposal of tangible capital assets	<u>299</u>	<u>534</u>
Working capital from operations	68,842	80,664
Change in net working capital other than cash	<u>586</u>	<u>(6,145)</u>
	<u>69,428</u>	<u>74,519</u>
<b>FINANCING</b>		
Debt retired	(1,302)	(1,241)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,793)	(2,536)
Due from General Revenue Fund	(16,763)	(4,880)
Payments to The Sinking Fund Trustees for outstanding long-term debt	(2,601)	(2,601)
Decrease in other debt	<u>(131)</u>	<u>(85)</u>
	<u>(23,590)</u>	<u>(11,343)</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	<u>(45,838)</u>	<u>(63,176)</u>
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

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

### **c) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

### **d) Sewer System Rehabilitation Reserve Fund**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by City Council between the Reserves in accordance with the needs at that time.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

The Director of the Water and Waste Department is the Fund Manager.

### **e) Environmental Projects Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2008 sewer rate includes a provision of 31.1 cents (2007 - 31.3 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2008, \$7.4 million (2007 - \$8.0 million) was transferred to the Environmental Projects Reserve Fund.

## **2. Status of the Sewage Disposal System**

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. *Accounts Receivable*

	<u>2008</u>	<u>2007</u>
Sewer billings and other	\$ 26,635	\$ 34,701
Allowance for doubtful accounts	<u>(60)</u>	<u>(60)</u>
	<u>\$ 26,575</u>	<u>\$ 34,641</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2008 effective interest rate was 1.5% (2007 - 4.2%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,451	\$ 1,451
Buildings	334	344
Equipment	219	238
Information technology	190	-
Underground networks	488,585	482,275
Sewage treatment plants and lift stations	234,656	171,534
Assets under construction	<u>29,287</u>	<u>69,688</u>
	<u>\$ 754,722</u>	<u>\$ 725,530</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2008 and 2007, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2008 were \$237 thousand (2007 - \$179 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$4.1 million in 2008 (2007 - \$7.6 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2008</u>	<u>2007</u>
Accrued debenture interest	\$ 2,926	\$ 2,948
Trade accounts payable	2,865	10,459
Other accrued liabilities	<u>508</u>	<u>425</u>
	<u>\$ 6,299</u>	<u>\$ 13,832</u>



7. **Long-term Debt**

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2008	2007
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 11,000	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>86,000</u>	<u>86,000</u>
Equity in Sinking Fund (Note 7b)					<u>(59,167)</u>	<u>(53,773)</u>
Net sinking fund debentures outstanding					<u>26,833</u>	<u>32,227</u>

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.78% (2007 - 4.98%)

7,998 9,300

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2007 - 8.25%)

65 71

Pointe West Properties debt, maturity in 2012, interest rate of 6.65%

3,401 3,526

38,297 45,124

Current portion of long-term debt

(3,967) (3,903)

Current portion of Equity in Capital Assets Fund debt

(7) (6)

Current portion of Pointe West Properties debt

(134) (125)

Current portion of long-term debt

(4,108) (4,034)

\$ 34,189 \$ 41,090

Principal retirement on long-term debt over the next five years is as follows:

	2009	2010	2011	2012	2013	Thereafter
Sinking fund debentures	\$ 11,000	\$ -	\$ -	\$ -	\$ 40,000	\$ 35,000
Serial and installment	1,367	1,435	1,506	1,580	1,659	451
Equity in Capital Assets Fund	7	7	8	8	9	26
Pointe West debt	134	143	100	3,024	-	-
	<u>\$ 12,508</u>	<u>\$ 1,585</u>	<u>\$ 1,614</u>	<u>\$ 4,612</u>	<u>\$ 41,668</u>	<u>\$ 35,477</u>

**7. Long-term Debt (continued)**

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. ("PWP"), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2012 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$8.4 million (2007 - \$8.4 million).
- e) Interest paid to the Equity in Capital Assets Fund during 2008 was \$5 thousand (2007 - \$5 thousand).

**8. Accumulated Surplus**

	<u>2008</u>	<u>2007</u>
Invested in tangible capital assets	\$ 716,486	\$ 680,290
Retained earnings	71,234	55,234
	<u>\$ 787,720</u>	<u>\$ 735,524</u>

**9. Revenue**

The 2008 sewer rate increased to 5.12 cents per hundred cubic feet (2007 - 4.46 cents). The Environmental Projects Reserve contribution for 2008 was 45.3 cents per hundred cubic feet (2007 - 31.3 cents).

**10. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2008, realty and business taxes paid to the General Revenue Fund was \$9.2 million (2007 - \$9.2 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2008, this amounted to \$0.5 million (2007 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$1.1 million (2007 - \$0.9 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is \$128 thousand (received from 2007 - \$1.0 million) that has been charged by the Insurance Reserve Fund.

## 10. Taxes, Employee Benefits and Other (continued)

### Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2008 is \$1.2 million (2007 - \$1.2 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2008 is estimated at \$415 thousand (2007 - \$402 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2008 is estimated at \$0.2 million (2007 - \$0.2 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2008 at \$1.8 million (2007 - \$1.4 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year \$853 thousand (2007 - \$817 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2007 and has disclosed an actuarial surplus.

## 11. Transfers to Other Funds

Beginning in 1988, City Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2008, the Utility contributed \$13.7 million (2007 - \$11.9 million) to the General Revenue Fund to support the land drainage program.

	<u>2008</u>	<u>2007</u>
Transfer to General Revenue Fund	\$ 22,553	\$ 18,422
Transfer to Environmental Projects Reserve	7,367	8,006
Transfer to General Capital Fund	240	1,715
	<u>\$ 30,160</u>	<u>\$ 28,143</u>

## 12. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 1

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Sewer services</b>	<b>\$ 125,113</b>	<b>\$ 123,961</b>	<b>\$ 106,948</b>
<b>Interest</b>			
Sinking Fund earnings	2,793	2,793	2,536
Interest	400	1,308	1,337
Capitalized	200	237	179
	<u>3,393</u>	<u>4,338</u>	<u>4,052</u>
<b>Government transfers, permits and other</b>			
Industrial waste surcharges	2,640	1,711	2,236
Other	383	1,527	1,833
Provincial support transfer	214	206	194
Permits and fees	115	175	130
	<u>3,352</u>	<u>3,619</u>	<u>4,393</u>
<b>Total Revenues</b>	<b><u>\$ 131,858</u></b>	<b><u>\$ 131,918</u></b>	<b><u>\$ 115,393</u></b>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2008 Budget</b>	<b>2008 Actual</b>	<b>2007 Actual</b>
<b>Collection, interception and treatment</b>			
North end water pollution control centre	\$ 11,442	\$ 9,159	\$ 8,975
Local sewer	4,884	4,717	4,085
South end water pollution control centre	2,792	2,836	2,452
Interception system	1,795	2,004	1,744
West end water pollution control centre	2,257	1,982	1,649
Sludge disposal	1,842	1,672	1,445
Mechanical maintenance	1,536	1,589	1,484
Administration	1,347	1,280	1,048
Electrical maintenance/instrumentation	1,062	1,069	1,140
Civil maintenance	672	659	659
	<u>29,629</u>	<u>26,967</u>	<u>24,681</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	10,034	9,252	9,203
Miscellaneous	800	1,660	1,472
Rent	957	1,065	932
Employee benefits	490	649	792
General government charges	467	467	467
Insurance and claims	297	311	307
Provincial payroll tax	208	282	206
Recoveries	(782)	(1,341)	(1,463)
	<u>12,471</u>	<u>12,345</u>	<u>11,916</u>
<b>Debt and finance</b>			
Long-term debt interest	8,275	8,350	8,354
Finance charges	100	2	5
Amortization - debt principal	6,828	-	-
	<u>15,203</u>	<u>8,352</u>	<u>8,359</u>
<b>Engineering services</b>			
Wastewater planning	1,071	1,100	610
Sewer connections	621	867	922
Design and construction	611	606	558
Drafting and graphic	476	464	505
Customer technical services	361	351	359
Administrative services	328	219	351
Asset management	112	192	57
Engineering services development	190	136	143
Resource centre	67	62	92
Land drainage and flood planning	50	50	50
Project management	-	-	159
	<u>3,887</u>	<u>4,047</u>	<u>3,806</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Finance and administration</b>			
Customer accounts	2,527	2,107	1,957
Administrative services	753	570	574
Financial services	216	201	173
Financial planning	248	197	169
Process improvement	113	92	105
	<u>3,857</u>	<u>3,167</u>	<u>2,978</u>
<b>Environmental standards</b>			
Analysis	1,357	945	891
Industrial waste	574	408	399
Administration	239	168	132
Compliance	32	20	-
Research	-	-	135
	<u>2,202</u>	<u>1,541</u>	<u>1,557</u>
<b>Information systems and technology</b>			
Major systems	766	706	539
Support services	472	387	344
	<u>1,238</u>	<u>1,093</u>	<u>883</u>
<b>Customer services</b>			
Customer relations	548	540	538
Administration	124	68	66
Communications	55	48	47
Public consultation	38	24	26
	<u>765</u>	<u>680</u>	<u>677</u>
<b>Human resources</b>			
Human resources	298	255	264
Timekeeping and payroll	161	164	140
Human resources training	139	128	97
Work place health and safety	78	69	74
	<u>676</u>	<u>616</u>	<u>575</u>
<b>Total Expenses from Operations</b>	<u>69,928</u>	<u>58,808</u>	<u>55,432</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 2**

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	22,277	22,553	18,422
Transfer to Environmental Projects Reserve	7,659	7,367	8,006
Transfer to General Capital Fund	-	240	1,715
	<u>29,936</u>	<u>30,160</u>	<u>28,143</u>
<b>Total Expenses</b>	<u>\$ 99,864</u>	<u>\$ 88,968</u>	<u>\$ 83,575</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
Transfers to other funds	\$ 29,936	\$ 30,160	\$ 28,143
Goods and services	32,780	27,841	25,461
Salaries	14,262	13,327	12,586
Other expenses	9,787	12,896	11,582
Interest on long-term debt	15,104	8,350	8,354
Employee benefits	2,577	2,266	2,315
Finance charges	100	2	5
Recoveries	<u>(4,682)</u>	<u>(5,874)</u>	<u>(4,871)</u>
<b>Total Expenses</b>	<u><u>\$ 99,864</u></u>	<u><u>\$ 88,968</u></u>	<u><u>\$ 83,575</u></u>



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 4

**NET SURPLUS FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2008 Actual</u>	<u>2007 Actual</u>
<b>Revenues</b>		
Transfer from Environmental Projects Reserve	\$ 18,646	\$ 19,294
Transfer from Sewer System Rehabilitation Reserve	11,401	4,829
Provincial and Federal capital transfers	7,005	17,013
Transfer from Federal Gas Tax Revenue Reserve	-	1,726
	<u>37,052</u>	<u>42,862</u>
Developer contributions-in-kind	<u>4,104</u>	<u>7,579</u>
	<u>41,156</u>	<u>50,441</u>
<b>Expenses</b>		
Amortization	16,347	15,142
Transfer to General Capital Fund	13,708	7,663
Capital maintenance	1,371	1,572
Loss on disposal of tangible capital assets	299	534
Transfer to Waterworks System	185	23
	<u>31,910</u>	<u>24,934</u>
<b>Net surplus from capital</b>	<u>\$ 9,246</u>	<u>\$ 25,507</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Information Technology</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ 251	\$ -
Add: Additions during the year	-	-	6	200
Less: Disposals during the year	-	-	-	-
Less: Transfer to General Capital Fund	-	-	-	-
Balance, end of year	<u>1,451</u>	<u>885</u>	<u>257</u>	<u>200</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	541	13	-
Add: Amortization	-	10	25	10
Less: Accumulated amortization on disposals	-	-	-	-
Less: Transfer to General Capital Fund	-	-	-	-
Balance, end of year	<u>-</u>	<u>551</u>	<u>38</u>	<u>10</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,451</u>	<u>\$ 334</u>	<u>\$ 219</u>	<u>\$ 190</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	2008	2007
\$ 763,091	\$ 290,351	\$ 69,688	\$ 1,125,717	\$ 1,079,338
16,666	69,367	(40,401)	45,838	63,176
(1,388)	-	-	(1,388)	(2,948)
-	-	-	-	(13,849)
<u>778,369</u>	<u>359,718</u>	<u>29,287</u>	<u>1,170,167</u>	<u>1,125,717</u>
280,816	118,817	-	400,187	393,645
10,057	6,245	-	16,347	15,142
(1,089)	-	-	(1,089)	(2,414)
-	-	-	-	(6,186)
<u>289,784</u>	<u>125,062</u>	<u>-</u>	<u>415,445</u>	<u>400,187</u>
<u>\$ 488,585</u>	<u>\$ 234,656</u>	<u>\$ 29,287</u>	<u>\$ 754,722</u>	<u>\$ 725,530</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Water Main Renewal Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 1,068	\$ 36,318	\$ 27,224	\$ 568
Call loans - General Revenue Fund (Note 4)	-	-	-	359
Accounts receivable	-	-	-	4
	<u>1,068</u>	<u>36,318</u>	<u>27,224</u>	<u>931</u>
Investments (Note 5)	-	-	-	1,992
Due from Golf Services - Special Operating Agency (Note 6)	-	-	-	-
	<u>\$ 1,068</u>	<u>\$ 36,318</u>	<u>\$ 27,224</u>	<u>\$ 2,923</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
<b>EQUITY</b>				
Allocated	571	30,022	27,224	2,923
Unallocated	497	6,296	-	-
	<u>1,068</u>	<u>36,318</u>	<u>27,224</u>	<u>2,923</u>
	<u>\$ 1,068</u>	<u>\$ 36,318</u>	<u>\$ 27,224</u>	<u>\$ 2,923</u>

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-total Brought Forward</u>	<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>	<u>Transit Infrastructure Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 85,208	\$ 2,887	\$ 31,734	\$ 2,790
Call loans - General Revenue Fund (Note 4)	359	-	-	-
Accounts receivable	4	-	-	-
	<u>85,571</u>	<u>2,887</u>	<u>31,734</u>	<u>2,790</u>
Investments (Note 5)	1,992	-	-	-
Due from Golf Services - Special Operating Agency (Note 6)	956	-	-	-
	<u>\$ 88,519</u>	<u>\$ 2,887</u>	<u>\$ 31,734</u>	<u>\$ 2,790</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ 2,158	\$ 29,616	\$ -
<b>EQUITY</b>				
Allocated	74,840	729	-	2,790
Unallocated	13,679	-	2,118	-
	<u>88,519</u>	<u>729</u>	<u>2,118</u>	<u>2,790</u>
	<u>\$ 88,519</u>	<u>\$ 2,887</u>	<u>\$ 31,734</u>	<u>\$ 2,790</u>

*See accompanying notes to the financial statements*

<u>Totals 2008</u>	<u>Totals 2007</u>
\$ 122,619	\$ 123,570
359	29
4	215
122,982	123,814
1,992	2,232
956	748
\$ 125,930	\$ 126,794
\$ 31,774	\$ 36,907
78,359	79,889
15,797	9,998
94,156	89,887
\$ 125,930	\$ 126,794

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Water Main Renewal Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>
Balance, beginning of year	\$ 1,672	\$ 28,711	\$ 37,471	\$ 2,647
Add:				
Frontage levies	7,063	20,352	-	-
Government of Canada transfers	-	-	-	-
Transfer from Transit System	-	-	-	-
Transfer from Sewage Disposal System	-	-	7,367	-
Interest earned	114	1,136	1,147	110
Transfer from Solid Waste Disposal	-	-	-	175
Transfer from General Revenue Fund	-	-	-	-
Transfer from Waterworks System	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
	<u>8,849</u>	<u>50,199</u>	<u>45,985</u>	<u>2,932</u>
Deduct:				
Transfer to Sewage Disposal System	-	11,401	18,646	-
Transfer to General Capital Fund	-	2,364	-	-
Transfer to Transit System	-	-	-	-
Transfer to Waterworks System	7,769	-	-	-
Transfer to General Revenue Fund	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	12	116	115	9
Other	-	-	-	-
	<u>7,781</u>	<u>13,881</u>	<u>18,761</u>	<u>9</u>
Balance, end of year	<u>\$ 1,068</u>	<u>\$ 36,318</u>	<u>\$ 27,224</u>	<u>\$ 2,923</u>

*See accompanying notes to the financial statements*

Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Concession Equipment Reserve	Computer Replacement Reserve	Aqueduct Rehabilitation Reserve	Sub-total
\$ 1,951	\$ 1,445	\$ 11,732	\$ 126	\$ 2,067	\$ 384	\$ 88,206
-	-	-	-	-	-	27,415
-	-	-	-	-	-	-
-	-	7,147	-	-	-	7,147
-	-	-	-	-	-	7,367
89	38	470	4	57	11	3,176
-	-	-	-	-	-	175
-	-	-	15	1	-	16
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,040</u>	<u>1,483</u>	<u>19,349</u>	<u>145</u>	<u>2,125</u>	<u>395</u>	<u>133,502</u>
-	-	-	-	-	-	30,047
-	-	-	-	-	-	2,364
-	-	2,415	-	-	-	2,415
-	-	-	-	-	84	7,853
1,000	400	-	75	-	-	1,475
-	95	-	-	237	-	332
3	4	49	-	6	1	315
-	97	-	-	85	-	182
<u>1,003</u>	<u>596</u>	<u>2,464</u>	<u>75</u>	<u>328</u>	<u>85</u>	<u>44,983</u>
<u>\$ 1,037</u>	<u>\$ 887</u>	<u>\$ 16,885</u>	<u>\$ 70</u>	<u>\$ 1,797</u>	<u>\$ 310</u>	<u>\$ 88,519</u>



**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>Sub-total Brought Forward</b>	<b>Federal Gas Tax Reserve</b>	<b>Public Transit Reserve</b>	<b>Transit Infrastructure Reserve</b>
Balance, beginning of year	\$ 88,206	\$ 562	\$ 1,119	\$ -
Add:				
Frontage levies	27,415	-	-	-
Government of Canada transfers	-	19,516	6,150	-
Transfer from Transit System	7,147	-	-	2,750
Transfer from Sewage Disposal System	7,367	-	-	-
Interest earned	3,176	174	999	45
Transfer from Solid Waste Disposal	175	-	-	-
Transfer from General Revenue Fund	16	-	-	-
Transfer from Waterworks System	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
	<u>133,502</u>	<u>20,252</u>	<u>8,268</u>	<u>2,795</u>
Deduct:				
Transfer to Sewage Disposal System	30,047	-	-	-
Transfer to General Capital Fund	2,364	17,460	-	-
Transfer to Transit System	2,415	2,056	6,150	-
Transfer to Waterworks System	7,853	-	-	-
Transfer to General Revenue Fund	1,475	-	-	-
Purchase of equipment	332	-	-	-
Transfer to General Revenue Fund - investment management fee	315	-	-	5
Other	182	7	-	-
	<u>44,983</u>	<u>19,523</u>	<u>6,150</u>	<u>5</u>
Balance, end of year	<u>\$ 88,519</u>	<u>\$ 729</u>	<u>\$ 2,118</u>	<u>\$ 2,790</u>

*See accompanying notes to the financial statements*

<u>Totals 2008</u>	<u>Totals 2007</u>
\$ 89,887	\$ 114,359
27,415	26,098
25,666	22,617
9,897	5,161
7,367	8,006
4,394	6,246
175	174
16	883
-	10,515
-	11
164,817	194,070
30,047	25,849
19,824	29,412
10,621	4,990
7,853	42,809
1,475	-
332	758
320	345
189	20
70,661	104,183
\$ 94,156	\$ 89,887

# THE CITY OF WINNIPEG CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The Capital Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

Water Main Renewal Reserve Fund	Concession Equipment Replacement Reserve Fund
Sewer System Rehabilitation Reserve Fund	Computer Replacement Reserve Fund
Environmental Projects Reserve Fund	Aqueduct Rehabilitation Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund	Federal Gas Tax Revenue Reserve Fund
Golf Course Reserve Fund	Public Transit Reserve Fund
Library Reserve Fund	Rapid Transit Infrastructure Reserve Fund
Transit Bus Replacement Reserve Fund	

#### b) Basis of accounting

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

#### c) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

#### d) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

#### e) Deferred revenue

The City of Winnipeg ("the City") receives funds dedicated to the acquisition of specific tangible capital assets. When capital funds are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

1. *Significant Accounting Policies (continued)*

**f) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

2. *Status of the Capital Reserves*

**Water Main Renewal Reserve Fund**

City Council, on February 18, 1981, authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established in 1981 by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System Fund and will be maintained by the transfer of frontage levy revenue and interest earned.

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, the frontage levy revenue collected on the property tax be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. The sources of funding for the Water Main Renewal Reserve and Sewer System Rehabilitation Reserve Funds is revenues from water and sewer rates as well as frontage levies.

The Director of Water and Waste is the Fund Manager.

**Sewer System Rehabilitation Reserve Fund**

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the rehabilitation of combined sewers. City Council also authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers. Funding for both Reserves was provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, the frontage levy revenue collected on the property tax be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. The sources of funding for the Water Main Renewal Reserve and Sewer System Rehabilitation Reserve Funds will include revenues from water and sewer rates as well as frontage levies.

The Director of Water and Waste is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2008 sewer rate includes a provision of 31.3 cents (2007 - 31.3 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Brady Landfill Site Rehabilitation Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2007 - 50 cents) per tonne for each tonne disposed at the Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Golf Course Reserve Fund**

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve Fund for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency. The Director of Planning, Property and Development is the Fund Manager.

**Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

**Transit Bus Replacement Reserve Fund**

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.

## 2. *Status of the Capital Reserves (continued)*

### **Concession Equipment Replacement Reserve Fund**

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase and replacement of concession equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

### **Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

### **Aqueduct Rehabilitation Reserve Fund**

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct.

The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption.

The Director of Water and Waste is the Fund Manager.

### **Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of Federal Gas Tax Revenue Reserve Fund. The purpose of the reserve is to administer and account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Public Works is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Public Transit Reserve Fund**

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve Fund dedicated for eligible projects to be funded by the Government of Canada through Bill C-66.

The Government of Canada and the Province entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government.

These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives.

Subsequent to this, the Province of Manitoba and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010.

As approved by City Council, this Reserve will terminate once eligible projects have been completed.

The Director of Transit is the Fund Manager.

**Rapid Transit Infrastructure Reserve Fund**

On March 26, 2008, City Council approved the establishment of the Rapid Transit Infrastructure Reserve Fund. The purpose of the Reserve is to accumulate funding for costs incurring on the public transit infrastructure, including the future construction of the rapid transit corridors.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve Fund be revised to include funding for costs incurring on the operation and construction of rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

The Director of Transit is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2008 effective interest rate was 1.5% (2007 - 4.2%).

4. *Call Loans - General Revenue Fund*

Call loans represent short-term investments with the General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

5. *Investments*

	<u>2008</u>	<u>2007</u>
Marketable securities		
Provincial bonds and bond coupons	\$ 1,016	\$ 1,242
Government of Canada bonds	976	990
	<u>\$ 1,992</u>	<u>\$ 2,232</u>

The aggregate market value of marketable securities at December 31, 2008 was \$2,349 thousand (2007 - \$2,602 thousand).

6. *Due from Golf Services - Special Operating Agency*

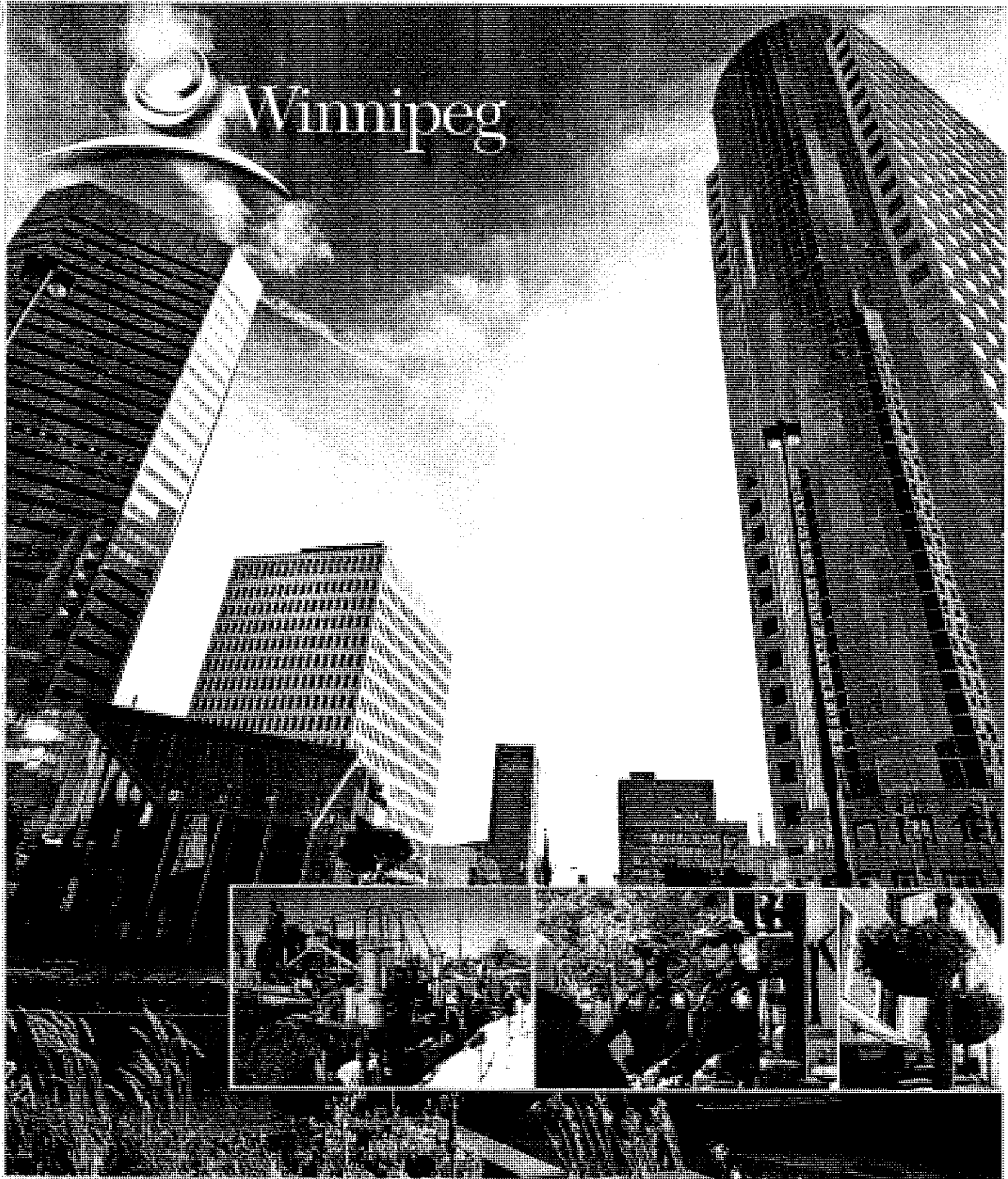
	<u>2008</u>	<u>2007</u>
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 43	\$ 50
- 2005	50	57
- 2006	87	97
- 2007	207	226
- 2008	282	305
- 2009	13	13
- 2010	274	-
	<u>\$ 956</u>	<u>\$ 748</u>

Included in interest earned is \$53 thousand (2007 - \$47 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.



THE CITY OF WINNIPEG 2007 ANNUAL FINANCIAL REPORT

Winnipeg



## **THE CITY OF WINNIPEG WATERWORKS SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the Intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Treatment Reserve.

The Water Treatment Reserve was established on December 17, 1993, to fund 50% of the cost of building a water treatment plant then estimated at \$204 million.

On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant.

On June 25, 2003, City Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility.

On March 23, 2005, City Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation and on November 23, 2005, City Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of \$2.8 million.

The construction of the ultraviolet light disinfection facility at the Deacon Booster Pumping Station started in 2004 and it became operational in 2007. The water treatment plant capital cost estimate is currently \$300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is early 2009.

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

*As at December 31*

*(unaudited)*

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 3.15	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
Annual water pumped (million litres)	79,624	82,831	80,713	81,045	84,577
Water pumped in litres per capita per day	334	347	339	343	366
Average daily water pumped (million litres per day)	218	227	221	222	232
Maximum day water pumping rates (million litres per day)	295	340	267	285	336
Maximum hour water pumping rates (million litres per day)	447	549	391	411	517
Kilometres of aqueduct	174.5	174.5	174.5	174.5	174.5
Kilometres of feeder mains	155.9	151.5	150.3	156.8	156.8
Kilometres of water mains	2,464.0	2,447.0	2,435.5	2,427.0	2,420.6
Number of hydrants	20,265	20,085	19,930	20,661	20,348
Number of billed services	190,318	188,328	187,619	186,160	184,854

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current		
Cash	\$ 298	\$ 75
Accounts receivable (Note 3)	16,121	13,947
Due from General Revenue Fund (Note 4)	64,938	98,910
Inventories	904	957
	<u>82,261</u>	<u>113,889</u>
Tangible capital assets (Note 5)	<u>715,307</u>	<u>622,044</u>
	<u>\$ 797,568</u>	<u>\$ 735,933</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 20,756	\$ 11,715
Current portion of long-term debt (Note 7)	<u>2,337</u>	<u>2,336</u>
	23,093	14,051
Long-term debt (Note 7)	<u>77,080</u>	<u>80,567</u>
	100,173	94,618
<b>ACCUMULATED SURPLUS (Note 8)</b>	<u>697,395</u>	<u>641,315</u>
	<u>\$ 797,568</u>	<u>\$ 735,933</u>

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF OPERATIONS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2007 Budget</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>REVENUES (Schedule 1)</b>			
Sale of goods and services (Note 9)	\$ 82,820	\$ 83,351	\$ 74,964
Interest	1,980	5,456	3,391
Government transfers, permits and other	1,177	2,097	1,178
<b>Total revenues</b>	<b>85,977</b>	<b>90,904</b>	<b>79,533</b>
<b>EXPENSES (Schedules 2 and 3)</b>			
Water distribution	29,387	24,175	23,487
Debt and finance	12,787	7,084	6,001
Taxes, employee benefits and other (Note 10)	6,273	6,681	6,466
Finance and administration	3,459	3,153	2,492
Engineering services	2,822	2,595	2,661
Information systems and technology	1,106	947	901
Human resources	700	668	493
Customer services	526	569	582
Environmental standards	622	523	518
<b>Total expenses from operations</b>	<b>57,682</b>	<b>46,395</b>	<b>43,601</b>
Surplus for the year from operations	28,295	44,509	35,932
Transfers to other funds (Note 11)	22,707	23,114	22,317
Net surplus from operations after transfers to other funds	5,588	21,395	13,615
Net surplus from capital (Schedule 4)	-	34,685	58,255
<b>NET SURPLUS FOR THE YEAR</b>	<b>\$ 5,588</b>	<b>56,080</b>	<b>71,870</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<b>641,315</b>	<b>569,445</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<b>\$ 697,395</b>	<b>\$ 641,315</b>

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007</u>	<u>2006</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 56,080	\$ 71,870
Non-cash items related to operations		
Amortization	12,187	11,845
Loss on disposal of tangible capital assets	795	86
	<u>69,062</u>	<u>83,801</u>
Working capital from operations	69,062	83,801
Change in net working capital other than cash	<u>6,920</u>	<u>7,484</u>
	<u>75,982</u>	<u>91,285</u>
<b>FINANCING</b>		
Debt retired	(6)	(2,427)
Debt issued	-	60,000
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(1,150)	(1,012)
Due from General Revenue Fund	33,972	(73,964)
Payments to The Sinking Fund Trustees for outstanding debt	<u>(2,330)</u>	<u>(1,346)</u>
	<u>30,486</u>	<u>(18,749)</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	<u>(106,245)</u>	<u>(72,720)</u>
Increase (Decrease) in cash	223	(184)
Cash, beginning of year	75	259
	<u>223</u>	<u>(184)</u>
Cash, end of year	<u>\$ 298</u>	<u>\$ 75</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

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

### **c) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

### **d) Shoal Lake Agreement**

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

### **e) Water Main Renewal Reserve**

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

### **f) Aqueduct Rehabilitation Reserve**

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in 2008.

### **g) Water Treatment Reserve**

On December 17, 1993, City Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2007 water rates include a provision of 40.63 cents (2006 - 40.63 cents) per 100 cubic feet of water consumption billed for water treatment. In 2007, \$10.5 million (2006 - \$10.1 million) was transferred to the Water Treatment Reserve.

## **2. Status of the Waterworks System**

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.



3. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Water billings and other	\$ 16,412	\$ 14,181
Allowance for doubtful accounts	(291)	(234)
	<u>\$ 16,121</u>	<u>\$ 13,947</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,824	\$ 1,821
Buildings	3,938	4,041
Machinery and equipment	1,156	979
Computer	5,833	4,998
Underground networks	453,700	449,640
Water pumping stations and reservoirs	66,623	59,907
Assets under construction	182,233	100,658
	<u>\$ 715,307</u>	<u>\$ 622,044</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were \$26 thousand (2006 - \$35 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$5.3 million in 2007 (2006 - \$0.6 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 16,932	\$ 8,182
Accrued debenture interest	2,391	2,391
Other accrued liabilities	1,170	893
Deferred revenue and other	263	249
	<u>\$ 20,756</u>	<u>\$ 11,715</u>

7. Long-Term Debt

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2007	2006
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 1,500	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
1996-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
					<b>104,500</b>	<b>104,500</b>
Equity in Sinking Funds (Note 7b)					<b>(25,090)</b>	<b>(21,610)</b>
Net sinking fund debentures outstanding					<b>79,410</b>	<b>82,890</b>

**Other long-term debt outstanding**

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2006 - 5.75%)

	7	13
	<b>79,417</b>	<b>82,903</b>
Current portion of long-term debt	<b>(2,330)</b>	<b>(2,330)</b>
Current portion of Equity in Capital Assets Fund debt	<b>(7)</b>	<b>(6)</b>
Current portion of long-term debt	<b>(2,337)</b>	<b>(2,336)</b>
	<b>\$ 77,080</b>	<b>\$ 80,567</b>

Principal retirement on long-term debt over the next five years is as follows:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures \$	-	\$ 1,500	\$ -	\$ -	\$ -	\$ 103,000
Equity in Capital Assets Fund	7	-	-	-	-	-
	<b>\$ 7</b>	<b>\$ 1,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,000</b>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

7. *Long-Term Debt (continued)*

- c) Cash paid for interest during the year was \$7.1 million (2006 - \$4.1 million).
- d) Interest paid to the Equity in Capital Assets Fund during 2007 was \$1 thousand (2006 - \$3 thousand).

8. *Accumulated Surplus*

	<u>2007</u>	<u>2006</u>
Invested in tangible capital assets	\$ 635,995	\$ 537,043
Retained earnings	<u>61,400</u>	<u>104,272</u>
	<u>\$ 697,395</u>	<u>\$ 641,315</u>

9. *Revenue*

The 2007 Water Treatment Reserve contribution was 40.63 cents per hundred cubic feet (2006 - 40.63 cents).

10. *Taxes, Employee Benefits and Other*

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2007, realty and business taxes paid to the General Revenue Fund was \$3.1 million (2006 - \$3.0 million).

Included in expenses is \$0.7 million (2006 - \$0.7 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is \$0.9 million (2006 - \$0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is a recovery of \$124 thousand (charge 2006 - \$205 thousand) by the Insurance Reserve.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is \$2.4 million (2006 - \$2.5 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at \$308 thousand (2006 - \$338 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$3.6 million (2006 - \$3.6 million).

**10. Taxes, Employee Benefits and Other (continued)**

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$0.4 million (2006 - \$0.4 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year \$1.6 million (2006 - \$1.5 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has disclosed an actuarial surplus.

**11. Transfers to Other Funds**

Beginning in 1988, City Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. In addition, the Utility transferred \$6.1 million in 2007 (2006 - \$5.7 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	<u>2007</u>	<u>2006</u>
Transfer to General Revenue Fund	\$ 12,580	\$ 12,123
Transfer to Water Treatment Reserve	10,515	10,089
Transfer to General Capital Fund	19	105
	<u>\$ 23,114</u>	<u>\$ 22,317</u>

**12. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 1

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2007 Budget</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>Sale of goods and services</b>			
Water sales	\$ 79,066	\$ 79,514	\$ 71,470
Fire hydrant and other rentals	3,724	3,803	3,350
Sale of scrap material	30	34	144
	<u>82,820</u>	<u>83,351</u>	<u>74,964</u>
<b>Interest</b>			
Interest	800	4,280	2,344
Sinking Fund earnings	1,130	1,150	1,012
Interest capitalized	50	26	35
	<u>1,980</u>	<u>5,456</u>	<u>3,391</u>
<b>Government transfers, permits and other</b>			
Other	141	883	85
Permits and fees	476	625	537
Provincial support transfer	560	589	556
	<u>1,177</u>	<u>2,097</u>	<u>1,178</u>
<b>Total Revenues</b>	<u>\$ 85,977</u>	<u>\$ 90,904</u>	<u>\$ 79,533</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<b>Water distribution</b>			
Water main maintenance	\$ 6,208	\$ 7,193	\$ 6,209
Pumping stations	3,352	3,302	3,551
Service pipe maintenance	3,248	2,780	2,515
Mechanical/civil/electrical maintenance allocation	2,297	2,179	2,501
General administration	2,124	1,689	2,381
Hydrant maintenance	2,060	1,508	1,222
Emergency services	1,783	1,494	1,589
Railway maintenance and operations	1,570	1,418	1,084
Water meter maintenance	1,239	653	677
Intake operation	402	469	318
Water supply administration	869	449	340
Valve maintenance	880	442	483
Stores - 552 Plinguet	283	363	389
Backflow prevention	215	139	140
Meter shop	84	56	64
Staff house	113	41	24
Water treatment plant	2,660	-	-
	<u>29,387</u>	<u>24,175</u>	<u>23,487</u>
<b>Debt and finance</b>			
Long-term debt			
Interest	8,501	7,061	5,504
Amortization	3,486	-	-
Finance charges	800	23	497
	<u>12,787</u>	<u>7,084</u>	<u>6,001</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	3,436	3,379	3,319
Employee benefits	839	1,016	919
Rent	793	932	795
General government charges	612	612	612
Provincial payroll tax	560	562	588
Insurance and damage claims	484	427	428
Other services	(51)	167	196
Recoveries	(400)	(414)	(391)
	<u>6,273</u>	<u>6,681</u>	<u>6,466</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2007 Budget</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>Finance and administration division</b>			
Customer billing	2,059	1,963	1,887
Administrative services	800	668	200
Accounting services	230	202	150
Financial planning	271	197	154
Process improvement	99	123	101
	<b>3,459</b>	<b>3,153</b>	<b>2,492</b>
<b>Engineering services division</b>			
Design and construction	729	554	521
Drafting and graphics	403	503	397
Water planning	556	450	310
Customer technical services	362	357	331
Administration	(141)	222	329
Asset management	102	162	104
Project management	581	155	531
Services development	153	142	133
Resource centre	77	58	74
Land drainage/flood planning	-	(3)	(69)
Wastewater planning	-	(5)	-
	<b>2,822</b>	<b>2,595</b>	<b>2,661</b>
<b>Information systems and technology division</b>			
Major systems	687	636	510
Support services	419	311	391
	<b>1,106</b>	<b>947</b>	<b>901</b>
<b>Human resources division</b>			
Human resources	287	304	240
Timekeeping and payroll	187	163	97
Human resources training	146	114	117
Work place health and safety	80	87	39
	<b>700</b>	<b>668</b>	<b>493</b>
<b>Customer services division</b>			
Customer relations	430	454	457
Administration	55	53	60
Communications	45	40	44
Public consultation	(4)	22	21
	<b>526</b>	<b>569</b>	<b>582</b>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<b>Environmental standards division</b>			
Analytical services	485	398	371
Research	140	61	81
Administration	31	58	66
Compliance	(34)	6	-
	<u>622</u>	<u>523</u>	<u>518</u>
<b>Total Expenses from Operations</b>	<u>57,682</u>	<u>46,395</u>	<u>43,601</u>
<b>Transfers to other funds (Note 11)</b>			
Transfer to General Revenue Fund	12,580	12,580	12,123
Transfer to Water Treatment Reserve	10,127	10,515	10,089
Transfer to General Capital Fund	-	19	105
	<u>22,707</u>	<u>23,114</u>	<u>22,317</u>
<b>Total transfer to other funds</b>	<u>22,707</u>	<u>23,114</u>	<u>22,317</u>
<b>Total Expenses</b>	<u>\$ 80,389</u>	<u>\$ 69,509</u>	<u>\$ 65,918</u>



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 3

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Salaries	\$ 27,842	\$ 24,886	\$ 23,948
Transfers	22,707	23,114	22,317
Goods and services	21,398	17,517	17,774
Interest on long-term debt	8,501	7,061	5,504
Other expenses	5,572	5,313	5,150
Employee benefits	4,960	4,019	3,869
Finance charges	918	136	599
Grants	95	90	95
Amortization	3,486	-	-
Recoveries	(15,090)	(12,627)	(13,338)
<b>Total Expenses</b>	<u>\$ 80,389</u>	<u>\$ 69,509</u>	<u>\$ 65,918</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 4

**NET SURPLUS FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Actual</u>	<u>2006 Actual</u>
<b>Revenues</b>		
Transfers		
Water Treatment Reserve	\$ 36,301	\$ 61,457
Water Main Renewal Reserve	6,470	7,836
Aqueduct Rehabilitation Reserve	38	68
Sewage Disposal System	23	266
	<u>42,832</u>	<u>69,627</u>
Developer contributions-in-kind	5,288	616
Other capital funding	-	25
	<u>48,120</u>	<u>70,268</u>
<b>Expenses</b>		
Amortization	12,187	11,845
Loss on disposal of assets	795	86
Other expenses	453	82
	<u>13,435</u>	<u>12,013</u>
Total revenue from capital	<u>48,120</u>	<u>70,268</u>
Total expenses from capital	<u>13,435</u>	<u>12,013</u>
Net surplus from capital	<u>\$ 34,685</u>	<u>\$ 58,255</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

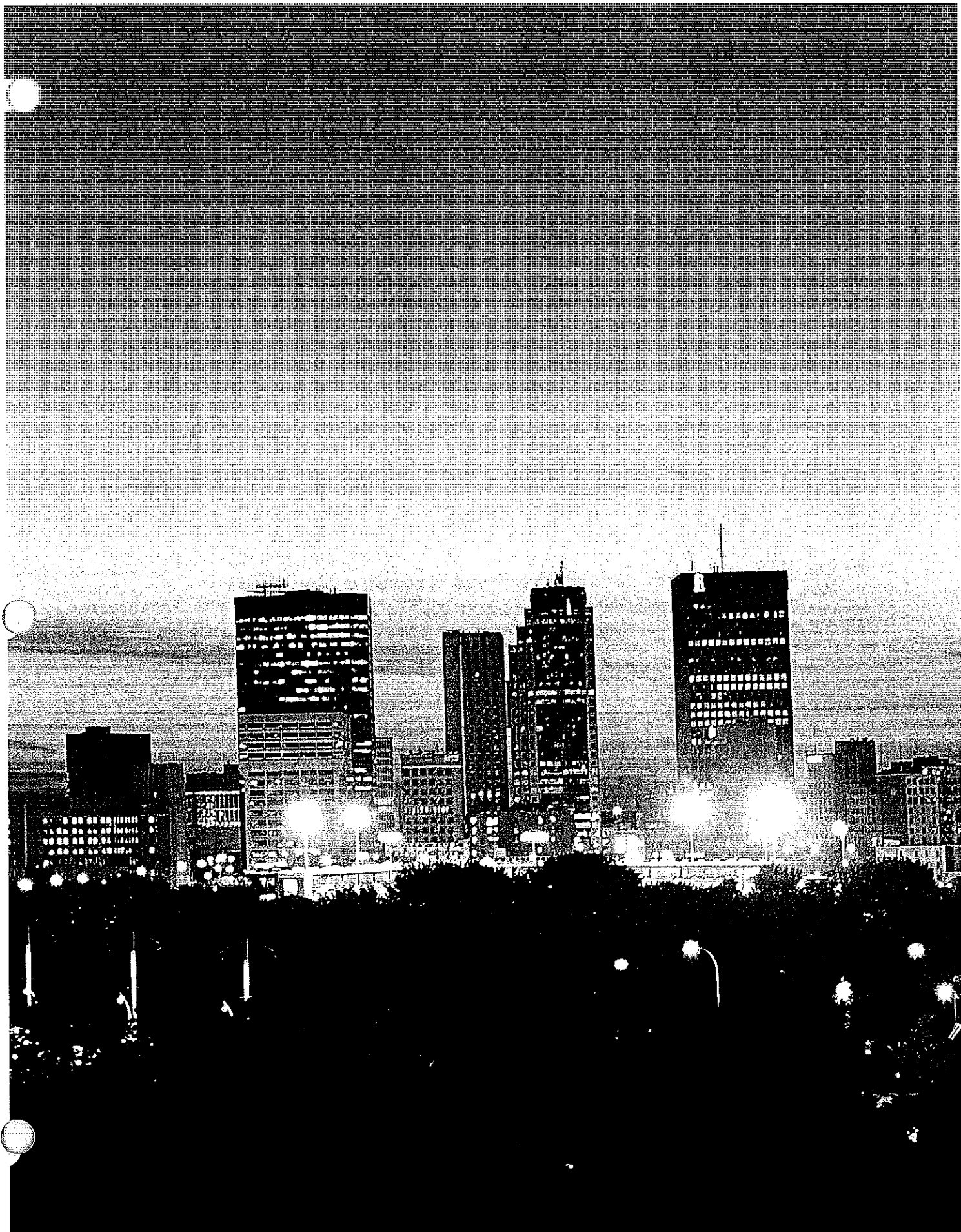
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Computer</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,821	\$ 5,399	\$ 9,100	\$ 21,507
Add: Additions during the year	3	-	300	2,082
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,824</u>	<u>5,399</u>	<u>9,400</u>	<u>23,589</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,358	8,121	16,509
Add: Amortization	-	103	123	1,247
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,461</u>	<u>8,244</u>	<u>17,756</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,824</u>	<u>\$ 3,938</u>	<u>\$ 1,156</u>	<u>\$ 5,833</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2007	2006
\$ 634,008	\$ 102,878	\$ 100,658	\$ 875,371	\$ 802,966
13,666	8,619	81,575	106,245	72,720
(3,286)	-	-	(3,286)	(315)
<u>644,388</u>	<u>111,497</u>	<u>182,233</u>	<u>978,330</u>	<u>875,371</u>
184,368	42,971	-	253,327	241,711
8,811	1,903	-	12,187	11,845
(2,491)	-	-	(2,491)	(229)
<u>190,688</u>	<u>44,874</u>	<u>-</u>	<u>263,023</u>	<u>253,327</u>
<u>\$ 453,700</u>	<u>\$ 66,623</u>	<u>\$ 182,233</u>	<u>\$ 715,307</u>	<u>\$ 622,044</u>



## **THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, the environment, and the aesthetic quality of the rivers through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

An Environmental Projects Reserve was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would improve river quality. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and combined sewer overflow mitigation infrastructure.

River quality is under the jurisdiction of the Province of Manitoba. In 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period which was subsequently ordered by the Minister of Conservation on September 26, 2003, with some initiatives to be completed sooner than recommended by the CEC.

Manitoba Conservation subsequently issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers (NEWPCC, WEWPCC, and SEWPCC). The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan.

The 25 year wastewater improvement program, which includes effluent ultraviolet (UV) disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations is estimated to cost \$1.2 billion.

Wastewater treatment upgrades to the NEWPCC and WEWPCC are currently underway. The NEWPCC effluent disinfection was commissioned in July 2006. The NEWPCC phosphorus removal was commissioned in May 2007. The NEWPCC centrate treatment and the WEWPCC effluent disinfection and biological nutrient removal will be complete in 2008.

The upgrades include year-round UV disinfection of the final effluent, and biological nutrient removal upgrades to achieve an interim reduction of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on biological nutrient removal at the SEWPCC was initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC biological nutrient removal will commence after a NEWPCC Master Plan study has been completed with a target in-service date of 2014.

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

As at December 31

(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Rate in dollars (per 100 cu. ft.)	\$ 4.46	\$ 3.87	\$ 3.39	\$ 3.11	\$ 2.73
Annual sewage received (million litres)*	107,310	102,609	123,584	127,534	96,199
Daily sewage received (million litres)*	294.0	281.1	339.6	349.4	263.6
Kilometres of interceptor sewers	114.4	109.1	109.7	109.7	109.8
Kilometres of combined sewers**	1,045.4	1,283.2	1,338.2	1,334.1	1,327.8
Kilometres of wastewater sewers	1,313.5	1,456.6	1,427.1	1,422.3	1,408.5
Kilometres of storm sewers***	1,775.0	1,668.8	2,260.7	2,241.9	2,217.8
Number of lift stations	76	76	76	76	76
Number of billed sewer services	190,318	188,887	187,398	185,939	184,637

Note:

\* Sewage received is dependent on both levels of precipitation and water conservation efforts.

\*\* Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.

\*\*\* Estimates of storm sewers only include actual pipe in the ground, whereas, prior to 2006 estimates include surface ditch drainage.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current		
Cash	\$ 1	\$ 1
Inventory	250	248
Accounts receivable (Note 3)	34,641	23,583
Due from General Revenue Fund (Note 4)	<u>34,322</u>	<u>29,442</u>
	69,214	53,274
Tangible capital assets (Note 5)	<u>725,530</u>	<u>685,693</u>
	<u>\$ 794,744</u>	<u>\$ 738,967</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 13,832	\$ 8,968
Performance and other deposits	264	213
Current portion of long-term debt (Note 7)	<u>4,034</u>	<u>3,927</u>
	18,130	13,108
Long-term debt (Note 7)	<u>41,090</u>	<u>47,660</u>
	59,220	60,768
<b>ACCUMULATED SURPLUS (Note 8)</b>	<u>735,524</u>	<u>678,199</u>
	<u>\$ 794,744</u>	<u>\$ 738,967</u>

*See accompanying notes and schedules to the financial statements*



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF OPERATIONS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2007 Budget</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>REVENUES (Schedule 1)</b>			
Sewer services (Note 9)	\$ 107,083	\$ 106,948	\$ 98,152
Government transfers, permits and other	2,534	4,393	2,590
Interest	2,856	4,052	3,641
<b>Total revenues</b>	<b>112,473</b>	<b>115,393</b>	<b>104,383</b>
<b>EXPENSES (Schedules 2 and 3)</b>			
Collection, interception and treatment	28,263	24,681	22,176
Taxes, employee benefits and other (Note 10)	12,049	11,916	11,639
Debt and finance	14,903	8,359	8,413
Engineering services	3,798	3,806	3,197
Finance and administration	3,557	2,978	2,564
Environmental standards	2,259	1,557	1,485
Information systems and technology	1,159	883	896
Customer services	694	677	679
Human resources	699	575	489
<b>Total expenses from operations</b>	<b>67,381</b>	<b>55,432</b>	<b>51,538</b>
<b>Surplus for the year from operations</b>	<b>45,092</b>	<b>59,961</b>	<b>52,845</b>
<b>Transfers to other funds (Note 11)</b>	<b>26,411</b>	<b>28,143</b>	<b>24,429</b>
<b>Net surplus for the year from operations after transfer to other funds</b>	<b>18,681</b>	<b>31,818</b>	<b>28,416</b>
<b>Net surplus from capital (Schedule 4)</b>	<b>-</b>	<b>25,507</b>	<b>5,816</b>
<b>Net surplus for the year</b>	<b>\$ 18,681</b>	<b>57,325</b>	<b>34,232</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<b>678,199</b>	<b>643,967</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<b>\$ 735,524</b>	<b>\$ 678,199</b>

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007</u>	<u>2006</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 57,325	\$ 34,232
Non-cash items related to operations		
Amortization	15,142	14,995
Net assets transferred to General Capital Fund	7,663	-
Loss on disposal of tangible capital assets	534	630
	<u>80,664</u>	<u>49,857</u>
Working capital from operations	(6,145)	(4,054)
Change in net working capital other than cash	<u>74,519</u>	<u>45,803</u>
<b>FINANCING</b>		
Debt retired	(1,241)	(1,577)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,536)	(2,292)
Due from General Revenue Fund	(4,880)	(6,106)
Payments to The Sinking Fund Trustees for outstanding long-term debt	(2,601)	(2,600)
Decrease in other debt	(85)	(62)
	<u>(11,343)</u>	<u>(12,637)</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	<u>(63,176)</u>	<u>(33,166)</u>
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

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

### **c) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

### **d) Sewer System Rehabilitation Reserve Fund**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by City Council between the Reserves in accordance with the needs at that time.

During the 2006 capital budget process City Council allocated the frontage levy to the repair and replacement of streets and sidewalks. Frontage levy revenue was replaced with funding from the Federal Gas Tax Revenue Reserve Fund for the renewal and rehabilitation of sewers in accordance with the capital program requirements.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

The Director of the Water and Waste Department is the Fund Manager.

### **e) Environmental Projects Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2007 sewer rate includes a provision of 31.3 cents (2006 - 31.3 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2007, \$8.0 million (2006 - \$8.5 million) was transferred to the Environmental Projects Reserve Fund.

## **2. Status of the Sewage Disposal System**

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Sewer billings and other	\$ 34,701	\$ 23,650
Allowance for doubtful accounts	<u>(60)</u>	<u>(67)</u>
	<u>\$ 34,641</u>	<u>\$ 23,583</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,451	\$ 1,451
Buildings	344	354
Equipment	238	-
Underground networks	482,275	483,998
Sewage treatment plants and lift stations	171,534	156,700
Assets under construction	<u>69,688</u>	<u>43,190</u>
	<u>\$ 725,530</u>	<u>\$ 685,693</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were \$179 thousand (2006 - \$218 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$7.6 million in 2007 (2006 - \$0.4 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 10,459	\$ 5,746
Accrued debenture interest	2,948	2,968
Other accrued liabilities	<u>425</u>	<u>254</u>
	<u>\$ 13,832</u>	<u>\$ 8,968</u>

7. Long-term Debt

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2007	2006
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 11,000	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>86,000</u>	<u>86,000</u>
Equity in Sinking Fund (Note 7b)					<u>(53,773)</u>	<u>(48,636)</u>
Net sinking fund debentures outstanding					<u>32,227</u>	<u>37,364</u>

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.98% (2006 - 4.61%)

9,300 10,541

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2006 - 8.25%)

71 77

Pointe West Properties debt, maturity in 2012, interest rate of 6.65%

3,526 3,605

45,124 51,587

Current portion of long-term debt

(3,903) (3,842)

Current portion of Equity in Capital Assets Fund debt

(6) (6)

Current portion of Pointe West Properties debt

(125) (79)

Current portion of long-term debt

(4,034) (3,927)

\$ 41,090 \$ 47,660

Principal retirement on long-term debt over the next five years is as follows:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures \$	-	\$ 11,000	\$ -	\$ -	\$ -	\$ 75,000
Serial and installment	1,302	1,367	1,435	1,506	1,580	2,110
Equity in Capital Assets Fund	6	7	7	8	9	34
Pointe West debt	<u>125</u>	<u>134</u>	<u>143</u>	<u>100</u>	<u>3,024</u>	<u>-</u>
	<u>\$ 1,433</u>	<u>\$ 12,508</u>	<u>\$ 1,585</u>	<u>\$ 1,614</u>	<u>\$ 4,613</u>	<u>\$ 77,144</u>

**7. Long-term Debt (continued)**

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$8.4 million (2006 - \$8.4 million).
- e) Interest paid to the Equity in Capital Assets Fund during 2007 was \$5 thousand (2006 - \$6 thousand).

**8. Accumulated Surplus**

	<u>2007</u>	<u>2006</u>
Invested in tangible capital assets	\$ 680,290	\$ 634,343
Retained earnings	<u>55,234</u>	<u>43,856</u>
	<u>\$ 735,524</u>	<u>\$ 678,199</u>

**9. Revenue**

The 2007 sewer rate increased to 4.46 cents per hundred cubic feet (2006 - 3.87 cents). The Environmental Projects Reserve contribution for 2007 was 31.3 cents per hundred cubic feet (2006 - 31.3 cents).

**10. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2007, realty and business taxes paid to the General Revenue Fund was \$9.2 million (2006 - \$9.7 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2007, this amounted to \$0.5 million (2006 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$0.9 million (2006 - \$0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is \$1.0 million (to 2006 - \$21 thousand) that has been received from the Insurance Reserve Fund.

**10. Taxes, Employee Benefits and Other (continued)**

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is \$1.2 million (2006 - \$1.2 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at \$402 thousand (2006 - \$498 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$0.2 million (2006 - \$0.2 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$1.4 million (2006 - \$1.3 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year \$817 thousand (2006 - \$752 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has disclosed an actuarial surplus.

**11. Transfers to Other Funds**

Beginning in 1988, City Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2007, the Utility contributed \$11.9 million (2006 - \$8.5 million) to the General Revenue Fund to support the land drainage program.

	<u>2007</u>	<u>2006</u>
Transfer to General Revenue Fund	\$ 18,422	\$ 14,970
Transfer to Environmental Projects Reserve	8,006	8,501
Transfer to General Capital Fund	<u>1,715</u>	<u>958</u>
	<u>\$ 28,143</u>	<u>\$ 24,429</u>

**12. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 1**

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<b>Sewer services</b>	<b>\$ 107,083</b>	<b>\$ 106,948</b>	<b>\$ 98,152</b>
<b>Government transfers, permits and other</b>			
Industrial waste surcharges	1,850	2,236	1,360
Other	370	1,833	922
Provincial support transfer	204	194	180
Permits and fees	110	130	128
	<u>2,534</u>	<u>4,393</u>	<u>2,590</u>
<b>Interest</b>			
Sinking Fund earnings	2,556	2,536	2,292
Interest	200	1,337	1,131
Capitalized	100	179	218
	<u>2,856</u>	<u>4,052</u>	<u>3,641</u>
<b>Total Revenues</b>	<b>\$ 112,473</b>	<b>\$ 115,393</b>	<b>\$ 104,383</b>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<b>Collection, interception and treatment</b>			
North end water pollution control centre	\$ 9,654	\$ 8,975	\$ 7,723
Local sewer	4,958	4,085	4,243
South end water pollution control centre	2,717	2,452	2,486
Interception system	1,781	1,744	1,586
West end water pollution control centre	1,833	1,649	1,312
Mechanical maintenance	1,614	1,484	1,184
Sludge disposal	1,926	1,445	1,488
Electrical maintenance/instrumentation	1,146	1,140	821
Administration	1,950	1,048	863
Civil maintenance	684	659	470
	<u>28,263</u>	<u>24,681</u>	<u>22,176</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	9,425	9,203	9,733
Miscellaneous	1,050	1,472	967
Rent	793	932	795
Employee benefits	484	792	762
General government charges	467	467	467
Insurance and claims	326	307	303
Provincial payroll tax	204	206	194
Recoveries	(700)	(1,463)	(1,582)
	<u>12,049</u>	<u>11,916</u>	<u>11,639</u>
<b>Debt and finance</b>			
Long-term debt interest	8,335	8,354	8,408
Finance charges	100	5	5
Amortization - debt principal	6,468	-	-
	<u>14,903</u>	<u>8,359</u>	<u>8,413</u>
<b>Engineering services</b>			
Sewer connections	650	922	403
Wastewater planning	403	610	253
Design and construction	729	558	546
Drafting and graphic	463	505	397
Customer technical services	362	359	331
Administrative services	228	351	328
Project management	581	159	578
Engineering services development	153	143	133
Resource centre	77	92	74
Asset management	102	57	104
Land drainage and flood planning	50	50	50
	<u>3,798</u>	<u>3,806</u>	<u>3,197</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2007 Budget</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>Finance and administration</b>			
Customer accounts	2,132	1,957	1,967
Administrative services	800	574	194
Financial services	225	173	151
Financial planning	265	169	152
Process improvement	135	105	100
	<b>3,557</b>	<b>2,978</b>	<b>2,564</b>
<b>Environmental standards</b>			
Analysis	1,176	891	806
Industrial waste	553	399	361
Research	309	135	175
Administration	187	132	143
Compliance	34	-	-
	<b>2,259</b>	<b>1,557</b>	<b>1,485</b>
<b>Information systems and technology</b>			
Major systems	677	539	398
Support services	482	344	498
	<b>1,159</b>	<b>883</b>	<b>896</b>
<b>Customer services</b>			
Customer relations	523	538	535
Administration	76	66	69
Communications	58	47	51
Public consultation	37	26	24
	<b>694</b>	<b>677</b>	<b>679</b>
<b>Human resources</b>			
Human resources	296	264	235
Timekeeping and payroll	183	140	99
Human resources training	142	97	117
Work place health and safety	78	74	38
	<b>699</b>	<b>575</b>	<b>489</b>
<b>Total Expenses from Operations</b>	<b>67,381</b>	<b>55,432</b>	<b>51,538</b>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 2**

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	18,689	18,422	14,970
Transfer to Environmental Projects Reserve	7,722	8,006	8,501
Transfer to General Capital Fund	-	1,715	958
	<u>26,411</u>	<u>28,143</u>	<u>24,429</u>
<b>Total Expenses</b>	<u>\$ 93,792</u>	<u>\$ 83,575</u>	<u>\$ 75,967</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Transfers to other funds	\$ 26,411	\$ 28,143	\$ 24,429
Goods and services	28,933	25,461	27,170
Salaries	14,273	12,586	11,177
Other expenses	17,789	11,582	11,297
Interest on long-term debt	8,335	8,354	8,408
Employee benefits	2,476	2,315	2,124
Finance charges	100	5	5
Recoveries	(4,525)	(4,871)	(8,643)
<b>Total Expenses</b>	<u>\$ 93,792</u>	<u>\$ 83,575</u>	<u>\$ 75,967</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 4**

**NET SURPLUS FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2007 Actual</u>	<u>2006 Actual</u>
<b>Revenues</b>		
Transfer from Environmental Projects Reserve	\$ 19,294	\$ 15,839
Provincial and Federal capital transfers	17,013	3,714
Transfer from Sewer System Rehabilitation Reserve	4,829	316
Transfer from Federal Gas Tax Revenue Reserve	1,726	1,883
Transfer from Wastewater Renewal Reserve	-	72
	<u>42,862</u>	<u>21,824</u>
Developer contributions-in-kind	<u>7,579</u>	<u>373</u>
	<u>50,441</u>	<u>22,197</u>
<b>Expenses</b>		
Amortization	15,142	14,995
Transfer to General Capital Fund	7,663	-
Capital maintenance	1,572	490
Loss on disposal of tangible capital assets	534	630
Transfer to Waterworks System	23	266
	<u>24,934</u>	<u>16,381</u>
<b>Net surplus from capital</b>	<u>\$ 25,507</u>	<u>\$ 5,816</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	Land	Buildings	Equipment	Underground Networks
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ -	\$ 763,605
Add: Additions during the year	-	-	251	16,283
Less: Disposals during the year	-	-	-	(2,948)
Less: Transfer to General Capital Fund	-	-	-	(13,849)
Balance, end of year	<u>1,451</u>	<u>885</u>	<u>251</u>	<u>763,091</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	531	-	279,607
Add: Amortization	-	10	13	9,809
Less: Accumulated amortization on disposals	-	-	-	(2,414)
Less: Transfer to General Capital Fund	-	-	-	(6,186)
Balance, end of year	<u>-</u>	<u>541</u>	<u>13</u>	<u>280,816</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,451</u>	<u>\$ 344</u>	<u>\$ 238</u>	<u>\$ 482,275</u>

Schedule 5

Infrastructure		Totals	
Sewage Treatment Plants and Lift Stations	Assets Under Construction	2007	2006
\$ 270,207	\$ 43,190	\$ 1,079,338	\$ 1,047,467
20,144	26,498	63,176	33,166
-	-	(2,948)	(1,295)
-	-	(13,849)	-
<u>290,351</u>	<u>69,688</u>	<u>1,125,717</u>	<u>1,079,338</u>
113,507	-	393,645	379,315
5,310	-	15,142	14,995
-	-	(2,414)	(665)
-	-	(6,186)	-
<u>118,817</u>	<u>-</u>	<u>400,187</u>	<u>393,645</u>
<u>\$ 171,534</u>	<u>\$ 69,688</u>	<u>\$ 725,530</u>	<u>\$ 685,693</u>



**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Water Main Renewal Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>	<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 1,672	\$ 28,711	\$ -	\$ 37,471
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	<u>1,672</u>	<u>28,711</u>	<u>-</u>	<u>37,471</u>
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
	<u>\$ 1,672</u>	<u>\$ 28,711</u>	<u>\$ -</u>	<u>\$ 37,471</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
<b>EQUITY</b>				
Allocated	1,340	23,686	-	37,471
Unallocated	332	5,025	-	-
	<u>1,672</u>	<u>28,711</u>	<u>-</u>	<u>37,471</u>
	<u>\$ 1,672</u>	<u>\$ 28,711</u>	<u>\$ -</u>	<u>\$ 37,471</u>

*See accompanying notes to the financial statements*

<u>Brady Landfill Reserve</u>	<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Sub-total</u>
\$ 382	\$ 1,203	\$ 1,234	\$ 11,732	\$ 126	\$ 2,067	\$ 84,598
29	-	-	-	-	-	29
4	-	211	-	-	-	215
415	1,203	1,445	11,732	126	2,067	84,842
2,232	-	-	-	-	-	2,232
-	748	-	-	-	-	748
<u>\$ 2,647</u>	<u>\$ 1,951</u>	<u>\$ 1,445</u>	<u>\$ 11,732</u>	<u>\$ 126</u>	<u>\$ 2,067</u>	<u>\$ 87,822</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,647	-	-	11,732	-	2,067	78,943
-	1,951	1,445	-	126	-	8,879
2,647	1,951	1,445	11,732	126	2,067	87,822
<u>\$ 2,647</u>	<u>\$ 1,951</u>	<u>\$ 1,445</u>	<u>\$ 11,732</u>	<u>\$ 126</u>	<u>\$ 2,067</u>	<u>\$ 87,822</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-total Brought Forward</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 84,598	\$ 384	\$ 1,703	\$ 36,885
Call loans - General Revenue Fund	29	-	-	-
Accounts receivable	215	-	-	-
	<u>84,842</u>	<u>384</u>	<u>1,703</u>	<u>36,885</u>
Investments (Note 4)	2,232	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	748	-	-	-
	<u>\$ 87,822</u>	<u>\$ 384</u>	<u>\$ 1,703</u>	<u>\$ 36,885</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ -	\$ 1,141	\$ 35,766
<b>EQUITY</b>				
Allocated	78,943	384	562	-
Unallocated	8,879	-	-	1,119
	<u>87,822</u>	<u>384</u>	<u>562</u>	<u>1,119</u>
	<u>\$ 87,822</u>	<u>\$ 384</u>	<u>\$ 1,703</u>	<u>\$ 36,885</u>

*See accompanying notes to the financial statements*

<u>Totals 2007</u>	<u>Totals 2006</u>
\$ 123,570	\$ 109,004
29	18,618
<u>215</u>	<u>432</u>
123,814	128,054
2,232	3,836
<u>748</u>	<u>776</u>
<u>\$ 126,794</u>	<u>\$ 132,666</u>
<u>\$ 36,907</u>	<u>\$ 18,307</u>
79,889	104,318
<u>9,998</u>	<u>10,041</u>
<u>89,887</u>	<u>114,359</u>
<u>\$ 126,794</u>	<u>\$ 132,666</u>

# THE CITY OF WINNIPEG CAPITAL RESERVES

## STATEMENT OF CHANGES IN EQUITY

For the years ended December 31  
(in thousands of dollars)  
(unaudited)

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Water Treatment Reserve	Environmental Projects Reserve
Balance, beginning of year	\$ 970	\$ 25,619	\$ 25,217	\$ 46,942
Add:				
Frontage levies	7,002	19,096	-	-
Government of Canada transfers	-	-	-	-
Transfer from Waterworks System	-	-	10,515	-
Transfer from Sewage Disposal System	-	-	-	8,006
Interest earned	183	1,475	606	1,953
Transfer from Transit System	-	-	-	-
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
Transfer from Combined Sewer Renewal Reserve	-	-	-	-
Transfer from Wastewater Sewer Renewal Reserve	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Other	-	-	-	-
	<u>8,155</u>	<u>46,190</u>	<u>36,338</u>	<u>56,901</u>
Deduct:				
Transfer to Waterworks System	6,470	-	36,301	-
Transfer to General Capital Fund	-	12,547	-	-
Transfer to Sewage Disposal System	-	4,829	-	19,294
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	13	103	37	136
Other	-	-	-	-
Transfer to Sewer System Rehabilitation Reserve	-	-	-	-
	<u>6,483</u>	<u>17,479</u>	<u>36,338</u>	<u>19,430</u>
Balance, end of year	<u>\$ 1,672</u>	<u>\$ 28,711</u>	<u>\$ -</u>	<u>\$ 37,471</u>

See accompanying notes to the financial statements

Brady Landfill Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Concession Equipment Reserve	Computer Replacement Reserve	Sub-total
\$ 2,376	\$ 1,860	\$ 1,520	\$ 7,068	\$ 113	\$ 1,756	\$ 113,441
-	-	-	-	-	-	26,098
-	-	-	-	-	-	-
-	-	-	-	-	-	10,515
-	-	-	-	-	-	8,006
104	94	52	502	5	74	5,048
-	-	-	5,161	-	-	5,161
-	-	279	-	19	585	883
174	-	-	-	-	-	174
-	-	-	-	-	11	11
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,654</u>	<u>1,954</u>	<u>1,851</u>	<u>12,731</u>	<u>137</u>	<u>2,426</u>	<u>169,337</u>
-	-	-	-	-	-	42,771
-	-	-	-	-	-	12,547
-	-	-	-	-	-	24,123
-	-	-	964	-	-	964
-	-	402	-	11	345	758
7	3	4	35	-	6	344
-	-	-	-	-	8	8
-	-	-	-	-	-	-
<u>7</u>	<u>3</u>	<u>406</u>	<u>999</u>	<u>11</u>	<u>359</u>	<u>81,515</u>
<u>\$ 2,647</u>	<u>\$ 1,951</u>	<u>\$ 1,445</u>	<u>\$ 11,732</u>	<u>\$ 126</u>	<u>\$ 2,067</u>	<u>\$ 87,822</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Sub-total Brought Forward</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>
Balance, beginning of year	\$ 113,441	\$ 407	\$ 246	\$ 265
Add:				
Frontage levies	26,098	-	-	-
Government of Canada transfers	-	-	19,935	2,682
Transfer from Waterworks System	10,515	-	-	-
Transfer from Sewage Disposal System	8,006	-	-	-
Interest earned	5,048	16	328	854
Transfer from Transit System	5,161	-	-	-
Transfer from General Revenue Fund	883	-	-	-
Transfer from Solid Waste Disposal	174	-	-	-
Transfer from Building Services Fund	11	-	-	-
Transfer from Combined Sewer Renewal Reserve	-	-	-	-
Transfer from Wastewater Sewer Renewal Reserve	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Other	-	-	-	-
	<u>169,337</u>	<u>423</u>	<u>20,509</u>	<u>3,801</u>
Deduct:				
Transfer to Waterworks System	42,771	38	-	-
Transfer to General Capital Fund	12,547	-	16,865	-
Transfer to Sewage Disposal System	24,123	-	1,726	-
Transfer to Transit System	964	-	1,344	2,682
Purchase of equipment	758	-	-	-
Transfer to General Revenue Fund - investment management fee	344	1	-	-
Other	8	-	12	-
Transfer to Sewer System Rehabilitation Reserve	-	-	-	-
	<u>81,515</u>	<u>39</u>	<u>19,947</u>	<u>2,682</u>
Balance, end of year	<u>\$ 87,822</u>	<u>\$ 384</u>	<u>\$ 562</u>	<u>\$ 1,119</u>

*See accompanying notes to the financial statements*

<u>Totals 2007</u>	<u>Totals 2006</u>
\$ 114,359	\$ 159,772
26,098	7,335
22,617	19,419
10,515	10,089
8,006	8,501
6,246	7,610
5,161	6,530
883	860
174	175
11	11
-	24,769
-	812
-	60
-	3
194,070	245,946
42,809	69,361
29,412	17,016
25,849	18,110
4,990	670
758	571
345	277
20	1
-	25,581
104,183	131,587
\$ 89,887	\$ 114,359



# THE CITY OF WINNIPEG CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The Capital Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

Water Main Renewal Reserve Fund	Transit Bus Replacement Reserve Fund
Sewer System Rehabilitation Reserve Fund	Concession Equipment Replacement Reserve Fund
Water Treatment Reserve Fund	Computer Replacement Reserve Fund
Environmental Projects Reserve Fund	Aqueduct Rehabilitation Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund	Federal Gas Tax Revenue Reserve Fund
Golf Course Reserve Fund	Public Transit Reserve Fund
Library Reserve Fund	

#### b) Basis of accounting

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

#### c) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

#### d) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

#### e) Deferred revenue

The City of Winnipeg ("the City") receives funds dedicated to the acquisition of specific tangible capital assets. When capital funds are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

1. *Significant Accounting Policies (continued)*

f) **Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

2. *Status of the Capital Reserves*

**Water Main Renewal Reserve Fund**

City Council, on February 18, 1981, authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established in 1981 by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System Fund and will be maintained by the transfer of frontage levy revenue and interest earned.

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

**Sewer System Rehabilitation Reserve Fund**

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the rehabilitation of combined sewers. City Council also authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers. Funding for both Reserves was to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

The Director of Water and Waste is the Fund Manager.

**Water Treatment Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Water Treatment Reserve Fund for the purpose of providing funding for a water treatment program.

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2007 water rates include a provision of 40.63 cents (2006 - 40.63 cents) per 100 cubic feet of billed water consumption to fund this transfer.

Contributions to the Reserve ended in December 2007 and as at December 31, 2007, the Reserve has been depleted.

The Director of Water and Waste is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2007 sewer rate includes a provision of 31.3 cents (2006 - 31.3 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Brady Landfill Site Rehabilitation Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2006 - 50 cents) per tonne for each tonne disposed at Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Golf Course Reserve Fund**

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve Fund for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency. The Director of Planning, Property and Development is the Fund Manager.

**Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fines, replacement fees, room rental, non-resident and photocopy fees revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

**Transit Bus Replacement Reserve Fund**

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Concession Equipment Replacement Reserve Fund**

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase and replacement of concession equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

**Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

**Aqueduct Rehabilitation Reserve Fund**

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct.

The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in early 2008.

The Director of Water and Waste is the Fund Manager.

**Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of Federal Gas Tax Revenue Reserve. The purpose of the reserve is to administer and account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Water and Waste is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Public Transit Reserve Fund**

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve Fund dedicated for eligible projects to be funded by the Government of Canada through Bill C-66.

The Government of Canada and the Province entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government.

These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives.

Subsequent to this, the Province of Manitoba and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010.

As approved by City Council, this Reserve will terminate once eligible projects have been completed.

The Director of Transit is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. *Investments*

	<u>2007</u>	<u>2006</u>
Marketable securities		
Provincial bonds and bond coupons	\$ 1,242	\$ 2,933
Government of Canada bonds and bond coupons	990	903
	<u>\$ 2,232</u>	<u>\$ 3,836</u>

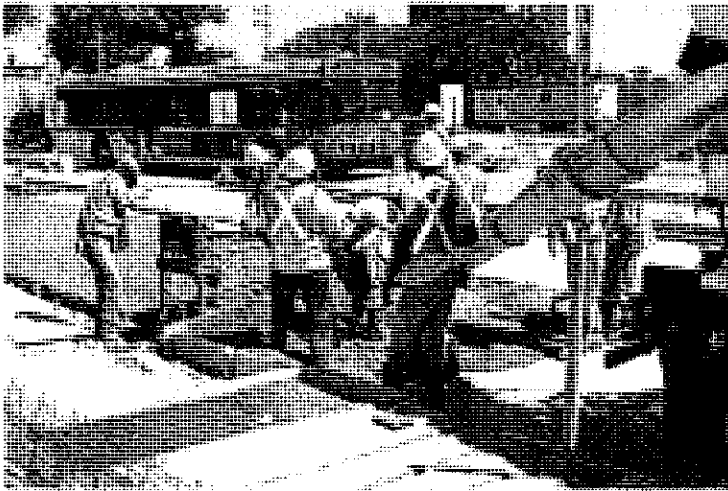
The aggregate market value of marketable securities at December 31, 2007 was \$2,602 thousand (2006 - \$4,258 thousand).

5. *Due from Golf Services - Special Operating Agency*

Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:

	<u>2007</u>	<u>2006</u>
- 2004	\$ 50	\$ 57
- 2005	57	63
- 2006	97	106
- 2007	226	245
- 2008	305	305
- 2009	13	-
	<u>\$ 748</u>	<u>\$ 776</u>

Included in interest earned is \$47 thousand (2006 - \$39 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.



# Winnipeg

THE CITY OF WINNIPEG 2006  
DETAILED FINANCIAL STATEMENTS  
Companion to 2006 Annual Financial Report





## **THE CITY OF WINNIPEG WATERWORKS SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the Intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Treatment Reserve.

The Water Treatment Reserve was established on December 17, 1993, to fund 50% of the cost of building a water treatment plant then estimated at \$204 million.

On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant.

On June 25, 2003, City Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility.

On March 23, 2005, City Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation and on November 23, 2005, City Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of \$2.8 million.

The construction of the ultraviolet light disinfection facility at the Deacon Booster Pumping Station started in 2004 and will become operational in 2007. The current water treatment plant capital cost estimate is now \$300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is late 2008.

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

*As at December 31  
(unaudited)*

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
Annual water pumped (million litres)	<b>82,831</b>	80,713	81,045	84,577	81,916
Water pumped in litres per capita per day	<b>347</b>	339	343	366	359
Average daily water pumped (million litres per day)	<b>227</b>	221	222	232	224
Maximum day water pumping rates (million litres per day)	<b>340</b>	267	285	336	308
Maximum hour water pumping rates (million litres per day)	<b>549</b>	391	411	517	450
Kilometres of aqueduct	<b>174.5</b>	174.5	174.5	174.5	174.5
Kilometres of feeder mains	<b>151.5</b>	150.3	156.8	156.8	156.8
Kilometres of water mains	<b>2,447.0</b>	2,435.5	2,434.2	2,420.6	2,417.8
Number of hydrants	<b>20,085</b>	19,930	20,661	20,348	20,228
Number of billed services	<b>188,328</b>	187,619	186,160	184,854	183,656

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2006</u>	<u>2005</u> <small>(Restated Note 13)</small>
<b>ASSETS</b>		
Current		
Cash	\$ 75	\$ 259
Accounts receivable (Note 3)	13,947	15,207
Due from General Revenue Fund (Note 4)	98,910	24,946
Inventories	<u>957</u>	<u>1,001</u>
	113,889	41,413
 Tangible capital assets (Note 5)	 <u>622,044</u>	 <u>561,255</u>
	<u>\$ 735,933</u>	<u>\$ 602,668</u>
 <b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 11,715	\$ 5,535
Current portion of long-term debt (Note 7)	<u>2,336</u>	<u>3,772</u>
	14,051	9,307
 Long-term debt (Note 7)	 <u>80,567</u>	 <u>23,916</u>
	94,618	33,223
 <b>ACCUMULATED SURPLUS (Note 8)</b>	 <u>641,315</u>	 <u>569,445</u>
	<u>\$ 735,933</u>	<u>\$ 602,668</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF OPERATIONS

For the years ended December 31  
(in thousands of dollars)  
(unaudited)

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> (Restated Note 13)
<b>REVENUES (Schedule 1)</b>			
Sale of goods and services (Note 9)	\$ 74,489	\$ 74,964	\$ 74,008
Interest	1,262	3,391	1,551
Government grants, permits and other	766	1,178	1,127
<b>Total revenues</b>	<b>76,517</b>	<b>79,533</b>	<b>76,686</b>
<b>EXPENSES (Schedules 2 and 3)</b>			
Water distribution	27,880	23,487	22,253
Taxes, employee benefits and other (Note 10)	6,674	6,466	6,251
Debt and finance	9,473	6,001	4,339
Engineering services	3,197	2,661	2,566
Finance and administration	2,917	2,492	2,349
Information systems and technology	838	901	645
Customer services	521	582	511
Environmental standards	730	518	474
Human resources	469	493	393
<b>Total expenses from operations</b>	<b>52,699</b>	<b>43,601</b>	<b>39,781</b>
Surplus for the year from operations	23,818	35,932	36,905
Transfers to other funds (Note 11)	22,290	22,317	23,556
Net surplus from operations after transfers to other funds	1,528	13,615	13,349
Net surplus from capital (Schedule 4)	-	58,255	19,194
<b>NET SURPLUS FOR THE YEAR</b>	<b>1,528</b>	<b>71,870</b>	<b>32,543</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
As previously reported	569,445	569,445	38,469
Prior period adjustments (Note 13)	-	-	498,433
As restated	569,445	569,445	536,902
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 570,973</b>	<b>\$ 641,315</b>	<b>\$ 569,445</b>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006</u>	<u>2005</u>
		(Restated Note 13)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 71,870	\$ 32,543
Non-cash items related to operations		
Amortization	11,845	11,616
Loss on disposal of tangible capital assets	86	125
	<u>83,801</u>	<u>44,284</u>
Working capital from operations	7,484	542
Change in net working capital other than cash		
	<u>91,285</u>	<u>44,826</u>
<b>FINANCING</b>		
Debt retired	(2,427)	(3,336)
Debt issued	60,000	-
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(1,012)	(934)
Due from General Revenue Fund	(73,964)	(8,078)
Proceeds from The Sinking Fund Trustees	-	1,008
Payments to The Sinking Fund Trustees for outstanding debt	(1,346)	(1,393)
	<u>(18,749)</u>	<u>(12,733)</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	(72,720)	(32,152)
Decrease in cash	(184)	(59)
Cash, beginning of year	<u>259</u>	<u>318</u>
Cash, end of year	<u>\$ 75</u>	<u>\$ 259</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

(in thousands of dollars, except as noted)  
(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

#### c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

## 1. Summary of Significant Accounting Policies (continued)

### d) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

### e) Water Main Renewal Reserve

On February 18, 1981, Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

### f) Aqueduct Rehabilitation Reserve

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in 2007.

### g) Water Treatment Reserve

On December 17, 1993, Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2006 water rates include a provision of 40.63 cents (2005 - 39.40 cents) per 100 cubic feet of water consumption billed for water treatment. In 2006, \$10.1 million (2005 - \$10.1 million) was transferred to the Water Treatment Reserve.

## 2. Status of the Waterworks System

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

## 3. Accounts Receivable

	<u>2006</u>	<u>2005</u>
Water billings and other	\$ 14,181	\$ 15,392
Allowance for doubtful accounts	(234)	(185)
	<u>\$ 13,947</u>	<u>\$ 15,207</u>

**4. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

**5. Tangible Capital Assets**

	Net Book Value	
	2006	2005
Land	\$ 1,821	\$ 1,821
Buildings	4,041	4,146
Machinery and equipment	979	1,091
Computer	4,998	5,693
Underground networks	449,640	450,432
Water pumping stations and reservoirs	59,907	61,452
Assets under construction	100,658	36,620
	<u>\$ 622,044</u>	<u>\$ 561,255</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2006 and 2005, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2006 were \$35 thousand (2005 - \$10 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$0.6 million in 2006 (2005 - \$0.6 million) and were capitalized at their fair value at the time of receipt.

**6. Accounts Payable and Accrued Liabilities**

	2006	2005
Trade accounts payable	\$ 8,182	\$ 3,706
Accrued debenture interest	2,391	990
Other accrued liabilities	893	612
Deferred revenue and other	249	227
	<u>\$ 11,715</u>	<u>\$ 5,535</u>



7. Long-Term Debt

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2006	2005
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 1,500	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
1996-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	-
					<u>104,500</u>	<u>44,500</u>
Equity in Sinking Fund (Note 7b)					<u>(21,610)</u>	<u>(19,252)</u>
Net sinking fund debentures outstanding					<u>82,890</u>	<u>25,248</u>
<b>Other long-term debt outstanding</b>						
Serial and installment debt issued by the City					-	2,392
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2005 - 6.25%)					<u>13</u>	<u>48</u>
					<u>82,903</u>	<u>27,688</u>
Current portion of long-term debt					<u>(2,330)</u>	<u>(3,737)</u>
Current portion of Equity in Capital Assets Fund debt					<u>(6)</u>	<u>(35)</u>
Current portion of long-term debt					<u>(2,336)</u>	<u>(3,772)</u>
					<u>\$ 80,567</u>	<u>\$ 23,916</u>

Principal retirement on long-term debt over the next five years is as follows:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures \$	-	\$ -	\$ 1,500	\$ -	\$ -	\$ 103,000
Equity in Capital Assets Fund	<u>6</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,000</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

7. *Long-Term Debt (continued)*

- c) Cash paid for interest during the year was \$4.1 million (2005 - \$4.4 million).
- d) Interest paid to the Equity in Capital Assets Fund during 2006 was \$3 thousand (2005 - \$8 thousand).

8. *Accumulated Surplus*

	2006	2005
Invested in tangible capital assets	\$ 537,043	\$ 499,001 <small>(Restated Note 13)</small>
Retained earnings	104,272	70,444
	<u>\$ 641,315</u>	<u>\$ 569,445</u>

9. *Revenue*

The 2006 Water Treatment Reserve contribution was 40.63 cents per hundred cubic feet (2005 - 39.40 cents).

10. *Taxes, Employee Benefits and Other*

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2006, realty and business taxes paid to the General Revenue Fund was \$3.0 million (2005 - \$3.2 million).

Included in expenses is \$0.7 million (2005 - \$0.7 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is \$0.8 million (2005 - \$0.3 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is \$2.5 million (2005 - \$2.4 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at \$338 thousand (2005 - \$137 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, 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 has estimated the unrecorded liability at December 31, 2006 at \$3.6 million (2005 - \$3.4 million).

**10. Taxes, Employee Benefits and Other (continued)**

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year \$1.5 million (2005 - \$1.4 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has disclosed an actuarial surplus.

**11. Transfers to Other Funds**

Beginning in 1988, Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. In addition, the Utility transferred \$5.7 million in 2006 (2005 - \$7.1 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	<u>2006</u>	<u>2005</u>
Transfer to General Revenue Fund	\$ 12,123	\$ 13,458
Transfer to Water Treatment Reserve	10,089	10,098
Transfer to Capital	<u>105</u>	<u>-</u>
	<u>\$ 22,317</u>	<u>\$ 23,556</u>

**12. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**13. Prior Period Adjustments**

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions have been included in income. These adjustments are as follows:

**Adjustments to opening 2005 accumulated surplus**

Net book value of tangible capital assets recorded \$ 498,433

**Adjustments to 2005 net surplus for the year**

Net surplus for the year, as previously reported \$ 7,359

Add:

Revenue from contributed tangible capital assets 554

Capital grants received and recorded as revenue 33,065

Less:

Increase in amortization expense (6,961)

Increased expenses for items with an estimated useful life of less than one year (1,474)

Net surplus for the year, as restated \$ 32,543

13. *Prior Period Adjustments (continued)*

**Adjustments to 2005 tangible capital assets**

Net book value of tangible capital assets, as previously reported	\$	69,869
Add:		
Net book value of tangible capital assets resulting from the adjustment of opening 2005 accumulated surplus		498,433
Revenue from contributed tangible capital assets		554
Less:		
Increase in accumulated amortization		(6,961)
Increase in loss on disposal of tangible capital assets		(640)
Net book value of tangible capital assets, as restated	\$	<u>561,255</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 1

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2006 Budget</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
<b>Sale of goods and services</b>			
Water sales	\$ 71,195	\$ 71,470	\$ 70,641
Fire hydrant and other rentals	3,264	3,350	3,339
Sale of scrap material	30	144	28
	<u>74,489</u>	<u>74,964</u>	<u>74,008</u>
<b>Interest</b>			
Interest	200	2,344	607
Sinking Fund earnings	1,012	1,012	934
Interest capitalized	50	35	10
	<u>1,262</u>	<u>3,391</u>	<u>1,551</u>
<b>Government grants, permits and other</b>			
Provincial support grant	482	556	497
Permits and fees	114	537	354
Other	170	85	276
	<u>766</u>	<u>1,178</u>	<u>1,127</u>
<b>Total Revenues</b>	<u>\$ 76,517</u>	<u>\$ 79,533</u>	<u>\$ 76,686</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> <small>(Restated Note 13)</small>
<b>Water distribution</b>			
Water main maintenance	\$ 6,353	\$ 6,209	\$ 6,295
Pumping stations	3,461	3,551	3,103
Service pipe maintenance	2,891	2,515	2,070
Mechanical/civil/electrical maintenance allocation	2,799	2,501	2,397
General administration	2,407	2,381	2,576
Emergency services	1,316	1,589	1,264
Hydrant maintenance	2,061	1,222	1,061
Railway maintenance and operations	1,417	1,084	1,152
Water meter maintenance	1,166	677	573
Valve maintenance	965	483	496
Stores - 552 Plinguet	207	389	159
Water supply administration	487	340	404
Intake operation	394	318	380
Backflow prevention	144	140	151
Meter shop	164	64	104
Staff house	127	24	68
Water treatment plant	1,521	-	-
	<u>27,880</u>	<u>23,487</u>	<u>22,253</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	3,722	3,319	3,532
Employee benefits	782	919	986
Rent	798	795	348
General government charges	612	612	615
Provincial payroll tax	482	588	558
Insurance and damage claims	450	428	428
Other services	228	196	193
Recoveries	(400)	(391)	(409)
	<u>6,674</u>	<u>6,466</u>	<u>6,251</u>
<b>Debt and finance</b>			
Long-term debt			
Interest	4,668	5,504	4,324
Amortization	4,784	-	-
Finance charges	21	497	15
	<u>9,473</u>	<u>6,001</u>	<u>4,339</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2006 Budget</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
			(Restated Note 13)
<b>Engineering services division</b>			
Project management	612	531	542
Design and construction	696	521	567
Drafting and graphics	421	397	375
Customer technical services	357	331	284
Administration	357	329	297
Water planning	434	310	294
Services development	149	133	133
Asset management	94	104	-
Resource centre	77	74	72
Land drainage/flood planning	-	(69)	2
	<b>3,197</b>	<b>2,661</b>	<b>2,566</b>
<b>Finance and administration division</b>			
Customer billing	2,052	1,887	1,820
Administrative services	400	200	205
Financial planning	182	154	109
Accounting services	172	150	136
Process improvement	111	101	79
	<b>2,917</b>	<b>2,492</b>	<b>2,349</b>
<b>Information systems and technology division</b>			
Major systems	444	510	363
Support services	394	391	282
	<b>838</b>	<b>901</b>	<b>645</b>
<b>Customer services division</b>			
Customer relations	450	457	399
Administration	(13)	60	60
Communications	52	44	41
Public consultation	32	21	11
	<b>521</b>	<b>582</b>	<b>511</b>
<b>Environmental standards division</b>			
Analytical services	429	371	301
Research	139	81	126
Administration	73	66	47
Compliance	89	-	-
	<b>730</b>	<b>518</b>	<b>474</b>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 2**

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> (Restated Note 13)
<b>Human resources division</b>			
Human resources	221	240	190
Human resources training	98	117	79
Timekeeping and payroll	97	97	91
Work place health and safety	53	39	33
	<u>469</u>	<u>493</u>	<u>393</u>
<b>Total Expenses from Operations</b>	<u>52,699</u>	<u>43,601</u>	<u>39,781</u>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	12,123	12,123	13,458
Transfer to Water Treatment Reserve	10,167	10,089	10,098
Transfer to Capital	-	105	-
	<u>22,290</u>	<u>22,317</u>	<u>23,556</u>
<b>Total transfer to other funds</b>	<u>22,290</u>	<u>22,317</u>	<u>23,556</u>
<b>Total Expenses</b>	<u>\$ 74,989</u>	<u>\$ 65,918</u>	<u>\$ 63,337</u>



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 3

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> <small>(Restated Note 13)</small>
Salaries	\$ 26,388	\$ 23,948	\$ 22,414
Transfers	22,290	22,317	23,556
Goods and services	21,332	17,774	16,547
Interest on long-term debt	4,668	5,504	4,324
Other expenses	5,145	5,150	4,909
Employee benefits	5,047	3,869	3,955
Finance charges	128	599	122
Grants	95	95	95
Amortization	4,784	-	-
Recoveries	(14,888)	(13,338)	(12,585)
<b>Total Expenses</b>	<u>\$ 74,989</u>	<u>\$ 65,918</u>	<u>\$ 63,337</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 4**

**NET SURPLUS FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Actual</u>	<u>2005 Actual</u> <small>(Restated Note 13)</small>
<b>Revenues</b>		
Transfers		
Water Treatment Reserve	\$ 61,457	\$ 23,846
Water Main Renewal Reserve	7,836	7,299
Sewage Disposal	266	169
Aqueduct Renewal Reserve	68	416
	<u>69,627</u>	<u>31,730</u>
Other capital funding	641	554
Total revenue from capital	<u>70,268</u>	<u>32,284</u>
<b>Expenses</b>		
Amortization	11,845	11,616
Loss on disposal of assets	86	125
Other expenses	82	1,349
Total expenses from capital	<u>12,013</u>	<u>13,090</u>
Net surplus from capital	<u>\$ 58,255</u>	<u>\$ 19,194</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	Land	Buildings	Machinery and Equipment	Computer
<b>Cost</b>				
Balance, beginning of year	\$ 1,821	\$ 5,399	\$ 9,100	\$ 21,080
Add: Additions during the year	-	-	-	427
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,821</u>	<u>5,399</u>	<u>9,100</u>	<u>21,507</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,253	8,009	15,387
Add: Amortization	-	105	112	1,122
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,358</u>	<u>8,121</u>	<u>16,509</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,821</u>	<u>\$ 4,041</u>	<u>\$ 979</u>	<u>\$ 4,998</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2006	2005
\$ 626,368	\$ 102,578	\$ 36,620	\$ 802,966	\$ 771,251
7,955	300	64,038	72,720	32,152
(315)	-	-	(315)	(437)
<u>634,008</u>	<u>102,878</u>	<u>100,658</u>	<u>875,371</u>	<u>802,966</u>
175,936	41,126	-	241,711	230,407
8,661	1,845	-	11,845	11,616
(229)	-	-	(229)	(312)
<u>184,368</u>	<u>42,971</u>	<u>-</u>	<u>253,327</u>	<u>241,711</u>
<u>\$ 449,640</u>	<u>\$ 59,907</u>	<u>\$ 100,658</u>	<u>\$ 622,044</u>	<u>\$ 561,255</u>

## **THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, the environment, and the aesthetic quality of the rivers through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

An Environmental Projects Reserve was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would improve river quality. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and combined sewer overflow mitigation infrastructure.

River quality is under the jurisdiction of the Province of Manitoba. In 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period which was subsequently ordered by the Minister of Conservation on September 26, 2003, with some initiatives to be completed sooner than recommended by the CEC.

Manitoba Conservation subsequently issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers (NEWPCC, WEWPCC, and SEWPCC). The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan.

The 25 year wastewater improvement program, which includes effluent ultraviolet (UV) disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations is estimated to cost \$1.2 billion.

Wastewater treatment upgrades to the NEWPCC and WEWPCC are currently underway. The NEWPCC effluent disinfection was substantially complete in December 2006. The NEWPCC centrate treatment and the WEWPCC effluent disinfection and biological nutrient removal will be complete in 2008.

The upgrades include year-round UV disinfection of the final effluent, and biological nutrient removal upgrades to achieve an interim reduction of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on biological nutrient removal at the SEWPCC was initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC biological nutrient removal will commence after a NEWPCC Master Plan study has been completed with a target in-service date of 2014.

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

As at December 31  
(unaudited)

	2006	2005	2004	2003	2002
Rate in dollars (per 100 cu. ft.)	\$ 3.87	\$ 3.39	\$ 3.11	\$ 2.73	\$ 2.73
Annual sewage received (million litres)*	102,609	123,584	127,534	96,199	103,659
Daily sewage received (million litres)*	281.1	339.6	349.4	263.6	284.0
Kilometres of interceptor sewers	109.1	109.7	109.7	109.8	108.9
Kilometres of combined sewers**	1,283.2	1,338.2	1,334.1	1,327.8	1,320.0
Kilometres of wastewater sewers	1,456.6	1,427.1	1,422.3	1,408.5	1,389.1
Kilometres of storm sewers***	1,668.8	2,260.7	2,241.9	2,217.8	2,173.9
Number of lift stations	85	85	85	85	85
Number of billed sewer services	188,887	187,398	185,939	184,637	183,406

Note:

- \* Reduction in sewage received is due to a very low level of precipitation combined with an increase in water conservation efforts.
- \*\* Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.
- \*\*\* Previous estimates include surface ditch drainage whereas current estimate only include actual pipe in the ground.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2006</u>	<u>2005</u> (Restated Note 13)
<b>ASSETS</b>		
Current		
Cash	\$ 1	\$ 1
Inventory	248	-
Accounts receivable (Note 3)	23,583	17,745
Due from General Revenue Fund (Note 4)	<u>29,442</u>	<u>23,336</u>
	53,274	41,082
Tangible capital assets (Note 5)	<u>685,693</u>	<u>668,152</u>
	<u>\$ 738,967</u>	<u>\$ 709,234</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 8,968	\$ 6,899
Performance and other deposits	213	250
Current portion of long-term debt (Note 7)	<u>3,927</u>	<u>4,239</u>
	13,108	11,388
Long-term debt (Note 7)	<u>47,660</u>	<u>53,879</u>
	60,768	65,267
<b>ACCUMULATED SURPLUS (Note 8)</b>	<u>678,199</u>	<u>643,967</u>
	<u>\$ 738,967</u>	<u>\$ 709,234</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## STATEMENT OF OPERATIONS

For the years ended December 31  
(in thousands of dollars)  
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
<b>REVENUES (Schedule 1)</b>			
Sewer services (Note 9)	\$ 97,010	\$ 98,152	\$ 85,651
Interest	2,502	3,641	3,383
Government grants, permits and other	2,166	2,590	2,482
<b>Total revenues</b>	<b>101,678</b>	<b>104,383</b>	<b>91,516</b>
<b>EXPENSES (Schedules 2 and 3)</b>			
Collection, interception and treatment	24,271	22,176	21,764
Taxes, employee benefits and other (Note 10)	13,701	11,639	9,750
Debt and finance	15,222	8,413	10,056
Engineering services	3,414	3,197	3,113
Finance and administration	2,857	2,564	2,521
Environmental standards	1,925	1,485	1,360
Information systems and technology	957	896	736
Customer services	732	679	595
Human resources	537	489	445
<b>Total expenses from operations</b>	<b>63,616</b>	<b>51,538</b>	<b>50,340</b>
<b>Surplus for the year from operations</b>	<b>38,062</b>	<b>52,845</b>	<b>41,176</b>
Transfers to other funds (Note 11)	23,738	24,429	23,888
<b>Net surplus for the year</b> from operations after transfer to other funds	<b>14,324</b>	<b>28,416</b>	<b>17,288</b>
Net surplus (deficit) from capital (Schedule 4)	-	5,816	(1,749)
<b>Net surplus for the year</b>	<b>14,324</b>	<b>34,232</b>	<b>15,539</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
As previously reported	643,967	643,967	46,709
Prior period adjustments (Note 13)	-	-	581,719
<b>As restated</b>	<b>643,967</b>	<b>643,967</b>	<b>628,428</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 658,291</b>	<b>\$ 678,199</b>	<b>\$ 643,967</b>

See accompanying notes and schedules to the financial statements



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006</u>	<u>2005</u> <small>(Restated Note 13)</small>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus for the year	\$ 34,232	\$ 15,539
Non-cash items related to operations		
Amortization	14,995	14,839
Loss on disposal of tangible capital assets	630	616
	<u>49,857</u>	<u>30,994</u>
Working capital from operations	(4,054)	3,991
Change in net working capital other than cash	<u>45,803</u>	<u>34,985</u>
<b>FINANCING</b>		
Debt retired	(1,577)	(19,433)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,292)	(2,670)
Due from General Revenue Fund	(6,106)	(6,815)
Payment from The Sinking Fund Trustees for long-term debt outstanding	-	17,927
Payments to The Sinking Fund Trustees for outstanding long-term debt	(2,600)	(3,432)
Decrease in other debt	(62)	(51)
	<u>(12,637)</u>	<u>(14,474)</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	<u>(33,166)</u>	<u>(20,511)</u>
Increase in cash	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

(in thousands of dollars, except as noted)  
(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

#### c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

1. *Summary of Significant Accounting Policies (continued)*

d) **Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve)**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal and the Wastewater Sewer Renewal Reserves for the renewal and rehabilitation of combined and wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Reserves in accordance with the needs at that time.

During the 2006 capital budget process Council allocated the frontage levy to the repair and replacement of streets and sidewalks. Frontage levy revenue was replaced with funding from the Federal Gas Tax Revenue Reserve for the renewal and rehabilitation of sewers in accordance with the capital program requirements.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

The Director of the Water and Waste Department is the Fund Manager.

e) **Environmental Projects Reserve**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2006 sewer rate includes a provision of 31.3 cents (2005 - 55 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2006, \$8.5 million (2005 - \$13.5 million) was transferred to the Environmental Projects Reserve.

2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. *Accounts Receivable*

	<u>2006</u>	<u>2005</u>
Sewer billings and other	\$ 23,650	\$ 17,894
Allowance for doubtful accounts	(67)	(149)
	<u>\$ 23,583</u>	<u>\$ 17,745</u>

**4. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

**5. Tangible Capital Assets**

	Net Book Value	
	2006	2005
Land	\$ 1,451	\$ 1,451
Buildings	354	364
Underground networks	483,998	486,861
Sewage treatment plants and lift stations	156,700	160,145
Assets under construction	43,190	19,331
	<u>\$ 685,693</u>	<u>\$ 668,152</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2006 and 2005, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2006 were \$218 thousand (2005 - \$129 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$0.4 million in 2006 (2005 - \$0.3 million) and were capitalized at their fair value at the time of receipt.

**6. Accounts Payable and Accrued Liabilities**

	2006	2005
Trade accounts payable	\$ 5,746	\$ 3,621
Accrued debenture interest	2,968	2,990
Other accrued liabilities	254	288
	<u>\$ 8,968</u>	<u>\$ 6,899</u>

**7. Long-term Debt**

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2006	2005
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 11,000	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>86,000</u>	<u>86,000</u>
					<u>(48,636)</u>	<u>(43,744)</u>
					37,364	42,256

7. *Long-term Debt (continued)*

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.61% (2005 - 4.56%)

10,541 12,118

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2005 - 6.92%)

77 83

Pointe West Properties debt, maturity in 2012, interest rate of 6.65%

3,605 3,661

51,587 58,118

Current portion of long-term debt

(3,842) (4,178)

Current portion of Equity in Capital Assets Fund debt

(6) (5)

Current portion of Pointe West Properties debt

(79) (56)

Current portion of long-term debt

(3,927) (4,239)

\$ 47,660 \$ 53,879

Principal retirement on long-term debt over the next five years is as follows:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures \$	-	\$ -	\$ 11,000	\$ -	\$ -	\$ 75,000
Serial and installment	1,241	1,302	1,367	1,435	1,506	3,690
Equity in Capital Assets Fund	6	6	7	7	8	43
Pointe West debt	79	125	134	143	100	3,024
	<u>\$ 1,326</u>	<u>\$ 1,433</u>	<u>\$ 12,508</u>	<u>\$ 1,585</u>	<u>\$ 1,614</u>	<u>\$ 81,757</u>

- All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

**7. Long-term Debt (continued)**

c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of \$3 million.

d) Cash paid for interest during the year was \$6.5 million (2005 - \$7.6 million).

e) Interest paid to the Equity in Capital Assets Fund during 2006 was \$6 thousand (2005 - \$6 thousand).

**8. Accumulated Surplus**

	<u>2006</u>	<u>2005</u>
Invested in tangible capital assets	\$ 634,343	\$ 596,279
Retained earnings	43,856	47,688
	<u>\$ 678,199</u>	<u>\$ 643,967</u>

**9. Revenue**

The 2006 sewer rate increased to 3.87 cents per hundred cubic feet (2005 - 3.39 cents). The Environmental Projects Reserve contribution for 2006 was 31.3 cents per hundred cubic feet (2005 - 55 cents).

**10. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2006, realty and business taxes paid to the General Revenue Fund was \$9.7 million (2005 - \$8.5 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2006, this amounted to \$0.5 million (2005 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$795 thousand (2005 - \$348 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is \$1.2 million (2005 - \$1.0 million).

**10. Taxes, Employee Benefits and Other (continued)**

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at \$498 thousand (2005 - \$160 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, 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 has estimated the unrecorded liability at December 31, 2006 at \$1.3 million (2005 - \$1.3 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year \$752 thousand (2005 - \$711 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has disclosed an actuarial surplus.

**11. Transfers to Other Funds**

Beginning in 1988, Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2006, the Utility contributed \$8.5 million (2005 - \$4.1 million) to the General Revenue Fund to support the land drainage program.

	<u>2006</u>	<u>2005</u>
Transfer to General Revenue Fund	\$ 14,970	\$ 10,355
Transfer to Environmental Projects Reserve	8,501	13,533
Transfer to General Capital Fund	958	-
	<u>\$ 24,429</u>	<u>\$ 23,888</u>

**12. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**13. Prior Period Adjustments**

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions have been included in income. These adjustments are as follows:

**Adjustments to opening 2005 accumulated surplus**

Net book value of tangible capital assets recorded	<u>\$ 581,719</u>
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**13. Prior Period Adjustments (continued)**

**Adjustments to 2005 net surplus for the year**

Net surplus for the year, as previously reported	\$ 2,814
Add:	
Revenue from contributed tangible capital assets	301
Capital grants received and recorded as revenue	14,578
Less:	
Increase in amortization expense	(365)
Increased expenses for items with an estimated useful life of less than one year	<u>(1,789)</u>
Net surplus for the year, as restated	<u>\$ 15,539</u>

**Adjustments to 2005 tangible capital assets**

Net book value of tangible capital assets, as previously reported	\$ 87,463
Add:	
Net book value of tangible capital assets resulting from the adjustment of opening 2005 accumulated surplus	581,719
Revenue from contributed tangible capital assets	301
Less:	
Increase in accumulated amortization	(365)
Increase in loss on disposal of tangible capital assets	<u>(966)</u>
Net book value of tangible capital assets, as restated	<u>\$ 668,152</u>



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 1

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u>
<b>Sewer services</b>	<b>\$ 97,010</b>	<b>\$ 98,152</b>	<b>\$ 85,651</b>
<b>Interest</b>			
Sinking Fund earnings	2,292	2,292	2,670
Interest	150	1,131	584
Capitalized	60	218	129
	<u>2,502</u>	<u>3,641</u>	<u>3,383</u>
<b>Government grants, permits and other</b>			
Industrial waste surcharges	1,850	1,360	1,472
Other	46	922	710
Provincial support grant	165	180	170
Permits and fees	105	128	130
	<u>2,166</u>	<u>2,590</u>	<u>2,482</u>
<b>Total Revenues</b>	<b>\$ 101,678</b>	<b>\$ 104,383</b>	<b>\$ 91,516</b>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> (Restated Note 13)
<b>Collection, interception and treatment</b>			
North end water pollution control centre	\$ 8,329	\$ 7,723	\$ 7,508
Local sewer	4,315	4,243	4,148
South end water pollution control centre	2,591	2,486	2,362
Interception system	1,760	1,586	1,518
Sludge disposal	1,864	1,488	1,579
West end water pollution control centre	1,664	1,312	1,372
Mechanical maintenance	1,318	1,184	1,176
Administration	951	863	844
Electrical maintenance/instrumentation	936	821	777
Civil maintenance	543	470	480
	<u>24,271</u>	<u>22,176</u>	<u>21,764</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	11,059	9,733	8,524
Miscellaneous	1,050	967	758
Rent	798	795	348
Employee benefits	439	762	463
General government charges	467	467	467
Insurance and claims	323	303	294
Provincial payroll tax	165	194	181
Recoveries	(600)	(1,582)	(1,285)
	<u>13,701</u>	<u>11,639</u>	<u>9,750</u>
<b>Debt and finance</b>			
Long-term debt interest	8,591	8,408	10,051
Finance charges	100	5	5
Amortization	6,531	-	-
	<u>15,222</u>	<u>8,413</u>	<u>10,056</u>
<b>Engineering services</b>			
Project management	612	578	541
Design and construction	696	546	559
Sewer connections	600	403	604
Drafting and graphic	421	397	375
Customer technical services	357	331	284
Administrative services	139	328	291
Wastewater planning	219	253	205
Engineering services development	149	133	132
Asset management	94	104	-
Resource centre	77	74	72
Land drainage and flood planning	50	50	50
	<u>3,414</u>	<u>3,197</u>	<u>3,113</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> (Restated Note 13)
<b>Finance and administration</b>			
Customer accounts	2,073	1,967	1,918
Administrative services	238	194	234
Financial planning	208	152	124
Financial services	197	151	155
Process improvement	141	100	90
	<u>2,857</u>	<u>2,564</u>	<u>2,521</u>
<b>Environmental standards</b>			
Analysis	929	806	651
Industrial waste	505	361	336
Research	301	175	273
Administration	160	143	100
Compliance	30	-	-
	<u>1,925</u>	<u>1,485</u>	<u>1,360</u>
<b>Information systems and technology</b>			
Support services	507	498	322
Major systems	450	398	414
	<u>957</u>	<u>896</u>	<u>736</u>
<b>Customer services</b>			
Customer relations	526	535	465
Administration	109	69	70
Communications	60	51	48
Public consultation	37	24	12
	<u>732</u>	<u>679</u>	<u>595</u>
<b>Human resources</b>			
Human resources	253	235	215
Human resources training	112	117	90
Timekeeping and payroll	111	99	104
Work place health and safety	61	38	36
	<u>537</u>	<u>489</u>	<u>445</u>
<b>Total Expenses from Operations</b>	<u>63,616</u>	<u>51,538</u>	<u>50,340</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> (Restated Note 13)
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	15,050	14,970	10,355
Transfer to Environmental Projects Reserve	8,688	8,501	13,533
Transfer to General Capital Fund	-	958	-
	<u>23,738</u>	<u>24,429</u>	<u>23,888</u>
<b>Total Expenses</b>	<u>\$ 87,354</u>	<u>\$ 75,967</u>	<u>\$ 74,228</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2005 Actual</u> (Restated Note 13)
Goods and services	\$ 30,035	\$ 27,170	\$ 26,064
Transfers to other funds	23,738	24,429	23,888
Other expenses	12,388	11,297	9,880
Salaries	12,333	11,177	10,564
Interest on long-term debt	8,591	8,408	10,051
Employee benefits	2,321	2,124	1,940
Finance charges	100	5	6
Amortization	6,531	-	-
Recoveries	(8,683)	(8,643)	(8,165)
<b>Total Expenses</b>	<u>\$ 87,354</u>	<u>\$ 75,967</u>	<u>\$ 74,228</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 4

**NET SURPLUS (DEFICIT) FROM CAPITAL**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2006 Actual</u>	<u>2005 Actual</u> (Restated Note 13)
<b>Revenues</b>		
Transfer from Environmental Projects Reserve	\$ 15,839	\$ 13,755
Provincial and Federal capital grants	3,714	-
Transfer from Federal Gas Tax Revenue Reserve	1,883	-
Transfer from Sewer System Rehabilitation Reserve	316	-
Transfer from Wastewater Renewal Reserve	72	823
	<u>21,824</u>	<u>14,578</u>
Other capital funding	<u>373</u>	<u>301</u>
	<u>22,197</u>	<u>14,879</u>
<b>Expenses</b>		
Amortization	14,995	14,839
Loss on disposal of tangible capital assets	630	616
Capital maintenance	490	1,004
Transfer to Waterworks System	266	169
	<u>16,381</u>	<u>16,628</u>
<b>Net surplus (deficit) from capital</b>	<u>\$ 5,816</u>	<u>\$ (1,749)</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<u>General</u>		<u>Infrastructure</u>	
	<u>Land</u>	<u>Buildings</u>	<u>Underground Networks</u>	<u>Sewage Treatment Plants and Lift Stations</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ 757,270	\$ 268,530
Add: Additions during the year	-	-	7,630	1,677
Less: Disposals during the year	-	-	(1,295)	-
Balance, end of year	<u>1,451</u>	<u>885</u>	<u>763,605</u>	<u>270,207</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	521	270,409	108,385
Add: Amortization	-	10	9,863	5,122
Less: Accumulated amortization on disposals	-	-	(665)	-
Balance, end of year	<u>-</u>	<u>531</u>	<u>279,607</u>	<u>113,507</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,451</u>	<u>\$ 354</u>	<u>\$ 483,998</u>	<u>\$ 156,700</u>

Schedule 5

Assets Under Construction	Totals	
	2006	2005
\$ 19,331	\$ 1,047,467	\$ 1,028,189
33,319	42,626	26,040
(9,460)	(10,755)	(6,762)
<u>43,190</u>	<u>1,079,338</u>	<u>1,047,467</u>
-	379,315	365,092
-	14,995	14,839
-	(665)	(616)
<u>-</u>	<u>393,645</u>	<u>379,315</u>
<u>\$ 43,190</u>	<u>\$ 685,693</u>	<u>\$ 668,152</u>



**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Water Main Renewal Reserve</u>	<u>Combined Sewer Reserve</u>	<u>Wastewater Sewer Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 970	\$ -	\$ -	\$ 25,619
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	<u>970</u>	<u>-</u>	<u>-</u>	<u>25,619</u>
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
	<u>\$ 970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,619</u>
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
<b>EQUITY</b>				
Allocated	810	-	-	19,574
Unallocated	160	-	-	6,045
	<u>970</u>	<u>-</u>	<u>-</u>	<u>25,619</u>
	<u>\$ 970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,619</u>

*See accompanying notes to the financial statements*

<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>	<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Sub-total</u>
\$ 4,940	\$ 46,942	\$ 196	\$ 1,084	\$ 1,091	\$ 7,068	\$ 87,910
18,526	-	92	-	-	-	18,618
-	-	3	-	429	-	432
<u>23,466</u>	<u>46,942</u>	<u>291</u>	<u>1,084</u>	<u>1,520</u>	<u>7,068</u>	<u>106,960</u>
1,751	-	2,085	-	-	-	3,836
-	-	-	776	-	-	776
<u>\$ 25,217</u>	<u>\$ 46,942</u>	<u>\$ 2,376</u>	<u>\$ 1,860</u>	<u>\$ 1,520</u>	<u>\$ 7,068</u>	<u>\$ 111,572</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25,217	46,942	2,376	-	-	6,990	101,909
-	-	-	1,860	1,520	78	9,663
<u>25,217</u>	<u>46,942</u>	<u>2,376</u>	<u>1,860</u>	<u>1,520</u>	<u>7,068</u>	<u>111,572</u>
<u>\$ 25,217</u>	<u>\$ 46,942</u>	<u>\$ 2,376</u>	<u>\$ 1,860</u>	<u>\$ 1,520</u>	<u>\$ 7,068</u>	<u>\$ 111,572</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-total Brought Forward</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 87,910	\$ 113	\$ 1,756	\$ 407
Call loans - General Revenue Fund	18,618	-	-	-
Accounts receivable	<u>432</u>	<u>-</u>	<u>-</u>	<u>-</u>
	106,960	113	1,756	407
Investments (Note 4)	3,836	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	<u>776</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 111,572</u>	<u>\$ 113</u>	<u>\$ 1,756</u>	<u>\$ 407</u>
<b>LIABILITIES</b>				
Deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EQUITY</b>				
Allocated	101,909	-	1,756	407
Unallocated	<u>9,663</u>	<u>113</u>	<u>-</u>	<u>-</u>
	<u>111,572</u>	<u>113</u>	<u>1,756</u>	<u>407</u>
	<u>\$ 111,572</u>	<u>\$ 113</u>	<u>\$ 1,756</u>	<u>\$ 407</u>

*See accompanying notes to the financial statements*

<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>	<u>Totals 2006</u>	<u>Totals 2005</u>
\$ 4,895	\$ 13,923	\$ 109,004	\$ 82,892
-	-	18,618	3,439
-	-	432	989
<u>4,895</u>	<u>13,923</u>	<u>128,054</u>	<u>87,320</u>
-	-	3,836	71,959
-	-	776	493
<u>\$ 4,895</u>	<u>\$ 13,923</u>	<u>\$ 132,666</u>	<u>\$ 159,772</u>
<u>\$ 4,649</u>	<u>\$ 13,658</u>	<u>\$ 18,307</u>	<u>\$ -</u>
246	-	104,318	151,290
-	265	10,041	8,482
<u>246</u>	<u>265</u>	<u>114,359</u>	<u>159,772</u>
<u>\$ 4,895</u>	<u>\$ 13,923</u>	<u>\$ 132,666</u>	<u>\$ 159,772</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Water Main Renewal Reserve</u>	<u>Combined Sewer Reserve</u>	<u>Wastewater Sewer Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>
Balance, beginning of year	\$ 1,710	\$ 23,488	\$ 861	\$ -
Add:				
Government of Canada grants	-	-	-	-
Transfer from Combined Sewer Renewal Reserve	-	-	-	24,769
Transfer from Waterworks System	-	-	-	-
Transfer from Sewage Disposal System	-	-	-	-
Interest earned	190	841	24	625
Frontage levies	6,912	423	-	-
Transfer from Transit System	-	-	-	-
Transfer from General Revenue Fund	-	-	-	-
Transfer from Wastewater Sewer Renewal Reserve	-	-	-	812
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
Transfer from General Capital Fund	-	60	-	-
Other	3	-	-	-
	<u>8,815</u>	<u>24,812</u>	<u>885</u>	<u>26,206</u>
Deduct:				
Transfer to Waterworks System	7,836	-	-	-
Transfer to Sewer System Rehabilitation Reserve	-	24,769	812	-
Transfer to Sewage Disposal System	-	-	72	316
Transfer to General Capital Fund	-	-	-	240
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	9	43	1	31
Other	-	-	-	-
	<u>7,845</u>	<u>24,812</u>	<u>885</u>	<u>587</u>
Balance, end of year	<u>\$ 970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,619</u>

*See accompanying notes to the financial statements*

<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>	<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Sub-total</u>
\$ 73,680	\$ 52,336	\$ 2,114	\$ 1,773	\$ 1,477	\$ 359	\$ 157,798
90	-	-	-	-	-	90
-	-	-	-	-	-	24,769
10,089	-	-	-	-	-	10,089
-	8,501	-	-	-	-	8,501
2,886	2,048	89	90	33	188	7,014
-	-	-	-	-	-	7,335
-	-	-	-	-	6,530	6,530
-	-	-	-	281	-	281
-	-	-	-	-	-	812
-	-	175	-	-	-	175
-	-	-	-	-	-	-
-	-	-	-	-	-	60
-	-	-	-	-	-	3
<u>86,745</u>	<u>62,885</u>	<u>2,378</u>	<u>1,863</u>	<u>1,791</u>	<u>7,077</u>	<u>223,457</u>
61,457	-	-	-	-	-	69,293
-	-	-	-	-	-	25,581
-	15,839	-	-	-	-	16,227
-	-	-	-	-	-	240
-	-	-	-	-	-	-
-	-	-	-	269	-	269
70	104	2	3	2	9	274
1	-	-	-	-	-	1
<u>61,528</u>	<u>15,943</u>	<u>2</u>	<u>3</u>	<u>271</u>	<u>9</u>	<u>111,885</u>
<u>\$ 25,217</u>	<u>\$ 46,942</u>	<u>\$ 2,376</u>	<u>\$ 1,860</u>	<u>\$ 1,520</u>	<u>\$ 7,068</u>	<u>\$ 111,572</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Sub-total Brought Forward</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>
Balance, beginning of year	\$ 157,798	\$ 104	\$ 1,413	\$ 457
Add:				
Government of Canada grants	90	-	-	-
Transfer from Combined Sewer Renewal Reserve	24,769	-	-	-
Transfer from Waterworks System	10,089	-	-	-
Transfer from Sewage Disposal System	8,501	-	-	-
Interest earned	7,014	4	63	18
Frontage levies	7,335	-	-	-
Transfer from Transit System	6,530	-	-	-
Transfer from General Revenue Fund	281	13	566	-
Transfer from Wastewater Sewer Renewal Reserve	812	-	-	-
Transfer from Solid Waste Disposal	175	-	-	-
Transfer from Building Services Fund	-	-	11	-
Transfer from General Capital Fund	60	-	-	-
Other	3	-	-	-
	<u>223,457</u>	<u>121</u>	<u>2,053</u>	<u>475</u>
Deduct:				
Transfer to Waterworks System	69,293	-	-	68
Transfer to Sewer System Rehabilitation Reserve	25,581	-	-	-
Transfer to Sewage Disposal System	16,227	-	-	-
Transfer to General Capital Fund	240	-	-	-
Transfer to Transit System	-	-	-	-
Purchase of equipment	269	8	294	-
Transfer to General Revenue Fund - investment management fee	274	-	3	-
Other	1	-	-	-
	<u>111,885</u>	<u>8</u>	<u>297</u>	<u>68</u>
Balance, end of year	<u>\$ 111,572</u>	<u>\$ 113</u>	<u>\$ 1,756</u>	<u>\$ 407</u>

*See accompanying notes to the financial statements*

<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>	<u>Totals 2006</u>	<u>Totals 2005</u>
\$ -	\$ -	\$ 159,772	\$ 171,294
18,659	670	19,419	-
-	-	24,769	-
-	-	10,089	10,098
-	-	8,501	13,533
246	265	7,610	5,458
-	-	7,335	26,676
-	-	6,530	5,232
-	-	860	782
-	-	812	-
-	-	175	192
-	-	11	15
-	-	60	-
-	-	3	-
<u>18,905</u>	<u>935</u>	<u>245,946</u>	<u>233,280</u>
-	-	69,361	31,561
-	-	25,581	-
1,883	-	18,110	14,578
16,776	-	17,016	21,463
-	670	670	5,015
-	-	571	595
-	-	277	292
-	-	1	4
<u>18,659</u>	<u>670</u>	<u>131,587</u>	<u>73,508</u>
<u>\$ 246</u>	<u>\$ 265</u>	<u>\$ 114,359</u>	<u>\$ 159,772</u>



# THE CITY OF WINNIPEG CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The Capital Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

Water Main Renewal Reserve Fund	Transit Bus Replacement Reserve Fund
Sewer System Rehabilitation Reserve Fund	Concession Equipment Replacement Reserve Fund
Water Treatment Reserve Fund	Computer Replacement Reserve Fund
Environmental Projects Reserve Fund	Aqueduct Rehabilitation Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund	Federal Gas Tax Revenue Reserve Fund
Golf Course Reserve Fund	Public Transit Reserve Fund
Library Reserve Fund	

#### b) Basis of accounting

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

#### c) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

#### d) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

#### e) Deferred revenue

The City receives grants dedicated to the acquisition of specific tangible capital assets. When capital grants are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

## 2. *Status of the Capital Reserves*

### **Water Main Renewal Reserve Fund**

City Council, on February 18, 1981, authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established in 1981 by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System and will be maintained by the transfer of frontage levy revenue and interest earned.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

### **Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds)**

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the renewal and rehabilitation of combined sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

Also on May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

The Director of Water and Waste is the Fund Manager.

### **Water Treatment Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Water Treatment Reserve Fund for the purpose of providing funding for a water treatment program.

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2006 water rates include a provision of 40.63 cents (2005 - 39.40 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2006 sewer rate include a provision of 31.3 cents (2005 - 55.0 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Brady Landfill Site Rehabilitation Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2005 - 50 cents) per tonne for each tonne disposed at Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

**Golf Course Reserve Fund**

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency. The Director of Planning, Property and Development is the Fund Manager.

**Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, Council further approved that all over due fines, replacement fees, room rental, non-resident and photocopy fees revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

**Transit Bus Replacement Reserve Fund**

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Concession Equipment Replacement Reserve Fund**

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase and replacement of concession equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

**Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

**Aqueduct Rehabilitation Reserve Fund**

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct.

The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in 2007.

The Director of Water and Waste is the Fund Manager.

**Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of Federal Gas Tax Revenue Reserve. The purpose of the reserve is to administer and account for funds received from the Province of Manitoba ("Province") under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and The City of Winnipeg signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

The Director of Water and Waste is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Public Transit Reserve Fund**

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve dedicated for eligible projects to be funded by the Government of Canada through Bill C-66.

The Government of Canada and the Province entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government.

These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives.

Subsequent to this, the Province of Manitoba and the City of Winnipeg entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010. Funds totalling \$14.3 million were fully paid to the City under this agreement. In accordance with this agreement, the funds were deposited to this Reserve.

As approved by Council, this reserve will terminate once eligible projects have been completed.

The Director of Transit is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Investments*

Marketable securities

Provincial bonds and bond coupons  
Government of Canada bonds and bond coupons

	<u>2006</u>	<u>2005</u>
	\$ 2,933	\$ 46,246
	903	25,713
	<u>\$ 3,836</u>	<u>\$ 71,959</u>

The aggregate market value of marketable securities at December 31, 2006 is \$4,258 thousand (2005 - \$72,687 thousand).

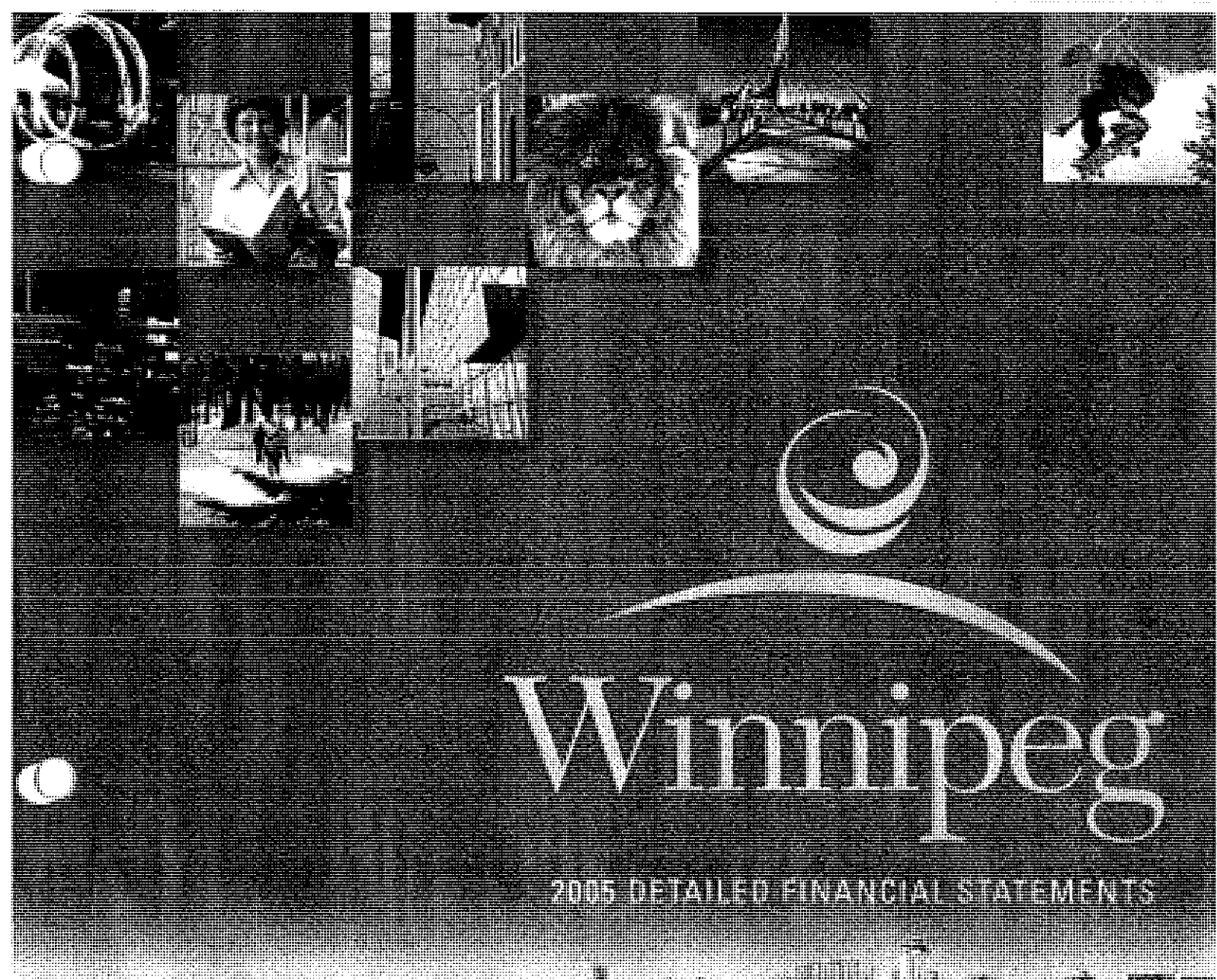
5. *Due from Golf Services - Special Operating Agency*

	<u>2006</u>	<u>2005</u>
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 57	\$ 63
- 2005	63	69
- 2006	106	115
- 2007	245	246
- 2008	305	-
	<u>\$ 776</u>	<u>\$ 493</u>

Included in interest earned is \$39 thousand (2005 - \$23 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

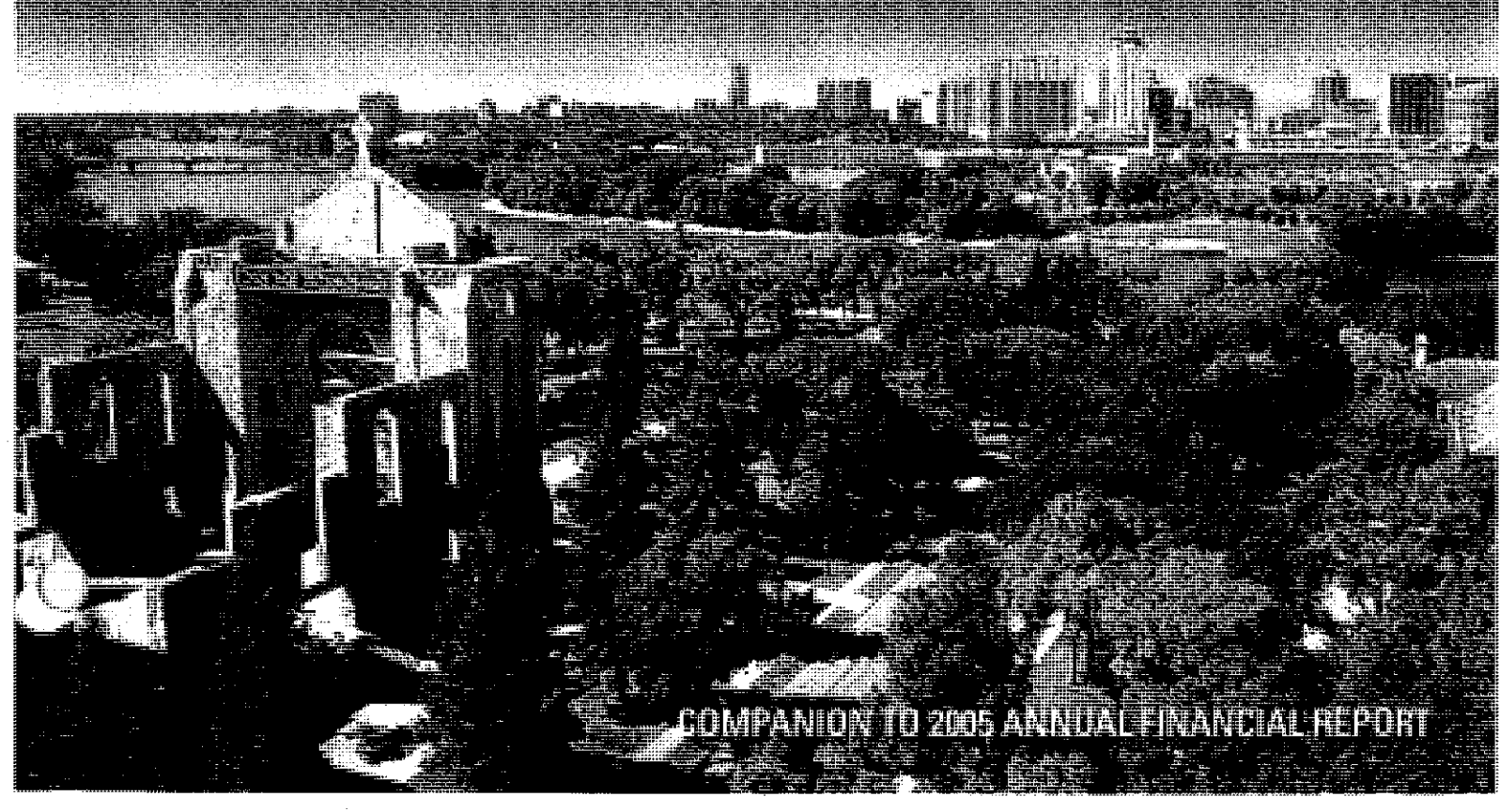
6. *Accounting Presentation*

Certain prior year's figures have been reclassified to conform with the current year's presentation.



# Winnipeg

2005 DETAILED FINANCIAL STATEMENTS



COMPANION TO 2005 ANNUAL FINANCIAL REPORT

Illustration by Lisa P. Goss, Winnipeg, Manitoba

## **THE CITY OF WINNIPEG WATERWORKS SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the Intake, 174 kms of aqueduct, five pumping stations, four reservoir systems and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Treatment Reserve.

The Water Treatment Reserve was established on December 17, 1993 to fund 50% of the cost of building a water treatment plant estimated at \$214 million. The water treatment plant conceptual design study was completed in 1999 and in October 1999, the Executive Policy Committee held public consultations regarding the need for a proposed water treatment plant. Council approved the recommended water treatment program on November 22, 2000. As part of the emerging technologies studied, ultraviolet light disinfection was proven to be an effective water treatment technology to protect against waterborne pathogens. On July 17, 2002, Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant. On June 25, 2003, Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility. The ultraviolet light disinfection facility was constructed at the Deacon Booster Pumping Station in 2004 and will become operational in 2006. On March 23, 2005, Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation. On November 23, 2005, Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of \$2.8 million. The current water treatment plant capital cost estimate is now \$230.1 million. Design of the water treatment plant is ongoing and construction did commence in 2005. The target in-service date for full water treatment is late 2007.



# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

*As at December 31  
(unaudited)*

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
Annual water pumped (million litres)	<b>80,713</b>	81,045	84,577	81,916	79,783
Water pumped in litres per capita per day	<b>339</b>	343	366	359	346
Average daily water pumped (million litres per day)	<b>221</b>	222	232	224	219
Maximum day water pumping rates (million litres per day)	<b>267</b>	285	336	308	276
Maximum hour water pumping rates (million litres per day)	<b>391</b>	411	517	450	432
Kilometres of aqueduct	<b>174.5</b>	174.5	174.5	174.5	174.5
Kilometres of feeder mains	<b>150.3</b>	156.8	156.8	156.8	116.8
Kilometres of water mains	<b>2,435.5</b>	2,434.2	2,420.6	2,417.8	2,426.8
Number of hydrants	<b>19,930</b>	20,661	20,348	20,228	19,464
Number of billed services	<b>187,619</b>	186,160	184,854	183,656	182,804

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current		
Cash	\$ 259	\$ 318
Accounts receivable (Note 3)	15,207	13,897
Due from General Revenue Fund (Note 4)	24,946	16,868
Inventories	1,001	792
	<u>41,413</u>	<u>31,875</u>
Capital assets (Note 5)	<u>69,869</u>	<u>42,294</u>
	<u>\$ 111,282</u>	<u>\$ 74,169</u>
 <b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 5,535	\$ 3,357
Current portion of long-term debt (Note 7)	3,772	3,721
	<u>9,307</u>	<u>7,078</u>
Long-term debt (Note 7)	<u>23,916</u>	<u>28,622</u>
	<u>33,223</u>	<u>35,700</u>
<b>RETAINED EARNINGS</b>	<u>78,059</u>	<u>38,469</u>
	<u>\$ 111,282</u>	<u>\$ 74,169</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the years ended December 31  
(in thousands of dollars)  
(unaudited)

	2005 Budget	2005 Actual	2004 Actual
<b>REVENUES (Schedule 1)</b>			
Sale of goods and services (Note 8)	\$ 73,639	\$ 74,008	\$ 71,345
Interest	1,134	1,551	1,343
Government grants, permits and other	903	1,127	736
<b>Total Revenues</b>	<b>75,676</b>	<b>76,686</b>	<b>73,424</b>
<b>EXPENSES (Schedules 2 and 3)</b>			
Water distribution	25,762	22,253	22,379
Debt and finance	8,997	10,330	12,327
Taxes, employee benefits and other (Note 9)	5,760	6,250	6,009
Engineering services	2,803	2,566	2,554
Finance and administration	2,575	2,349	2,171
Information systems and technology	801	645	620
Customer services	593	511	526
Laboratory services	491	474	477
Human resources	507	393	369
<b>Total Expenses from Operations</b>	<b>48,289</b>	<b>45,771</b>	<b>47,432</b>
Surplus for the year from operations	27,387	30,915	25,992
Transfers to other funds (Note 10)	22,307	23,556	22,661
Net surplus for the year	5,080	7,359	3,331
<b>Unappropriated retained earnings</b>			
Beginning of year	28,502	28,502	27,779
Transfer from Water Treatment Reserve (Note 5)	-	32,231	-
Transfer from appropriated retained earnings	-	1,275	3,097
Appropriation for Waterworks System Fund Capital	-	(6,043)	(5,705)
<b>End of year</b>	<b>33,582</b>	<b>63,324</b>	<b>28,502</b>
<b>Appropriated retained earnings</b>			
Beginning of year	9,967	9,967	7,359
Appropriation for Waterworks System Fund Capital	-	6,043	5,705
Transfer to unappropriated retained earnings	-	(1,275)	(3,097)
<b>End of year</b>	<b>9,967</b>	<b>14,735</b>	<b>9,967</b>
<b>Total retained earnings</b>	<b>\$ 43,549</b>	<b>\$ 78,059</b>	<b>\$ 38,469</b>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

**NET INFLOW (OUTFLOW) OF CASH RELATED TO THE  
FOLLOWING ACTIVITIES:**

**OPERATING**

Net surplus for the year	\$ 7,359	\$ 3,331
Non-cash items related to operations		
Amortization	4,655	4,613
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(934)	(869)
Contributions in aid of construction	1,335	3,115

Working capital from operations	12,415	10,190
Change in net working capital other than cash	659	2,178

**13,074**                      **12,368**

**FINANCING**

Debt retired	(3,336)	(3,217)
Due from General Revenue Fund	(8,078)	(5,542)
Proceeds from The Sinking Fund Trustees	1,008	918
Payments to The Sinking Fund Trustees for outstanding long-term debt	(1,393)	(1,444)
Contributions from Reserves	31,561	14,661

**19,762**                      **5,376**

**INVESTING**

Purchase of capital assets	(32,895)	(17,776)
----------------------------	----------	----------

Decrease in cash	(59)	(32)
Cash, beginning of year	318	350

Cash, end of year	<b>\$ 259</b>	<b>\$ 318</b>
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*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded which may not coincide with when the assets are actually put into service.

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### b) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

1. *Summary of Significant Accounting Policies (continued)*

c) **Watermain Renewal Reserve**

On February 18, 1981, Council adopted a motion that a reserve to fund the renewal of watermain be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Watermain Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

d) **Aqueduct Rehabilitation Reserve**

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The 2005 water rates include a provision of 0 cents (2004 - 0 cents) per 100 cubic feet of water consumption billed for aqueduct rehabilitation. In 2005 and 2004, funds were not transferred to the Reserve. Prior to 1996, funds were appropriated in the Waterworks System Fund for the aqueduct rehabilitation project.

e) **Water Treatment Reserve**

On December 17, 1993, Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2005 water rates include a provision of 39.4 cents (2004 - 47.25 cents) per 100 cubic feet of water consumption billed for water treatment. In 2005, \$10.1 million (2004 - \$11.2 million) was transferred to the Water Treatment Reserve.

2. *Status of the Waterworks System*

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

3. *Accounts Receivable*

	<u>2005</u>	<u>2004</u>
Water billings and other	\$ 15,392	\$ 14,097
Allowance for doubtful accounts	<u>(185)</u>	<u>(200)</u>
	<u>\$ 15,207</u>	<u>\$ 13,897</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

5. *Capital Assets*

	2005	2004
Plant and equipment	\$ 434,241	\$ 408,960
Work in progress	71,647	56,773
Undistributed capital assets	16,565	16,565
Land	613	613
	<u>523,066</u>	<u>482,911</u>
Work in progress funding	(37,084)	(54,440)
Accumulated amortization	(156,602)	(151,947)
Contributions in aid of construction	(259,511)	(234,230)
	<u>\$ 69,869</u>	<u>\$ 42,294</u>

During the year, the following funds provided contributions in aid of construction towards the acquisition, construction and development of capital assets:

Aqueduct Rehabilitation Reserve \$0.4 million (2004 - \$1.1 million);  
 Waterworks System Fund \$1.3 million (2004 - \$3.1 million); and  
 Watermain Renewal Reserve \$7.3 million (2004 - \$6.3 million).

Commencing in 2005, Water Treatment projects are recorded as work in progress in the Waterworks System Fund. These assets will continue to build in value until the new Water Treatment Plant is complete. At that time, the completed assets will be transferred to capital assets in the Waterworks System Fund and will be amortized over their expected useful life. Prior to this change, these projects were recorded in the Water Treatment Reserve. In 2005, \$32.2 million of assets were transferred from the Water Treatment Reserve to the Waterworks System Fund.

6. *Accounts Payable and Accrued Liabilities*

	2005	2004
Trade accounts payable	\$ 3,706	\$ 1,568
Accrued debenture interest	990	1,046
Other accrued liabilities	612	529
Deferred revenue and other	227	214
	<u>\$ 5,535</u>	<u>\$ 3,357</u>

7. *Long-Term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2005	2004
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 1,008
1989-2009	Dec. 14	10.000	VH	5286/89	1,500	1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
					<u>44,500</u>	<u>45,508</u>

7. *Long-Term Debt (continued)*

Equity in Sinking Fund (Note 7b)	<u>(19,252)</u>	<u>(17,933)</u>
Net sinking fund debentures outstanding	25,248	27,575
<b>Other long-term debt outstanding</b>		
Serial and installment debt issued by the City with varying maturities up to 2006 and a weighted average interest rate of 6.75% (2004 - 6.75%)	2,392	4,652
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 6.25% (2004 - 6.91%)	<u>48</u>	<u>116</u>
	<u>27,688</u>	<u>32,343</u>
Current portion of long-term debt	<u>(3,737)</u>	<u>(3,653)</u>
Current portion of Equity in Capital Assets Fund debt	<u>(35)</u>	<u>(68)</u>
Current portion of long-term debt	<u>(3,772)</u>	<u>(3,721)</u>
	<u>\$ 23,916</u>	<u>\$ 28,622</u>

Principal retirement on long-term debt over the next five years is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
Sinking fund debentures \$	-	-	-	1,500	-	43,000
Serial and installment	2,392	-	-	-	-	-
Equity in Capital Assets Fund	<u>35</u>	<u>6</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,427</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 43,000</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Cash paid for interest during the year was \$4.4 million (2004 - \$4.6 million).

8. *Revenue*

The 2005 Water Treatment reserve contribution was 39.4 cents per hundred cubic feet (2004 - 47.25 cents).



## 9. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2005, realty and business taxes paid to the General Revenue Fund was \$3.2 million (2004 - \$2.5 million).

Included in expenses is \$0.7 million (2004 - \$0.8 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is \$348 thousand (2004 - \$334 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

### Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2005 is \$2.4 million (2004 - \$2.3 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2005 is estimated at \$137 thousand (2004 - \$130 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, 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 has estimated the unrecorded liability at December 31, 2005 at \$3.4 million (2004 - \$2.8 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year, \$1.4 million (2004 - \$1.3 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2004 and has disclosed an actuarial surplus.

## 10. Transfers to Other Funds

Beginning in 1988, Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. In addition, the Utility transferred \$7.1 million in 2005 (2004 - \$5.6 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	<u>2005</u>	<u>2004</u>
Transfer to General Revenue Fund	\$ 13,458	\$ 11,487
Transfer to Water Treatment Reserve	<u>10,098</u>	<u>11,174</u>
	<u>\$ 23,556</u>	<u>\$ 22,661</u>

## ***11. Related Party Transactions***

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 1**

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
<b>Sale of goods and services</b>			
Water sales	\$ 70,341	\$ 70,641	\$ 67,998
Fire hydrant and other rentals	3,262	3,339	3,312
Sale of scrap material	36	28	35
	<u>73,639</u>	<u>74,008</u>	<u>71,345</u>
<b>Interest</b>			
Sinking Fund earnings	934	934	869
Interest	150	607	427
Interest capitalized	50	10	47
	<u>1,134</u>	<u>1,551</u>	<u>1,343</u>
<b>Government grants, permits and other</b>			
Provincial support grant	450	497	465
Permits and fees	118	354	126
Other	335	276	145
	<u>903</u>	<u>1,127</u>	<u>736</u>
<b>Total Revenues</b>	<u>\$ 75,676</u>	<u>\$ 76,686</u>	<u>\$ 73,424</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2005 Budget</b>	<b>2005 Actual</b>	<b>2004 Actual</b>
<b>Water distribution</b>			
Watermain maintenance	\$ 4,651	\$ 6,295	\$ 6,002
Pumping stations	3,346	3,103	2,977
General administration	2,110	2,576	2,429
Mechanical/civil/electrical maintenance allocation	2,661	2,397	2,321
Service pipe maintenance	4,020	2,070	2,679
Emergency services	1,276	1,264	1,372
Railway maintenance and operations	1,320	1,152	1,143
Hydrant maintenance	1,954	1,061	1,013
Water meter maintenance	1,153	573	571
Valve maintenance	1,082	496	633
Water supply administration	558	404	377
Intake operation	390	380	328
Stores - 552 Plinguet	163	159	180
Backflow prevention	141	151	222
Meter shop	216	104	67
Staff house	91	68	65
Water treatment plant	630	-	-
	<u>25,762</u>	<u>22,253</u>	<u>22,379</u>
<b>Debt and finance</b>			
Long-term debt			
Amortization	4,655	4,655	4,613
Interest	4,324	4,325	4,585
Contributions in aid of construction	-	1,335	3,115
Finance charges	18	15	14
	<u>8,997</u>	<u>10,330</u>	<u>12,327</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	3,104	3,532	2,833
Employee benefits	750	986	1,303
General government charges	615	615	615
Provincial payroll tax	420	558	494
Insurance and damage claims	576	428	489
Rent	339	348	334
Other services	296	192	322
Recoveries	(340)	(409)	(381)
	<u>5,760</u>	<u>6,250</u>	<u>6,009</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
<b>Engineering services division</b>			
Design and construction	580	567	459
Project management	608	542	388
Drafting and graphics	429	375	519
Administration	128	297	334
Water planning	427	294	314
Customer technical services	320	284	268
Services development	148	133	125
Resource centre	70	72	48
Land drainage/flood planning	-	2	52
Asset management	93	-	47
	<u>2,803</u>	<u>2,566</u>	<u>2,554</u>
<b>Finance and administration division</b>			
Customer billing	2,049	1,820	1,698
Administrative services	146	205	179
Accounting services	144	136	121
Financial planning	134	109	93
Process improvement	102	79	80
	<u>2,575</u>	<u>2,349</u>	<u>2,171</u>
<b>Information systems and technology division</b>			
Major systems	441	363	310
Support services	360	282	310
	<u>801</u>	<u>645</u>	<u>620</u>
<b>Customer services division</b>			
Customer relations	437	399	423
Administration	90	60	62
Communications	45	41	41
Public consultation	21	11	-
	<u>593</u>	<u>511</u>	<u>526</u>
<b>Laboratory services division</b>			
Analytical services	294	301	297
Research	134	126	130
Administration	63	47	50
	<u>491</u>	<u>474</u>	<u>477</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 2**

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2005 Budget</b>	<b>2005 Actual</b>	<b>2004 Actual</b>
<b>Human resources division</b>			
Human resources	185	190	190
Timekeeping and payroll	104	91	77
Human resources training	162	79	70
Work place health and safety	56	33	32
	<u>507</u>	<u>393</u>	<u>369</u>
<b>Total Expenses from Operations</b>	<u>48,289</u>	<u>45,771</u>	<u>47,432</u>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	11,958	13,458	11,487
Transfer to Water Treatment Reserve	10,349	10,098	11,174
	<u>22,307</u>	<u>23,556</u>	<u>22,661</u>
<b>Total transfer to other funds</b>	<u>22,307</u>	<u>23,556</u>	<u>22,661</u>
<b>Total Expenses</b>	<u>\$ 70,596</u>	<u>\$ 69,327</u>	<u>\$ 70,093</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Transfers	\$ 22,307	\$ 23,556	\$ 22,661
Salaries	23,908	22,414	20,799
Goods and services	20,368	16,547	17,714
Other expenses	4,195	4,908	4,193
Amortization	4,655	4,655	4,613
Interest on long-term debt	4,324	4,325	4,585
Employee benefits	4,296	3,955	4,109
Contributions in aid of construction	-	1,335	3,115
Finance charges	282	122	153
Grants	45	95	41
Recoveries	(13,784)	(12,585)	(11,890)
<b>Total Expenses</b>	<u>\$ 70,596</u>	<u>\$ 69,327</u>	<u>\$ 70,093</u>

## **THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, the environment, and the aesthetic quality of the rivers through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

An Environmental Projects Reserve was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would improve river quality. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and combined sewer overflow mitigation infrastructure.

River quality is under the jurisdiction of the Province of Manitoba and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period which was subsequently ordered by the Minister of Conservation on September 26, 2003, with some initiatives to be completed sooner than recommended by the CEC.

In 2005 Manitoba Conservation issued Environment Act Licences to the City for the North End and West End Water Pollution Control Centers (NEWPCC and WEWPCC). A License has not yet been finalized for the South End Water Pollution Control Center (SEWPCC), but is expected to be similar to the other Licences and issued early in 2006. The Licences place specific compliance conditions that have been contemplated in the wastewater improvement current plan but may need to be adjusted as the programs move forward to address site specific design and implementation challenges.

The 25 year wastewater improvement program, which includes effluent ultraviolet (UV) disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations is estimated to cost \$900 million.

Wastewater treatment upgrades to the NEWPCC and WEWPCC are currently underway and are expected to be completed by the end of 2006 or early 2007. The upgrades include year-round UV disinfection of the final effluent, and nutrient removal upgrades to achieve an interim reduction of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on biological nutrient removal at the SEWPCC will be initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC will be initiated after a Master Plan study has been substantially completed in order to have full biological nutrient removal at the NEWPCC completed by the end of 2014.



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

*As at December 31  
(unaudited)*

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Rate in dollars (per 100 cu. ft.)	\$ 3.39	\$ 3.11	\$ 2.73	\$ 2.73	\$ 2.73
Annual sewage received (million litres)	123,584	127,534	96,199	103,659	117,165
Daily sewage received (million litres)	339.6	349.4	263.6	284.0	321.0
Kilometres of interceptor sewers	109.7	109.7	109.8	108.9	107.7
Kilometres of combined sewers	1,338.2	1,334.1	1,327.8	1,320.0	1,320.0
Kilometres of wastewater sewers	1,427.1	1,422.3	1,408.5	1,389.1	1,296.0
Kilometres of storm sewers	2,260.7	2,241.9	2,217.8	2,173.9	2,165.0
Number of lift stations	85	85	85	85	84
Number of billed sewer services	187,398	185,939	184,637	183,406	182,334

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current		
Cash	\$ 1	\$ 1
Due from General Revenue Fund (Note 3)	23,336	16,521
Accounts receivable (Note 4)	<u>17,745</u>	<u>19,658</u>
	41,082	36,180
Capital assets (Note 5)	<u>87,463</u>	<u>81,366</u>
	<u>\$ 128,545</u>	<u>\$ 117,546</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 6,899	\$ 4,892
Performance and other deposits	250	168
Current portion of long-term debt (Note 7)	<u>4,239</u>	<u>4,989</u>
	11,388	10,049
Long-term debt (Note 7)	<u>53,879</u>	<u>60,788</u>
	65,267	70,837
<b>RETAINED EARNINGS</b>	<u>63,278</u>	<u>46,709</u>
	<u>\$ 128,545</u>	<u>\$ 117,546</u>

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
<b>REVENUES (Schedule 1)</b>			
Sewer services (Note 8)	\$ 89,958	\$ 85,651	\$ 76,495
Interest	2,931	3,383	3,209
Government grants, permits and other	2,195	2,482	2,154
Total revenues	<u>95,084</u>	<u>91,516</u>	<u>81,858</u>
<b>EXPENSES (Schedules 2 and 3)</b>			
Debt and finance	19,118	24,530	23,193
Collection, interception and treatment	21,756	21,764	21,428
Taxes, employee benefits and other (Note 9)	9,673	9,750	8,399
Engineering services	3,182	3,113	2,640
Finance and administration	2,701	2,521	2,383
Laboratory services	1,455	1,360	1,281
Information systems and technology	966	736	705
Customer services	675	595	609
Human resources	406	445	423
Total expenses from operations	<u>59,932</u>	<u>64,814</u>	<u>61,061</u>
Surplus for the year from operations	35,152	26,702	20,797
Transfers to other funds (Note 10)	25,136	23,888	21,987
Net surplus (deficit) for the year	10,016	2,814	(1,190)
Unappropriated retained earnings			
Beginning of year	6,528	6,528	24,029
Transfer from Environmental Projects Reserve (Note 5)	-	13,755	-
Transfer from appropriated retained earnings	-	6,815	5,019
Appropriation for Sewage Disposal System Fund Capital	-	(35,870)	(21,330)
End of year	<u>16,544</u>	<u>(5,958)</u>	<u>6,528</u>
Appropriated retained earnings			
Beginning of year	40,181	40,181	23,870
Appropriation for Sewage Disposal System Fund Capital	-	35,870	21,330
Transfer to unappropriated retained earnings	-	(6,815)	(5,019)
End of year	<u>40,181</u>	<u>69,236</u>	<u>40,181</u>
Total retained earnings	<u>\$ 56,725</u>	<u>\$ 63,278</u>	<u>\$ 46,709</u>

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005</u>	<u>2004</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net surplus (deficit) for the year	\$ 2,814	\$ (1,190)
Non-cash items related to operations		
Amortization	7,659	7,391
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,670)	(2,661)
Contributions in aid of construction from retained earnings	<u>6,815</u>	<u>5,019</u>
Working capital from operations	14,618	8,559
Change in net working capital other than cash	<u>4,002</u>	<u>(5,184)</u>
	<u>18,620</u>	<u>3,375</u>
<b>FINANCING</b>		
Debt retired	(19,433)	813
Due from General Revenue Fund	(6,815)	2,565
Payments from The Sinking Fund Trustees for long-term debt retired	17,927	1,837
Payments to The Sinking Fund Trustees for outstanding long-term debt	(3,432)	(3,535)
Decrease in other long-term debt	(51)	(36)
Contributions from Reserves	<u>13,177</u>	<u>2,642</u>
	<u>1,373</u>	<u>4,286</u>
<b>INVESTING</b>		
Purchase of capital assets	<u>(19,993)</u>	<u>(7,661)</u>
Increase in cash	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

#### a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded, which may not coincide with when the assets are actually put into service.

Commencing in 1998, when debt is retired, the underlying asset purchased with that debt will continue to be amortized over the asset's remaining useful life using the straight-line method of amortization.

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### b) Wastewater Sewer Renewal Reserve

On May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve for the renewal and rehabilitation of wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Wastewater Sewer Renewal Reserve and the Combined Sewer Renewal Reserve in accordance with the needs at that time. In 2005, \$1.0 million (2004 - \$0.4 million) of the frontage levy revenue was transferred to the Wastewater Sewer Renewal Reserve, the remaining revenue for the year was transferred to the Combined Sewer Renewal Reserve.

1. *Summary of Significant Accounting Policies (continued)*

c) **Environmental Projects Reserve**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2005 sewer rate includes a provision of 55 cents (2004 - 55 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2005, \$13.5 million (2004 - \$12.1 million) was transferred to the Environmental Projects Reserve.

2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Accounts Receivable*

	<u>2005</u>	<u>2004</u>
Sewer billings and other	\$ 17,894	\$ 16,072
Province of Manitoba	-	3,800
Allowance for doubtful accounts	<u>(149)</u>	<u>(214)</u>
	<u>\$ 17,745</u>	<u>\$ 19,658</u>

5. *Capital Assets*

	<u>2005</u>	<u>2004</u>
Buildings and plants	\$ 259,876	\$ 255,703
Other structures	48,366	45,533
Work in progress	38,830	27,243
Equipment	4,979	3,580
Undistributed capital assets	1,367	1,367
Land	<u>564</u>	<u>564</u>
	353,982	333,990
Work in progress funding	(25,075)	(27,243)
Contributions in aid of construction	(71,998)	(63,593)
Accumulated amortization	<u>(169,446)</u>	<u>(161,788)</u>
	<u>\$ 87,463</u>	<u>\$ 81,366</u>

5. *Capital Assets (continued)*

During the year, the following funds provided contributions in aid of construction towards the acquisition, construction and development of capital assets:

Wastewater Sewer Renewal Reserve \$823 thousand (2004 - \$292 thousand);  
 Environmental Projects Reserve \$nil (2004 - \$1.0 million); and  
 Sewage Disposal System Fund \$6.8 million (2004 - \$5.0 million).

Commencing in 2005, major environmental projects are recorded as work in progress in the Sewage Disposal System Fund. These assets will continue to build in value until the new facilities are completed. At that time, the completed assets will be transferred to capital assets in the Sewage Disposal System Fund and will be amortized over their expected useful life. Prior to this change, these projects were recorded as assets in the Environmental Projects Reserve. In 2005, \$13.8 million of assets were transferred from the Environmental Projects Reserve to the Sewer Disposal System Fund.

6. *Accounts Payable and Accrued Liabilities*

	<u>2005</u>	<u>2004</u>
Trade accounts payable	\$ 3,621	\$ 1,097
Accrued debenture interest	2,990	3,531
Other accrued liabilities	288	264
	<u>\$ 6,899</u>	<u>\$ 4,892</u>

7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2005</u>	<u>2004</u>
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 17,927
1989-2009	Dec. 14	10.000	VH	5286/89	11,000	11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>86,000</u>	103,927
					<u>(43,744)</u>	<u>(55,569)</u>
					42,256	48,358

7. *Long-term Debt (continued)*

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.56% (2004 - 4.50%)	12,118	13,619
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 6.92% (2004 - 6.92%)	83	88
Pointe West Properties debt, maturity in 2012, interest rate of 6.65%	<u>3,661</u>	<u>3,712</u>
	<u>58,118</u>	<u>65,777</u>
Current portion of long-term debt	(4,178)	(4,932)
Current portion of Equity in Capital Assets Fund debt	(5)	(5)
Current portion of Pointe West Properties debt	<u>(56)</u>	<u>(52)</u>
Current portion of long-term debt	<u>(4,239)</u>	<u>(4,989)</u>
	<u>\$ 53,879</u>	<u>\$ 60,788</u>

Principal retirement on long-term debt over the next five years is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
Sinking fund debentures \$	-	\$ -	\$ -	\$ 11,000	\$ -	\$ 75,000
Serial and installment	1,578	1,241	1,302	1,367	1,435	5,195
Equity in Capital Assets Fund	5	6	7	7	-	58
Pointe West debt	56	79	125	134	143	3,124
	<u>\$ 1,639</u>	<u>\$ 1,326</u>	<u>\$ 1,434</u>	<u>\$ 12,508</u>	<u>\$ 1,578</u>	<u>\$ 83,377</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.



7. **Long-term Debt (continued)**

- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$10.6 million (2004 - \$10.8 million).

8. **Revenue**

The 2005 sewer rate increased to 3.39 cents per hundred cubic feet (2004 - 3.11 cents). The 2005 Environmental Projects Reserve contribution remained at 55 cents per hundred cubic feet (2004 - 55 cents).

9. **Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2005, realty and business taxes paid to the General Revenue Fund was \$8.5 million (2004 - \$6.8 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2005, this amounted to \$0.5 million (2004 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$348 thousand (2004 - \$334 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2005 is \$1.0 million (2004 - \$1.0 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2005 is estimated at \$160 thousand (2004 - \$176 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, 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 has estimated the unrecorded liability at December 31, 2005 at \$1.3 million (2004 - \$1.4 million).

**9. Taxes, Employee Benefits and Other (continued)**

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, \$711 thousand (2004 - \$688 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2004 and has disclosed an actuarial surplus.

**10. Transfers to Other Funds**

Beginning in 1988, Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2005, the Utility contributed \$3.9 million (2004 - \$3.8 million) to the General Revenue Fund to support the land drainage program.

	<u>2005</u>	<u>2004</u>
Transfer to Environmental Projects Reserve	\$ 13,533	\$ 12,109
Transfer to General Revenue Fund	<u>10,355</u>	<u>9,878</u>
	<u>\$ 23,888</u>	<u>\$ 21,987</u>

**11. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 1

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>2005 Budget</b>	<b>2005 Actual</b>	<b>2004 Actual</b>
<b>Sewer services</b>	\$ 89,958	\$ 85,651	\$ 76,495
<b>Interest</b>			
Sinking Fund earnings	2,681	2,670	2,661
Interest	200	584	477
Capitalized	50	129	71
	<u>2,931</u>	<u>3,383</u>	<u>3,209</u>
<b>Government grants, permits and other</b>			
Industrial waste surcharges	1,850	1,472	1,433
Other	35	710	396
Provincial support grant	220	170	186
Permits and fees	90	130	139
	<u>2,195</u>	<u>2,482</u>	<u>2,154</u>
<b>Total Revenues</b>	<u>\$ 95,084</u>	<u>\$ 91,516</u>	<u>\$ 81,858</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
<b>Debt and finance</b>			
Long-term debt			
Interest	\$ 11,369	\$ 10,051	\$ 10,754
Amortization	7,659	7,659	7,391
Contribution in aid of construction from retained earnings	-	6,815	5,019
Finance charges	90	5	29
	<u>19,118</u>	<u>24,530</u>	<u>23,193</u>
<b>Collection, interception and treatment</b>			
North end water pollution control centre	7,410	7,508	6,660
Administration	4,737	4,992	5,300
South end water pollution control centre	2,196	2,362	2,335
Sludge disposal	1,767	1,579	1,763
Interception system	1,567	1,518	1,564
West end water pollution control centre	1,421	1,372	1,446
Mechanical maintenance	1,281	1,176	1,115
Electrical maintenance/instrumentation	863	777	778
Civil maintenance	514	480	467
	<u>21,756</u>	<u>21,764</u>	<u>21,428</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	8,001	8,524	6,825
Miscellaneous	375	758	582
General government charges	467	467	467
Employee benefits	407	463	453
Rent	339	348	334
Insurance and claims	389	294	280
Provincial payroll tax	215	181	169
Recoveries	(520)	(1,285)	(711)
	<u>9,673</u>	<u>9,750</u>	<u>8,399</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
<b>Engineering services</b>			
Sewer connections	600	604	490
Design and construction	580	559	456
Project management	608	541	387
Drafting and graphic	429	375	513
Administrative services	151	291	333
Customer technical services	320	284	267
Wastewater planning	133	205	14
Engineering services development	148	132	125
Resource centre	70	72	47
Land drainage and flood planning	50	50	50
Asset management	93	-	(42)
	<u>3,182</u>	<u>3,113</u>	<u>2,640</u>
<b>Finance and administration</b>			
Customer accounts	2,028	1,918	1,842
Administrative services	238	234	204
Financial services	165	155	138
Financial planning	153	124	106
Process improvement	117	90	93
	<u>2,701</u>	<u>2,521</u>	<u>2,383</u>
<b>Laboratory services</b>			
Analysis	636	651	592
Industrial waste	363	336	302
Research	290	273	280
Administration	166	100	107
	<u>1,455</u>	<u>1,360</u>	<u>1,281</u>
<b>Information systems and technology</b>			
Major systems	504	414	354
Support services	462	322	351
	<u>966</u>	<u>736</u>	<u>705</u>
<b>Customer services</b>			
Customer relations	510	465	492
Administration	81	70	71
Communications	52	48	46
Public consultation	32	12	-
	<u>675</u>	<u>595</u>	<u>609</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
<b>Human resources</b>			
Human resources	222	215	219
Timekeeping and payroll	119	104	89
Human resources training	-	90	79
Work place health and safety	65	36	36
	<u>406</u>	<u>445</u>	<u>423</u>
<b>Total Expenses from Operations</b>	<u>59,932</u>	<u>64,814</u>	<u>61,061</u>
<b>Transfers to other funds</b>			
Transfer to Environmental Projects Reserve	13,944	13,533	12,109
Transfer to General Revenue Fund	11,192	10,355	9,878
	<u>25,136</u>	<u>23,888</u>	<u>21,987</u>
<b>Total Expenses</b>	<u>\$ 85,068</u>	<u>\$ 88,702</u>	<u>\$ 83,048</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Goods and services	\$ 27,600	\$ 26,064	\$ 25,464
Transfers	25,136	23,888	21,987
Salaries	10,891	10,564	10,272
Interest on long-term debt	11,369	10,051	10,754
Other expenses	8,044	9,880	8,061
Amortization	7,659	7,659	7,391
Contribution in aid of construction from retained earnings	-	6,815	5,019
Employee benefits	1,935	1,940	1,823
Finance charges	279	6	127
Recoveries	(7,845)	(8,165)	(7,850)
<b>Total Expenses</b>	<u>\$ 85,068</u>	<u>\$ 88,702</u>	<u>\$ 83,048</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Watermain Renewal Reserve</u>	<u>Combined Sewer Reserve</u>	<u>Wastewater Sewer Reserve</u>	<u>Sub-total</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 1,710	\$ 23,488	\$ 861	\$ 26,059
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	<u>1,710</u>	<u>23,488</u>	<u>861</u>	<u>26,059</u>
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
Capital assets (Note 6)	-	-	-	-
	<u>\$ 1,710</u>	<u>\$ 23,488</u>	<u>\$ 861</u>	<u>\$ 26,059</u>
<b>EQUITY</b>				
Allocated	\$ 1,146	\$ 19,298	\$ 846	\$ 21,290
Unallocated	564	4,190	15	4,769
	<u>\$ 1,710</u>	<u>\$ 23,488</u>	<u>\$ 861</u>	<u>\$ 26,059</u>

*See accompanying notes to the financial statements*



**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-total Brought Forward</u>	<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 26,059	\$ 25	\$ 52,336	\$ 18
Call loans - General Revenue Fund	-	2,987	-	452
Accounts receivable	-	350	-	3
	<u>26,059</u>	<u>3,362</u>	<u>52,336</u>	<u>473</u>
Investments (Note 4)	-	70,318	-	1,641
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
Capital assets (Note 6)	-	-	-	-
	<u>\$ 26,059</u>	<u>\$ 73,680</u>	<u>\$ 52,336</u>	<u>\$ 2,114</u>
<b>EQUITY</b>				
Allocated	\$ 21,290	\$ 73,680	\$ 52,336	\$ 2,114
Unallocated	4,769	-	-	-
	<u>\$ 26,059</u>	<u>\$ 73,680</u>	<u>\$ 52,336</u>	<u>\$ 2,114</u>

*See accompanying notes to the financial statements*

<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Sub-total</u>
\$ 1,280	\$ 841	\$ 359	\$ 104	\$ 1,413	\$ 457	\$ 82,892
-	-	-	-	-	-	3,439
-	-	-	-	-	-	353
<u>1,280</u>	<u>841</u>	<u>359</u>	<u>104</u>	<u>1,413</u>	<u>457</u>	<u>86,684</u>
-	-	-	-	-	-	71,959
493	-	-	-	-	-	493
-	636	-	-	-	-	636
<u>\$ 1,773</u>	<u>\$ 1,477</u>	<u>\$ 359</u>	<u>\$ 104</u>	<u>\$ 1,413</u>	<u>\$ 457</u>	<u>\$ 159,772</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,413	\$ 457	\$ 151,290
<u>1,773</u>	<u>1,477</u>	<u>359</u>	<u>104</u>	-	-	<u>8,482</u>
<u>\$ 1,773</u>	<u>\$ 1,477</u>	<u>\$ 359</u>	<u>\$ 104</u>	<u>\$ 1,413</u>	<u>\$ 457</u>	<u>\$ 159,772</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Totals 2005</u>	<u>Totals 2004</u>
<b>ASSETS</b>		
Current		
Due from General Revenue Fund (Note 3)	\$ 82,892	\$ 84,575
Call loans - General Revenue Fund	3,439	3,539
Accounts receivable	<u>353</u>	<u>150</u>
	86,684	88,264
Investments (Note 4)	71,959	81,371
Due from Golf Services - Special Operating Agency (Note 5)	493	259
Capital assets (Note 6)	<u>636</u>	<u>9,785</u>
	<u>\$ 159,772</u>	<u>\$ 179,679</u>
<b>EQUITY</b>		
Allocated	\$ 151,290	\$ 169,339
Unallocated	<u>8,482</u>	<u>10,340</u>
	<u>\$ 159,772</u>	<u>\$ 179,679</u>

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Watermain Renewal Reserve</u>	<u>Combined Sewer Reserve</u>	<u>Wastewater Sewer Reserve</u>	<u>Sub-total</u>
Balance, beginning of year	\$ 2,005	\$ 25,132	\$ 593	\$ 27,730
Add:				
Frontage levies	6,871	18,740	1,065	26,676
Transfer from Sewage Disposal System	-	-	-	-
Transfer from Waterworks System	-	-	-	-
Interest earned	144	844	28	1,016
Transfer from Transit System	-	-	-	-
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
Other	-	-	-	-
	<u>9,020</u>	<u>44,716</u>	<u>1,686</u>	<u>55,422</u>
Deduct:				
Transfer to Waterworks System	7,299	-	-	7,299
Transfer to General Capital Fund	-	21,163	-	21,163
Transfer to Sewage Disposal System	-	-	823	823
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	11	65	2	78
Other	-	-	-	-
	<u>7,310</u>	<u>21,228</u>	<u>825</u>	<u>29,363</u>
Balance, end of year	<u>\$ 1,710</u>	<u>\$ 23,488</u>	<u>\$ 861</u>	<u>\$ 26,059</u>

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<b>Sub-total Brought Forward</b>	<b>Water Treatment Reserve</b>	<b>Environmental Projects Reserve</b>	<b>Brady Landfill Reserve</b>
Balance, beginning of year	\$ 27,730	\$ 93,191	\$ 51,230	\$ 1,845
Add:				
Frontage levies	26,676	-	-	-
Transfer from Sewage Disposal System	-	-	13,533	-
Transfer from Waterworks System	-	10,098	-	-
Interest earned	1,016	2,712	1,438	79
Transfer from Transit System	-	-	-	-
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	192
Transfer from Building Services Fund	-	-	-	-
Other	-	-	-	-
	<u>55,422</u>	<u>106,001</u>	<u>66,201</u>	<u>2,116</u>
Deduct:				
Transfer to Waterworks System	7,299	32,231	-	-
Transfer to General Capital Fund	21,163	-	-	-
Transfer to Sewage Disposal System	823	-	13,755	-
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	78	88	110	2
Other	-	2	-	-
	<u>29,363</u>	<u>32,321</u>	<u>13,865</u>	<u>2</u>
Balance, end of year	<u>\$ 26,059</u>	<u>\$ 73,680</u>	<u>\$ 52,336</u>	<u>\$ 2,114</u>

*See accompanying notes to the financial statements*

<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Sub-total</u>
\$ 1,714	\$ 1,821	\$ 89	\$ 110	\$ 1,092	\$ 857	\$ 179,679
-	-	-	-	-	-	26,676
-	-	-	-	-	-	13,533
-	-	-	-	-	-	10,098
62	42	58	2	32	17	5,458
-	-	5,232	-	-	-	5,232
-	230	-	12	540	-	782
-	-	-	-	-	-	192
-	-	-	-	15	-	15
-	-	-	-	-	-	-
<u>1,776</u>	<u>2,093</u>	<u>5,379</u>	<u>124</u>	<u>1,679</u>	<u>874</u>	<u>241,665</u>
-	-	-	-	-	416	39,946
-	300	-	-	-	-	21,463
-	-	-	-	-	-	14,578
-	-	5,015	-	-	-	5,015
-	311	-	20	264	-	595
3	3	5	-	2	1	292
-	2	-	-	-	-	4
<u>3</u>	<u>616</u>	<u>5,020</u>	<u>20</u>	<u>266</u>	<u>417</u>	<u>81,893</u>
<u>\$ 1,773</u>	<u>\$ 1,477</u>	<u>\$ 359</u>	<u>\$ 104</u>	<u>\$ 1,413</u>	<u>\$ 457</u>	<u>\$ 159,772</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

	<u>Totals 2005</u>	<u>Totals 2004</u>
Balance, beginning of year	\$ 179,679	\$ 152,804
Add:		
Frontage levies	26,676	26,054
Transfer from Sewage Disposal System	13,533	12,109
Transfer from Waterworks System	10,098	11,174
Interest earned	5,458	5,196
Transfer from Transit System	5,232	4,376
Transfer from General Revenue Fund	782	234
Transfer from Solid Waste Disposal	192	196
Transfer from Building Services Fund	15	15
Other	-	3
	<u>241,665</u>	<u>212,161</u>
Deduct:		
Transfer to Waterworks System	39,946	7,401
Transfer to General Capital Fund	21,463	17,590
Transfer to Sewage Disposal System	14,578	1,242
Transfer to Transit System	5,015	5,499
Purchase of equipment	595	295
Transfer to General Revenue Fund - investment management fee	292	277
Other	4	178
	<u>81,893</u>	<u>32,482</u>
Balance, end of year	<u>\$ 159,772</u>	<u>\$ 179,679</u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)  
(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The Capital Reserves follow the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

Watermain Renewal Reserve Fund	Library Reserve Fund
Combined Sewer Renewal Reserve Fund	Transit Bus Replacement Reserve Fund
Wastewater Sewer Renewal Reserve Fund	Concession Equipment Replacement Reserve Fund
Water Treatment Reserve Fund	Computer Replacement Reserve Fund
Environmental Projects Reserve Fund	Aqueduct Rehabilitation Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund	
Golf Course Reserve Fund	

#### b) Basis of accounting

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

#### c) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

#### d) Bond residues and coupons

Bond residues and coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.



## 2. *Status of the Capital Reserves*

### **Watermain Renewal Reserve Fund**

City Council, on February 18, 1981, authorized the establishment of a Watermain Renewal Reserve Fund for the purpose of financing, from one source, the renewal of watermains. The Reserve was established in 1981 by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System and will be maintained by the transfer of frontage levy revenue and interest earned.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

### **Combined Sewer Renewal Reserve Fund**

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the renewal and rehabilitation of combined sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

### **Wastewater Sewer Renewal Reserve Fund**

City Council, on May 27, 1992, authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

### **Water Treatment Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Water Treatment Reserve Fund for the purpose of providing funding for a water treatment program.

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2005 water rates include a provision of 39.40 cents (2004 - 47.25 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

## 2. *Status of the Capital Reserves (continued)*

### **Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The Reserve funds ongoing ammonia, nitrification and combined sewer overflow ("CSO") studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2005 sewer rate include a provision of 55.0 cents (2004 - 55.0 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

### **Brady Landfill Site Rehabilitation Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents per tonne for each tonne disposed at Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

### **Golf Course Reserve Fund**

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency. The Director of Planning, Property and Development is the Fund Manager.

### **Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of a reserve fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, Council further approved that all over due fines, replacement fees, room rental, non-resident and photocopy fees revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

### **Transit Bus Replacement Reserve Fund**

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

**Concession Equipment Replacement Reserve Fund**

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase of new concession equipment and to replace old worn out or broken equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

**Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

**Aqueduct Rehabilitation Reserve Fund**

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct.

The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The project is ongoing on a limited basis until the end of 2006.

The Director of Water and Waste is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Investments*

	<u>2005</u>	<u>2004</u>
Marketable securities		
Provincial bonds, bond residues and coupons	\$ 46,246	\$ 55,607
Government of Canada bonds, bond residues, coupons and treasury bills	<u>25,713</u>	<u>25,764</u>
	<u>\$ 71,959</u>	<u>\$ 81,371</u>

The aggregate market value of marketable securities at December 31, 2005 is \$72,687 thousand (2004 - \$82,358 thousand).

5. *Due from Golf Services - Special Operating Agency*

	<u>2005</u>	<u>2004</u>
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 63	\$ 69
- 2005	69	75
- 2006	115	115
- 2007	246	-
	<u>\$ 493</u>	<u>\$ 259</u>

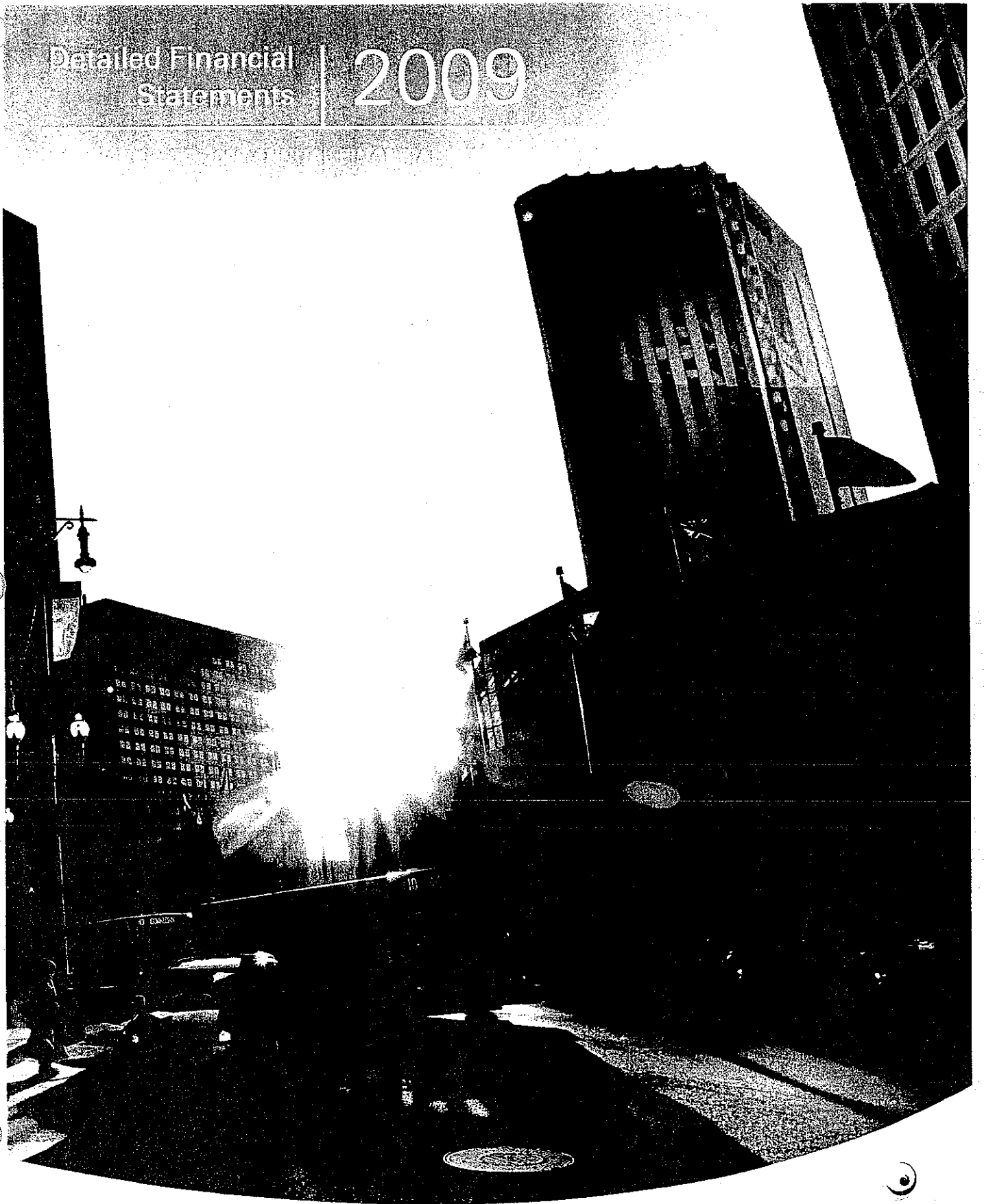
6. *Capital Assets*

Commencing in 2005, water treatment projects are recorded as capital assets in the Waterworks System Fund. Prior to 2005, these projects were recorded in the Water Treatment Reserve. Also commencing in 2005, combined sewer overflow and disinfection projects are recorded as capital assets in the Sewage Disposal System Fund. Prior to 2005, these projects were recorded in the Environmental Projects Reserve.



Detailed Financial  
Statements

2009



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	Land	Buildings	Machinery and Equipment	Computer
<b>Cost</b>				
Balance, beginning of year	\$ 1,824	\$ 5,399	\$ 9,559	\$ 24,148
Add: Additions during the year	-	-	175	9,759
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,824</u>	<u>5,399</u>	<u>9,734</u>	<u>33,907</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,561	8,387	19,136
Add: Amortization	-	100	147	1,895
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,661</u>	<u>8,534</u>	<u>21,031</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,824</u>	<u>\$ 3,738</u>	<u>\$ 1,200</u>	<u>\$ 12,876</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2009	2008
\$ 655,482	\$ 111,590	\$ 254,099	\$ 1,062,101	\$ 978,330
26,282	278,767	(253,083)	61,900	86,112
(947)	-	-	(947)	(2,341)
<u>680,817</u>	<u>390,357</u>	<u>1,016</u>	<u>1,123,054</u>	<u>1,062,101</u>
198,006	46,835	-	273,925	263,023
9,378	4,727	-	16,247	12,616
(511)	-	-	(511)	(1,714)
<u>206,873</u>	<u>51,562</u>	<u>-</u>	<u>289,661</u>	<u>273,925</u>
<u>\$ 473,944</u>	<u>\$ 338,795</u>	<u>\$ 1,016</u>	<u>\$ 833,393</u>	<u>\$ 788,176</u>



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Information Technology</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ 257	\$ 200
Add: Additions during the year	-	-	49	12
Less: Disposals during the year	-	-	-	-
Less: Transfer to General Capital Fund	(10)	-	-	-
Balance, end of year	<u>1,441</u>	<u>885</u>	<u>306</u>	<u>212</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	551	38	10
Add: Amortization	-	10	28	21
Less: Accumulated amortization on disposals	-	-	-	-
Less: Transfer to General Capital Fund	-	-	-	-
Balance, end of year	<u>-</u>	<u>561</u>	<u>66</u>	<u>31</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,441</u>	<u>\$ 324</u>	<u>\$ 240</u>	<u>\$ 181</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	2009	2008
\$ 778,369	\$ 359,718	\$ 29,287	\$ 1,170,167	\$ 1,125,717
45,287	18,899	(19,629)	44,618	45,838
(2,375)	-	-	(2,375)	(1,388)
-	(789)	-	(799)	-
821,281	377,828	9,658	1,211,611	1,170,167
289,784	125,062	-	415,445	400,187
10,508	7,267	-	17,834	16,347
(1,978)	-	-	(1,978)	(1,089)
-	(537)	-	(537)	-
298,314	131,792	-	430,764	415,445
\$ 522,967	\$ 246,036	\$ 9,658	\$ 780,847	\$ 754,722

THE CITY OF WINNIPEG 2008 ANNUAL FINANCIAL REPORT



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Computer</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,824	\$ 5,399	\$ 9,400	\$ 23,589
Add: Additions during the year	-	-	159	559
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,824</u>	<u>5,399</u>	<u>9,559</u>	<u>24,148</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,461	8,244	17,756
Add: Amortization	-	100	143	1,380
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,561</u>	<u>8,387</u>	<u>19,136</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,824</u>	<u>\$ 3,838</u>	<u>\$ 1,172</u>	<u>\$ 5,012</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2008	2007
\$ 644,388	\$ 111,497	\$ 182,233	\$ 978,330	\$ 875,371
13,435	93	71,866	86,112	106,245
(2,341)	-	-	(2,341)	(3,286)
<u>655,482</u>	<u>111,590</u>	<u>254,099</u>	<u>1,062,101</u>	<u>978,330</u>
190,688	44,874	-	263,023	253,327
9,032	1,961	-	12,616	12,187
(1,714)	-	-	(1,714)	(2,491)
<u>198,006</u>	<u>46,835</u>	<u>-</u>	<u>273,925</u>	<u>263,023</u>
<u>\$ 457,476</u>	<u>\$ 64,755</u>	<u>\$ 254,099</u>	<u>\$ 788,176</u>	<u>\$ 715,307</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

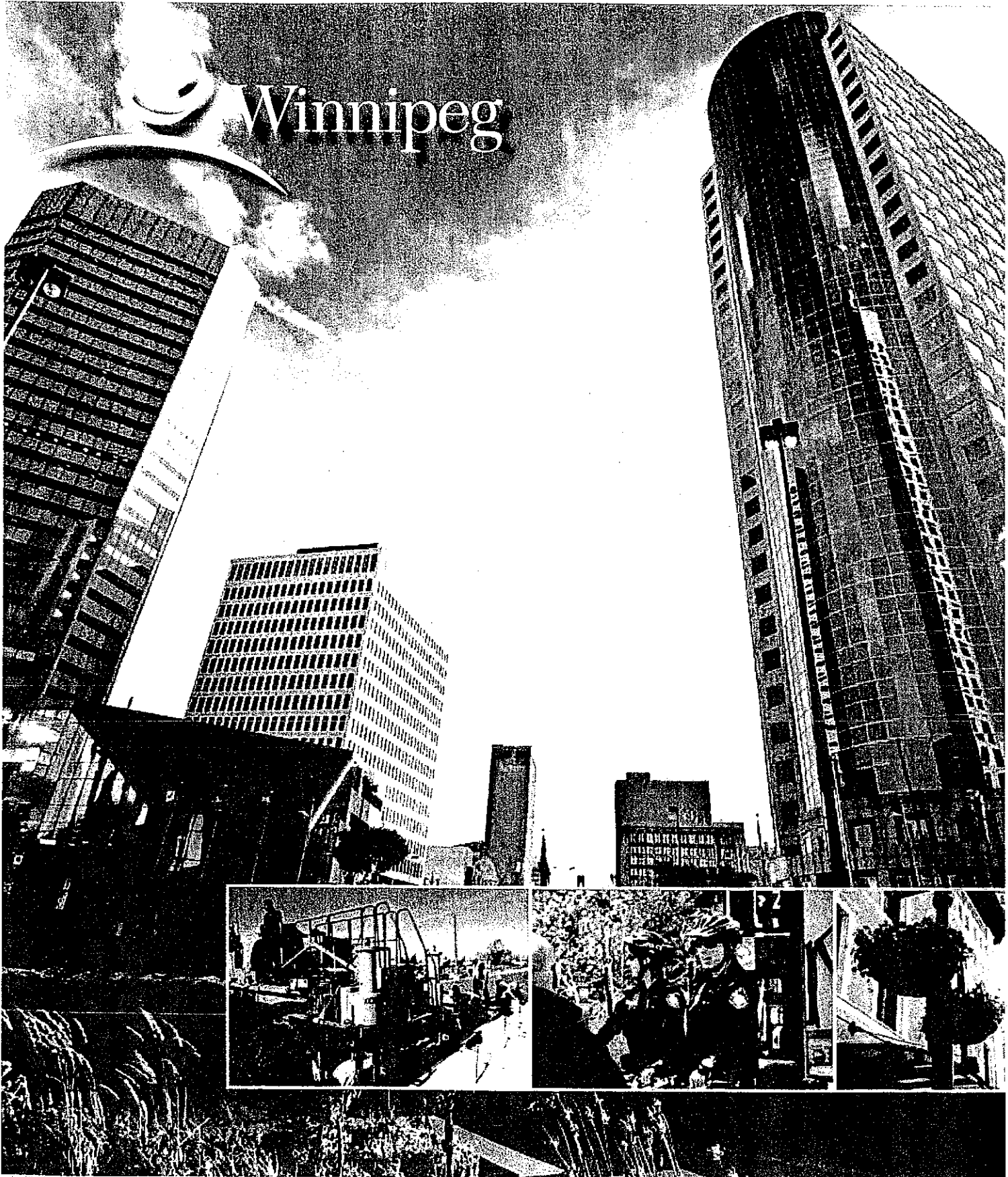
*As at December 31  
(in thousands of dollars)  
(unaudited)*

	<b>General</b>			
	Land	Buildings	Equipment	Information Technology
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ 251	\$ -
Add: Additions during the year	-	-	6	200
Less: Disposals during the year	-	-	-	-
Less: Transfer to General Capital Fund	-	-	-	-
Balance, end of year	<u>1,451</u>	<u>885</u>	<u>257</u>	<u>200</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	541	13	-
Add: Amortization	-	10	25	10
Less: Accumulated amortization on disposals	-	-	-	-
Less: Transfer to General Capital Fund	-	-	-	-
Balance, end of year	<u>-</u>	<u>551</u>	<u>38</u>	<u>10</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,451</u>	<u>\$ 334</u>	<u>\$ 219</u>	<u>\$ 190</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	2008	2007
\$ 763,091	\$ 290,351	\$ 69,688	\$ 1,125,717	\$ 1,079,338
16,666	69,367	(40,401)	45,838	63,176
(1,388)	-	-	(1,388)	(2,948)
-	-	-	-	(13,849)
<u>778,369</u>	<u>359,718</u>	<u>29,287</u>	<u>1,170,167</u>	<u>1,125,717</u>
280,816	118,817	-	400,187	393,645
10,057	6,245	-	16,347	15,142
(1,089)	-	-	(1,089)	(2,414)
-	-	-	-	(6,186)
<u>289,784</u>	<u>125,062</u>	<u>-</u>	<u>415,445</u>	<u>400,187</u>
<u>\$ 488,585</u>	<u>\$ 234,656</u>	<u>\$ 29,287</u>	<u>\$ 754,722</u>	<u>\$ 725,530</u>

THE CITY OF WINNIPEG 2007 ANNUAL FINANCIAL REPORT





**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Computer</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,821	\$ 5,399	\$ 9,100	\$ 21,507
Add: Additions during the year	3	-	300	2,082
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,824</u>	<u>5,399</u>	<u>9,400</u>	<u>23,589</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,358	8,121	16,509
Add: Amortization	-	103	123	1,247
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,461</u>	<u>8,244</u>	<u>17,756</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,824</u>	<u>\$ 3,938</u>	<u>\$ 1,156</u>	<u>\$ 5,833</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2007	2006
\$ 634,008	\$ 102,878	\$ 100,658	\$ 875,371	\$ 802,966
13,666	8,619	81,575	106,245	72,720
(3,286)	-	-	(3,286)	(315)
<u>644,388</u>	<u>111,497</u>	<u>182,233</u>	<u>978,330</u>	<u>875,371</u>
184,368	42,971	-	253,327	241,711
8,811	1,903	-	12,187	11,845
(2,491)	-	-	(2,491)	(229)
<u>190,688</u>	<u>44,874</u>	<u>-</u>	<u>263,023</u>	<u>253,327</u>
<u>\$ 453,700</u>	<u>\$ 66,623</u>	<u>\$ 182,233</u>	<u>\$ 715,307</u>	<u>\$ 622,044</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

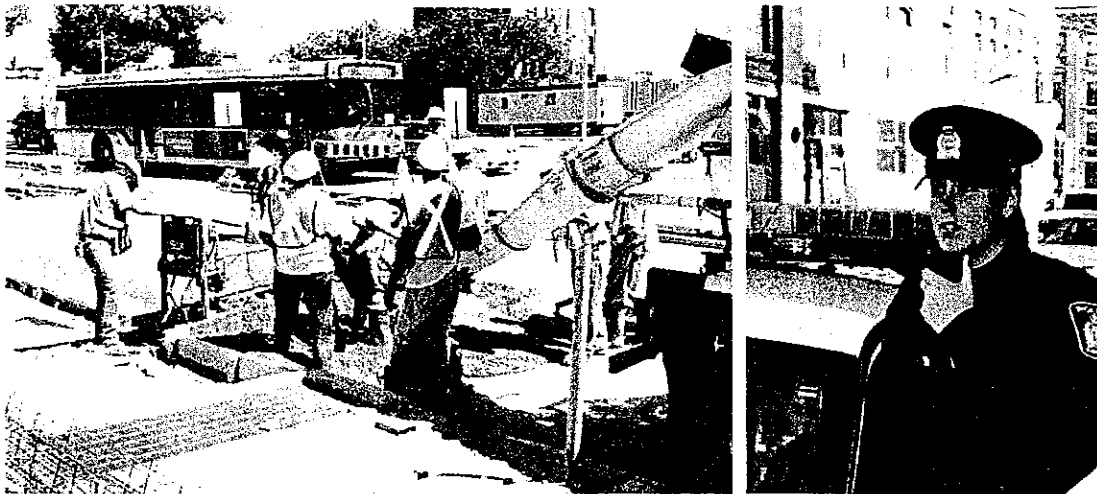
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Underground Networks</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ -	\$ 763,605
Add: Additions during the year	-	-	251	16,283
Less: Disposals during the year	-	-	-	(2,948)
Less: Transfer to General Capital Fund	-	-	-	(13,849)
Balance, end of year	<u>1,451</u>	<u>885</u>	<u>251</u>	<u>763,091</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	531	-	279,607
Add: Amortization	-	10	13	9,809
Less: Accumulated amortization on disposals	-	-	-	(2,414)
Less: Transfer to General Capital Fund	-	-	-	(6,186)
Balance, end of year	<u>-</u>	<u>541</u>	<u>13</u>	<u>280,816</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,451</u>	<u>\$ 344</u>	<u>\$ 238</u>	<u>\$ 482,275</u>

Schedule 5

<u>Infrastructure</u>		<u>Totals</u>	
<u>Sewage Treatment Plants and Lift Stations</u>	<u>Assets Under Construction</u>	<u>2007</u>	<u>2006</u>
\$ 270,207	\$ 43,190	\$ 1,079,338	\$ 1,047,467
20,144	26,498	63,176	33,166
-	-	(2,948)	(1,295)
-	-	(13,849)	-
<u>290,351</u>	<u>69,688</u>	<u>1,125,717</u>	<u>1,079,338</u>
113,507	-	393,645	379,315
5,310	-	15,142	14,995
-	-	(2,414)	(665)
-	-	(6,186)	-
<u>118,817</u>	<u>-</u>	<u>400,187</u>	<u>393,645</u>
<u>\$ 171,534</u>	<u>\$ 69,688</u>	<u>\$ 725,530</u>	<u>\$ 685,693</u>



# Winnipeg

THE CITY OF WINNIPEG 2006  
DETAILED FINANCIAL STATEMENTS  
Companion to 2006 Annual Financial Report

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	<b>General</b>			
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Computer</u>
<b>Cost</b>				
Balance, beginning of year	\$ 1,821	\$ 5,399	\$ 9,100	\$ 21,080
Add: Additions during the year	-	-	-	427
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,821</u>	<u>5,399</u>	<u>9,100</u>	<u>21,507</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	1,253	8,009	15,387
Add: Amortization	-	105	112	1,122
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,358</u>	<u>8,121</u>	<u>16,509</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,821</u>	<u>\$ 4,041</u>	<u>\$ 979</u>	<u>\$ 4,998</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2006	2005
\$ 626,368	\$ 102,578	\$ 36,620	\$ 802,966	\$ 771,251
7,955	300	64,038	72,720	32,152
(315)	-	-	(315)	(437)
<u>634,008</u>	<u>102,878</u>	<u>100,658</u>	<u>875,371</u>	<u>802,966</u>
175,936	41,126	-	241,711	230,407
8,661	1,845	-	11,845	11,616
(229)	-	-	(229)	(312)
<u>184,368</u>	<u>42,971</u>	<u>-</u>	<u>253,327</u>	<u>241,711</u>
<u>\$ 449,640</u>	<u>\$ 59,907</u>	<u>\$ 100,658</u>	<u>\$ 622,044</u>	<u>\$ 561,255</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

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

	General		Infrastructure	
	Land	Buildings	Underground Networks	Sewage Treatment Plants and Lift Stations
<b>Cost</b>				
Balance, beginning of year	\$ 1,451	\$ 885	\$ 757,270	\$ 268,530
Add: Additions during the year	-	-	7,630	1,677
Less: Disposals during the year	-	-	(1,295)	-
Balance, end of year	<u>1,451</u>	<u>885</u>	<u>763,605</u>	<u>270,207</u>
<b>Accumulated amortization</b>				
Balance, beginning of year	-	521	270,409	108,385
Add: Amortization	-	10	9,863	5,122
Less: Accumulated amortization on disposals	-	-	(665)	-
Balance, end of year	<u>-</u>	<u>531</u>	<u>279,607</u>	<u>113,507</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 1,451</u>	<u>\$ 354</u>	<u>\$ 483,998</u>	<u>\$ 156,700</u>



Schedule 5

Assets Under Construction	Totals	
	2006	2005
\$ 19,331	\$ 1,047,467	\$ 1,028,189
33,319	42,626	26,040
(9,460)	(10,755)	(6,762)
<u>43,190</u>	<u>1,079,338</u>	<u>1,047,467</u>
-	379,315	365,092
-	14,995	14,839
-	(665)	(616)
-	<u>393,645</u>	<u>379,315</u>
<u>\$ 43,190</u>	<u>\$ 685,693</u>	<u>\$ 668,152</u>



# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

The operations are accounted for on the accrual basis except for vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

7. *Accounts Payable and Accrued Liabilities*

	<u>2009</u>	<u>2008</u>
Accrued debenture interest	\$ 4,762	\$ 4,769
Trade accounts payable	2,436	10,010
Other accrued liabilities	1,593	1,437
Deferred revenue and other	342	317
	<u>\$ 9,133</u>	<u>\$ 16,533</u>

8. *Long-Term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2009</u>	<u>2008</u>
1989-2009	Dec. 14	10.000	VH	5286/89	\$ -	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
2008-2036	July 17	5.200		72/2006 B	100,000	100,000
					<u>203,000</u>	<u>204,500</u>
Equity in Sinking Funds (Note 8b)					<u>(32,953)</u>	<u>(28,739)</u>
Net sinking fund debentures outstanding					<u>170,047</u>	<u>175,761</u>
Current portion of long-term debt					<u>(4,136)</u>	<u>(4,182)</u>
					<u>\$ 165,911</u>	<u>\$ 171,579</u>

Principal retirement on long-term debt over the next five years is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>
Sinking fund debentures	\$ -	\$ -	\$ -	\$ 5,000	\$ 13,000	\$ 185,000

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Cash paid for interest during the year was \$12.3 million (2008 - \$7.4 million).

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Information systems	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

7. Long-term Debt

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2009	2008
1989-2009	Dec. 14	10.000	VH	5286/89	\$ -	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>75,000</u>	<u>86,000</u>
Equity in Sinking Fund (Note 7b)					<u>(53,805)</u>	<u>(59,167)</u>
Net sinking fund debentures outstanding					<u>21,195</u>	<u>26,833</u>

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.82% (2008 - 4.78%)

6,631 7,998

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 6.59% (2008 - 8.25%)

58 65

Pointe West Properties debt, maturity in 2012, interest rate of 6.65%

3,268 3,401

31,152 38,297

Current portion of long-term debt

(3,703) (3,967)

Current portion of Equity in Capital Assets Fund debt

(7) (7)

Current portion of Pointe West Properties debt

(143) (134)

Current portion of long-term debt

(3,853) (4,108)

\$ 27,299 \$ 34,189

Principal retirement on long-term debt over the next five years is as follows:

	2010	2011	2012	2013	2014	Thereafter
Sinking fund debentures \$	-	\$ -	\$ -	\$ 40,000	\$ 35,000	\$ -
Serial and installment	1,435	1,506	1,580	1,659	451	-
Equity in Capital Assets Fund	7	8	8	9	5	21
Pointe West debt	143	100	3,025	-	-	-
	<u>\$ 1,585</u>	<u>\$ 1,614</u>	<u>\$ 4,613</u>	<u>\$ 41,668</u>	<u>\$ 35,456</u>	<u>\$ 21</u>

**7. Long-term Debt (continued)**

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. ("PWP"), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2012 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$8.2 million (2008 - \$8.4 million).
- e) Interest paid to the Equity in Capital Assets Fund during 2009 was \$4 thousand (2008 - \$5 thousand).

**8. Accumulated Surplus**

	<u>2009</u>	<u>2008</u>
Invested in tangible capital assets	\$ 787,720	\$ 716,486
Retained earnings	<u>45,769</u>	<u>71,234</u>
	<u>\$ 833,489</u>	<u>\$ 787,720</u>

**9. Revenue**

The 2009 sewer rate increased to 5.26 cents per hundred cubic feet (2008 - 5.12 cents). The Environmental Projects Reserve contribution for 2009 was 45.3 cents per hundred cubic feet (2008 - 45.3 cents).

**10. Taxes, Employee Benefits and Other**

**Property taxes**

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2009, realty and business taxes paid and transferred to the General Revenue Fund were \$10.6 million (2008 - \$9.2 million).

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.



8. Long-Term Debt

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2008	2007
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 1,500	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
2008-2036	July 17	5.200		72/2006B	100,000	-
					<b>204,500</b>	<b>104,500</b>
Equity in Sinking Funds (Note 8b)					<b>(28,739)</b>	<b>(25,090)</b>
Net sinking fund debentures outstanding					<b>175,761</b>	<b>79,410</b>
<b>Other long-term debt outstanding</b>						
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2007 - 5.75%)					-	7
					<b>175,761</b>	<b>79,417</b>
Current portion of long-term debt					<b>(4,182)</b>	<b>(2,330)</b>
Current portion of Equity in Capital Assets Fund debt					-	(7)
Current portion of long-term debt					<b>(4,182)</b>	<b>(2,337)</b>
					<b>\$ 171,579</b>	<b>\$ 77,080</b>

Principal retirement on long-term debt over the next five years is as follows:

	2009	2010	2011	2012	2013	Thereafter
Sinking fund debentures	\$ 1,500	\$ -	\$ -	\$ -	\$ 5,000	\$ 198,000

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

**8. Long-Term Debt (continued)**

c) Cash paid for interest during the year was \$7.4 million (2007 - \$7.1 million).

d) Interest paid to the Equity in Capital Assets Fund during 2008 was \$nil (2007 - \$1 thousand).

**9. Accumulated Surplus**

	<u>2008</u>	<u>2007</u>
Invested in tangible capital assets	\$ 612,470	\$ 635,995
Retained earnings	<u>109,947</u>	<u>61,400</u>
	<u>\$ 722,417</u>	<u>\$ 697,395</u>

**10. Revenue**

Effective January 1, 2008 the block 1 water rate was \$3.45 cents per hundred cubic feet (2007 - \$3.15).

**11. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2008, realty and business taxes paid to the General Revenue Fund was \$3.0 million (2007 - \$3.1 million).

Included in expenses is \$0.7 million (2007 - \$0.7 million) in general government and computer service charges which represents the estimated share of The City of Winnipeg General Revenue Fund's general expenditure and actual computer service charges applicable to the Waterworks System.

Included in expenses is \$1.1 million (2007 - \$0.9 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is a recovery of \$21 thousand (2007 - \$124 thousand) by the Insurance Reserve.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2008 is \$2.7 million (2007 - \$2.4 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2008 is estimated at \$309 thousand (2007 - \$308 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2008 at \$3.6 million (2007 - \$3.6 million).

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2008	2007
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 11,000	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>86,000</u>	<u>86,000</u>
Equity in Sinking Fund (Note 7b)					<u>(59,167)</u>	<u>(53,773)</u>
Net sinking fund debentures outstanding					<u>26,833</u>	<u>32,227</u>

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.78% (2007 - 4.98%)

7,998 9,300

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2007 - 8.25%)

65 71

Pointe West Properties debt, maturity in 2012, interest rate of 6.65%

3,401 3,526

38,297 45,124

Current portion of long-term debt

(3,967) (3,903)

Current portion of Equity in Capital Assets Fund debt

(7) (6)

Current portion of Pointe West Properties debt

(134) (125)

Current portion of long-term debt

(4,108) (4,034)

\$ 34,189 \$ 41,090

Principal retirement on long-term debt over the next five years is as follows:

	2009	2010	2011	2012	2013	Thereafter
Sinking fund debentures	\$ 11,000	\$ -	\$ -	\$ -	\$ 40,000	\$ 35,000
Serial and installment	1,367	1,435	1,506	1,580	1,659	451
Equity in Capital Assets Fund	7	7	8	8	9	26
Pointe West debt	134	143	100	3,024	-	-
	<u>\$ 12,508</u>	<u>\$ 1,585</u>	<u>\$ 1,614</u>	<u>\$ 4,612</u>	<u>\$ 41,668</u>	<u>\$ 35,477</u>

**7. Long-term Debt (continued)**

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. ("PWP"), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2012 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$8.4 million (2007 - \$8.4 million).
- e) Interest paid to the Equity in Capital Assets Fund during 2008 was \$5 thousand (2007 - \$5 thousand).

**8. Accumulated Surplus**

	2008	2007
Invested in tangible capital assets	\$ 716,486	\$ 680,290
Retained earnings	71,234	55,234
	<u>\$ 787,720</u>	<u>\$ 735,524</u>

**9. Revenue**

The 2008 sewer rate increased to 5.12 cents per hundred cubic feet (2007 - 4.46 cents). The Environmental Projects Reserve contribution for 2008 was 45.3 cents per hundred cubic feet (2007 - 31.3 cents).

**10. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2008, realty and business taxes paid to the General Revenue Fund was \$9.2 million (2007 - \$9.2 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2008, this amounted to \$0.5 million (2007 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$1.1 million (2007 - \$0.9 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is \$128 thousand (received from 2007 - \$1.0 million) that has been charged by the Insurance Reserve Fund.

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

7. Long-Term Debt

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2007	2006
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 1,500	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
1996-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
					<b>104,500</b>	<b>104,500</b>
Equity in Sinking Funds (Note 7b)					<b>(25,090)</b>	<b>(21,610)</b>
Net sinking fund debentures outstanding					<b>79,410</b>	<b>82,890</b>
<b>Other long-term debt outstanding</b>						
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2006 - 5.75%)					<u>7</u>	<u>13</u>
					<b>79,417</b>	<b>82,903</b>
Current portion of long-term debt					<b>(2,330)</b>	<b>(2,330)</b>
Current portion of Equity in Capital Assets Fund debt					<b>(7)</b>	<b>(6)</b>
Current portion of long-term debt					<b>(2,337)</b>	<b>(2,336)</b>
					<b>\$ 77,080</b>	<b>\$ 80,567</b>

Principal retirement on long-term debt over the next five years is as follows:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures \$	-	\$ 1,500	\$ -	\$ -	\$ -	\$ 103,000
Equity in Capital Assets Fund	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>\$ 7</b>	<b>\$ 1,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,000</b>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

7. *Long-Term Debt (continued)*

- c) Cash paid for interest during the year was \$7.1 million (2006 - \$4.1 million).
- d) Interest paid to the Equity in Capital Assets Fund during 2007 was \$1 thousand (2006 - \$3 thousand).

8. *Accumulated Surplus*

	<u>2007</u>	<u>2006</u>
Invested in tangible capital assets	\$ 635,995	\$ 537,043
Retained earnings	<u>61,400</u>	<u>104,272</u>
	<u>\$ 697,395</u>	<u>\$ 641,315</u>

9. *Revenue*

The 2007 Water Treatment Reserve contribution was 40.63 cents per hundred cubic feet (2006 - 40.63 cents).

10. *Taxes, Employee Benefits and Other*

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2007, realty and business taxes paid to the General Revenue Fund was \$3.1 million (2006 - \$3.0 million).

Included in expenses is \$0.7 million (2006 - \$0.7 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is \$0.9 million (2006 - \$0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is a recovery of \$124 thousand (charge 2006 - \$205 thousand) by the Insurance Reserve.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is \$2.4 million (2006 - \$2.5 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at \$308 thousand (2006 - \$338 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$3.6 million (2006 - \$3.6 million).



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2007	2006
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 11,000	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<b>86,000</b>	<b>86,000</b>
Equity in Sinking Fund (Note 7b)					<b>(53,773)</b>	<b>(48,636)</b>
Net sinking fund debentures outstanding					<b>32,227</b>	<b>37,364</b>

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.98% (2006 - 4.61%)

**9,300**      10,541

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2006 - 8.25%)

**71**      77

Pointe West Properties debt, maturity in 2012, interest rate of 6.65%

**3,526**      3,605

**45,124**      51,587

Current portion of long-term debt

**(3,903)**      (3,842)

Current portion of Equity in Capital Assets Fund debt

**(6)**      (6)

Current portion of Pointe West Properties debt

**(125)**      (79)

Current portion of long-term debt

**(4,034)**      (3,927)

**\$ 41,090**      **\$ 47,660**

Principal retirement on long-term debt over the next five years is as follows:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures \$	-	\$ 11,000	\$ -	\$ -	\$ -	\$ 75,000
Serial and installment	1,302	1,367	1,435	1,506	1,580	2,110
Equity in Capital Assets Fund	6	7	7	8	9	34
Pointe West debt	125	134	143	100	3,024	-
	<b>\$ 1,433</b>	<b>\$ 12,508</b>	<b>\$ 1,585</b>	<b>\$ 1,614</b>	<b>\$ 4,613</b>	<b>\$ 77,144</b>

**7. Long-term Debt (continued)**

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$8.4 million (2006 - \$8.4 million).
- e) Interest paid to the Equity in Capital Assets Fund during 2007 was \$5 thousand (2006 - \$6 thousand).

**8. Accumulated Surplus**

	<u>2007</u>	<u>2006</u>
Invested in tangible capital assets	\$ 680,290	\$ 634,343
Retained earnings	<u>55,234</u>	<u>43,856</u>
	<u>\$ 735,524</u>	<u>\$ 678,199</u>

**9. Revenue**

The 2007 sewer rate increased to 4.46 cents per hundred cubic feet (2006 - 3.87 cents). The Environmental Projects Reserve contribution for 2007 was 31.3 cents per hundred cubic feet (2006 - 31.3 cents).

**10. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2007, realty and business taxes paid to the General Revenue Fund was \$9.2 million (2006 - \$9.7 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2007, this amounted to \$0.5 million (2006 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$0.9 million (2006 - \$0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is \$1.0 million (to 2006 - \$21 thousand) that has been received from the Insurance Reserve Fund.

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

#### c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2006	2005
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 1,500	\$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
1996-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	-
					<b>104,500</b>	<b>44,500</b>
Equity in Sinking Fund (Note 7b)					<b>(21,610)</b>	<b>(19,252)</b>
Net sinking fund debentures outstanding					<b>82,890</b>	<b>25,248</b>
<b>Other long-term debt outstanding</b>						
Serial and installment debt issued by the City					-	2,392
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2005 - 6.25%)					<b>13</b>	<b>48</b>
					<b>82,903</b>	<b>27,688</b>
Current portion of long-term debt					<b>(2,330)</b>	<b>(3,737)</b>
Current portion of Equity in Capital Assets Fund debt					<b>(6)</b>	<b>(35)</b>
Current portion of long-term debt					<b>(2,336)</b>	<b>(3,772)</b>
					<b>\$ 80,567</b>	<b>\$ 23,916</b>

Principal retirement on long-term debt over the next five years is as follows:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures \$	-	\$ -	\$ 1,500	\$ -	\$ -	\$ 103,000
Equity in Capital Assets Fund	6	7	-	-	-	-
	<b>\$ 6</b>	<b>\$ 7</b>	<b>\$ 1,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,000</b>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

7. *Long-Term Debt (continued)*

c) Cash paid for interest during the year was \$4.1 million (2005 - \$4.4 million).

d) Interest paid to the Equity in Capital Assets Fund during 2006 was \$3 thousand (2005 - \$8 thousand).

8. *Accumulated Surplus*

	2006	2005
Invested in tangible capital assets	\$ 537,043	\$ 499,001
Retained earnings	104,272	70,444
	<u>\$ 641,315</u>	<u>\$ 569,445</u>

9. *Revenue*

The 2006 Water Treatment Reserve contribution was 40.63 cents per hundred cubic feet (2005 - 39.40 cents).

10. *Taxes, Employee Benefits and Other*

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2006, realty and business taxes paid to the General Revenue Fund was \$3.0 million (2005 - \$3.2 million).

Included in expenses is \$0.7 million (2005 - \$0.7 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is \$0.8 million (2005 - \$0.3 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is \$2.5 million (2005 - \$2.4 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at \$338 thousand (2005 - \$137 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, 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 has estimated the unrecorded liability at December 31, 2006 at \$3.6 million (2005 - \$3.4 million).

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

#### c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

5. *Tangible Capital Assets*

	Net Book Value	
	2006	2005 (Restated Note 13)
Land	\$ 1,451	\$ 1,451
Buildings	354	364
Underground networks	483,998	486,861
Sewage treatment plants and lift stations	156,700	160,145
Assets under construction	43,190	19,331
	<u>\$ 685,693</u>	<u>\$ 668,152</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2006 and 2005, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2006 were \$218 thousand (2005 - \$129 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$0.4 million in 2006 (2005 - \$0.3 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	2006	2005
Trade accounts payable	\$ 5,746	\$ 3,621
Accrued debenture interest	2,968	2,990
Other accrued liabilities	254	288
	<u>\$ 8,968</u>	<u>\$ 6,899</u>

7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2006	2005
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 11,000	\$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>86,000</u>	<u>86,000</u>
					<u>(48,636)</u>	<u>(43,744)</u>
					37,364	42,256



7. *Long-term Debt (continued)*

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.61% (2005 - 4.56%)	10,541	12,118
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2005 - 6.92%)	77	83
Pointe West Properties debt, maturity in 2012, interest rate of 6.65%	<u>3,605</u>	<u>3,661</u>
	<u>51,587</u>	<u>58,118</u>
Current portion of long-term debt	(3,842)	(4,178)
Current portion of Equity in Capital Assets Fund debt	(6)	(5)
Current portion of Pointe West Properties debt	<u>(79)</u>	<u>(56)</u>
Current portion of long-term debt	<u>(3,927)</u>	<u>(4,239)</u>
	<u>\$ 47,660</u>	<u>\$ 53,879</u>

Principal retirement on long-term debt over the next five years is as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Thereafter</u>
Sinking fund debentures \$	-	-	\$ 11,000	\$ -	\$ -	\$ 75,000
Serial and installment	1,241	1,302	1,367	1,435	1,506	3,690
Equity in Capital Assets Fund	6	6	7	7	8	43
Pointe West debt	<u>79</u>	<u>125</u>	<u>134</u>	<u>143</u>	<u>100</u>	<u>3,024</u>
	<u>\$ 1,326</u>	<u>\$ 1,433</u>	<u>\$ 12,508</u>	<u>\$ 1,585</u>	<u>\$ 1,614</u>	<u>\$ 81,757</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

**7. Long-term Debt (continued)**

- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$6.5 million (2005 - \$7.6 million).  
e) Interest paid to the Equity in Capital Assets Fund during 2006 was \$6 thousand (2005 - \$6 thousand).

**8. Accumulated Surplus**

	<u>2006</u>	<u>2005</u>
Invested in tangible capital assets	\$ 634,343	\$ 596,279
Retained earnings	43,856	47,688
	<u>\$ 678,199</u>	<u>\$ 643,967</u>

**9. Revenue**

The 2006 sewer rate increased to 3.87 cents per hundred cubic feet (2005 - 3.39 cents). The Environmental Projects Reserve contribution for 2006 was 31.3 cents per hundred cubic feet (2005 - 55 cents).

**10. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2006, realty and business taxes paid to the General Revenue Fund was \$9.7 million (2005 - \$8.5 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2006, this amounted to \$0.5 million (2005 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$795 thousand (2005 - \$348 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is \$1.2 million (2005 - \$1.0 million).

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded which may not coincide with when the assets are actually put into service.

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### b) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

5. *Capital Assets*

	2005	2004
Plant and equipment	\$ 434,241	\$ 408,960
Work in progress	71,647	56,773
Undistributed capital assets	16,565	16,565
Land	613	613
	<u>523,066</u>	<u>482,911</u>
Work in progress funding	(37,084)	(54,440)
Accumulated amortization	(156,602)	(151,947)
Contributions in aid of construction	(259,511)	(234,230)
	<u>\$ 69,869</u>	<u>\$ 42,294</u>

During the year, the following funds provided contributions in aid of construction towards the acquisition, construction and development of capital assets:

Aqueduct Rehabilitation Reserve \$0.4 million (2004 - \$1.1 million);  
 Waterworks System Fund \$1.3 million (2004 - \$3.1 million); and  
 Watermain Renewal Reserve \$7.3 million (2004 - \$6.3 million).

Commencing in 2005, Water Treatment projects are recorded as work in progress in the Waterworks System Fund. These assets will continue to build in value until the new Water Treatment Plant is complete. At that time, the completed assets will be transferred to capital assets in the Waterworks System Fund and will be amortized over their expected useful life. Prior to this change, these projects were recorded in the Water Treatment Reserve. In 2005, \$32.2 million of assets were transferred from the Water Treatment Reserve to the Waterworks System Fund.

6. *Accounts Payable and Accrued Liabilities*

	2005	2004
Trade accounts payable	\$ 3,706	\$ 1,568
Accrued debenture interest	990	1,046
Other accrued liabilities	612	529
Deferred revenue and other	227	214
	<u>\$ 5,535</u>	<u>\$ 3,357</u>

7. *Long-Term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2005	2004
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 1,008
1989-2009	Dec. 14	10.000	VH	5286/89	1,500	1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
					<u>44,500</u>	<u>45,508</u>

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

#### a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded, which may not coincide with when the assets are actually put into service.

Commencing in 1998, when debt is retired, the underlying asset purchased with that debt will continue to be amortized over the asset's remaining useful life using the straight-line method of amortization.

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### b) Wastewater Sewer Renewal Reserve

On May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve for the renewal and rehabilitation of wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Wastewater Sewer Renewal Reserve and the Combined Sewer Renewal Reserve in accordance with the needs at that time. In 2005, \$1.0 million (2004 - \$0.4 million) of the frontage levy revenue was transferred to the Wastewater Sewer Renewal Reserve, the remaining revenue for the year was transferred to the Combined Sewer Renewal Reserve.

5. *Capital Assets (continued)*

During the year, the following funds provided contributions in aid of construction towards the acquisition, construction and development of capital assets:

Wastewater Sewer Renewal Reserve \$823 thousand (2004 - \$292 thousand);  
 Environmental Projects Reserve \$nil (2004 - \$1.0 million); and  
 Sewage Disposal System Fund \$6.8 million (2004 - \$5.0 million).

Commencing in 2005, major environmental projects are recorded as work in progress in the Sewage Disposal System Fund. These assets will continue to build in value until the new facilities are completed. At that time, the completed assets will be transferred to capital assets in the Sewage Disposal System Fund and will be amortized over their expected useful life. Prior to this change, these projects were recorded as assets in the Environmental Projects Reserve. In 2005, \$13.8 million of assets were transferred from the Environmental Projects Reserve to the Sewer Disposal System Fund.

6. *Accounts Payable and Accrued Liabilities*

	<u>2005</u>	<u>2004</u>
Trade accounts payable	\$ 3,621	\$ 1,097
Accrued debenture interest	2,990	3,531
Other accrued liabilities	288	264
	<u>\$ 6,899</u>	<u>\$ 4,892</u>

7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2005</u>	<u>2004</u>
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 17,927
1989-2009	Dec. 14	10.000	VH	5286/89	11,000	11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>86,000</u>	<u>103,927</u>
					<u>(43,744)</u>	<u>(55,569)</u>
					42,256	48,358

7. Long-term Debt (continued)

Other long-term debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.56% (2004 - 4.50%)	12,118	13,619
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 6.92% (2004 - 6.92%)	83	88
Pointe West Properties debt, maturity in 2012, interest rate of 6.65%	<u>3,661</u>	<u>3,712</u>
	<u>58,118</u>	<u>65,777</u>
Current portion of long-term debt	(4,178)	(4,932)
Current portion of Equity in Capital Assets Fund debt	(5)	(5)
Current portion of Pointe West Properties debt	<u>(56)</u>	<u>(52)</u>
Current portion of long-term debt	<u>(4,239)</u>	<u>(4,989)</u>
	<u>\$ 53,879</u>	<u>\$ 60,788</u>

Principal retirement on long-term debt over the next five years is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
Sinking fund debentures \$	-	\$ -	\$ -	\$ 11,000	\$ -	\$ 75,000
Serial and installment	1,578	1,241	1,302	1,367	1,435	5,195
Equity in Capital Assets Fund	5	6	7	7	-	58
Pointe West debt	<u>56</u>	<u>79</u>	<u>125</u>	<u>134</u>	<u>143</u>	<u>3,124</u>
	<u>\$ 1,639</u>	<u>\$ 1,326</u>	<u>\$ 1,434</u>	<u>\$ 12,508</u>	<u>\$ 1,578</u>	<u>\$ 83,377</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

**7. Long-term Debt (continued)**

- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$10.6 million (2004 - \$10.8 million).

**8. Revenue**

The 2005 sewer rate increased to 3.39 cents per hundred cubic feet (2004 - 3.11 cents). The 2005 Environmental Projects Reserve contribution remained at 55 cents per hundred cubic feet (2004 - 55 cents).

**9. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2005, realty and business taxes paid to the General Revenue Fund was \$8.5 million (2004 - \$6.8 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2005, this amounted to \$0.5 million (2004 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$348 thousand (2004 - \$334 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Employee benefits**

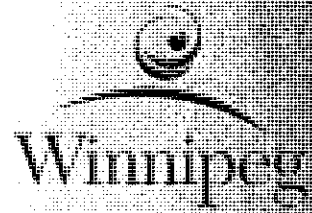
Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2005 is \$1.0 million (2004 - \$1.0 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2005 is estimated at \$160 thousand (2004 - \$176 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, 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 has estimated the unrecorded liability at December 31, 2005 at \$1.3 million (2004 - \$1.4 million).







# 2011

## PRELIMINARY CAPITAL BUDGET

2012 - 2016 FIVE-YEAR FORECAST

City of Winnipeg

CAPITAL PROJECTS SUMMARY

CAPITAL PROJECTS SUMMARY (in Thousands of \$)		PRELIMINARY CAPITAL											
		DETAIL PAGE NO.	Budget 2011	Forecast					2016	2011-2016 6 YEAR TOTAL			
				2012	2013	2014	2015	2016					
<b>WATER WORKS SYSTEM</b> <i>Financed by Waterworks Retained Earnings:</i>													
	Saskatchewan Avenue Watermain	3-150		3,900									3,900
	Water Supervisory Control and Data Acquisition (SCADA) Upgrade	3-151	1,800		2,900								4,700
	Shoal Lake Intake Chloramination Facility	3-152			2,000								2,000
	General Water Infrastructure Rehabilitation	3-153		300		500				1,000			2,600
	Waverley West Feedermain	3-154		6,800									6,800
	Feedermain Condition Assessment and Rehabilitation	3-155	500		500	1,000			1,000				4,500
	Water Utility Asset Management Strategy	3-156		200									200
	Water Supply Valve Installation / Replacement Program	3-157	750		750	750			750				4,500
	Hurst Pumping Station Building - Structural Repairs	3-158	900										900
	Chlorination Decommission at Regional Pump Stations	3-159		115									115
	Deacon Chemical Feed Facility Upgrading	3-160	1,000										1,000
	Regional Pumping Stations Structural Upgrades	3-161		600		500							500
	Wilkes Reservoir "B" Pit Upgrades/Rehabilitation	3-162											600
	Regional Pumping Stations Reliability Upgrades	3-163	1,000		1,000	1,000			1,000				4,000
	Waterworks System Security Upgrades	3-164	850		500	500			500		150		3,000
	Regulatory Assessment of Water System Infrastructure and Water Supply Sources	3-165				610							610
	Shoal Lake Aqueduct Asset Preservation	3-166	700		1,300				1,000				4,000
	Aqueduct Bridging Structure at Deacon	3-167	600										600
	Deacon Reservoir Cell Rehabilitation Project (formerly Deacon Reservoir Box Culvert Rehabilitation and Embankment Repairs)	3-168	1,400		750								2,150
	Deacon Booster Pumping Station Suction Header Divider Valve	3-169	1,200										1,200
	Foundation Drainage Improvements for Deacon Booster Pumping Station	3-170	250										250
	Water Works By-law 504/73 Revision	3-171	175										175
	Environmental Services Laboratory Facility Upgrading - NEWPCC (formerly Laboratory Facility Upgrades - NEWPCC)	3-172	110										110
	Tache Booster Pumping Station	3-173		500									500
	Water Treatment Research and Process Optimization Facility	3-174		500		1,800							5,300
	Branch Aqueduct Condition Assessment and Rehabilitation	3-175	100		650								750
	Water Services Division Operations Accreditation	3-176		500		1,000							2,000
	Water Treatment Plant Upgrading	3-177		500									500
	Ultraviolet Light Disinfection Upgrades/Rehabilitation	3-178									10,000		10,000
	Water Service Line Asset Management and Rehabilitation Strategy	3-179		500		500					4,000		4,000
	Aqueduct Information Management System	3-180		200							550		2,100
		3-181											200

CAPITAL PROJECTS SUMMARY (in Thousands of \$)		PRELIMINARY CAPITAL										
		DETAIL PAGE NO.	Budget 2011	Forecast						2011-2016 6 YEAR TOTAL		
				2012	2013	2014	2015	2016				
<b>WATER WORKS SYSTEM (continued)</b>												
	McPhillips Reservoir Slope Stabilization	3-182		120								120
	Public Water Outlets	3-183				500						500
	Customer Information and Services System (CISS) - Interfaces, Payment Processing and Optimizations	3-184	1,680									1,680
	Meter Infrastructure Program	3-185	355									2,875
	Customer Service Upgrade to Telephony Communications System	3-186	100									100
	<b>Total Financed by Waterworks Retained Earnings</b>		14,070	18,570	8,160	4,300	18,450					79,035
	Watermain Renewals - Watermain Renewal Reserve	3-187	13,500	15,000	16,000	17,000	17,000					92,500
	<b>TOTAL WATERWORKS SYSTEM (Utility Supported)</b>		27,570	33,570	24,160	21,300	35,450					171,535
<b>SEWAGE DISPOSAL SYSTEM</b>												
Sewage Disposal System - Regional												
<i>Financed by Sewage Disposal System Retained Earnings:</i>												
	Lift Stations Upgrading	3-188	2,000	750	750	750	750					7,000
	Inflow / Infiltration / Cross-Connection Study and Mitigation	3-189		500	500	3,000						4,000
	Sewer System Isolation in Areas Protected by Secondary Dikes	3-190	500	1,000								2,500
	Raw Sewage Pump Replacement - NEWPCC	3-191	5,450		9,300							14,750
	Upgrading External Power Supply - NEWPCC	3-192	1,000	4,000						15,000		25,000
	Hauled Liquid Waste Acceptance Facility - Wastewater Pollution Control Centres	3-193	2,800	3,000								5,800
	Re-Roofing at Water Pollution Control Centres	3-194	400	400		400						1,200
	Centrifuge Replacement - NEWPCC	3-195		8,000								9,500
	River Crossings Monitoring and Rehabilitation	3-196	1,300	1,300	1,300	1,300	1,300					7,800
	Water Pollution Control Centre Reliability Upgrades	3-197		5,000	5,000	5,000	5,000					20,000
	Wastewater System Security Upgrades	3-198		500	500	500	500					2,500
	Traffic Safety Upgrades - NEWPCC	3-199		2,450								2,450
	Holding Tanks Restoration - NEWPCC	3-200	2,550	2,550								5,100
	Primary Clarifier Covers - NEWPCC	3-201		500		25,000						25,500
	Wastewater Utility Asset Management Strategy	3-202		200								200
	New Discharge Chamber - NEWPCC	3-203		5,000	10,000							15,000
	New Surgewell - NEWPCC	3-204		9,000								13,000
	Grit Handling Upgrades - NEWPCC	3-205		4,900	6,600							18,900
	Cockburn Lift Station Upgrades to Facilitate Fort Rouge Yards Development (formerly Cockburn & Jesse Lift Stations Upgrades to Facilitate Fort Rouge Yards Development)	3-206	300	2,000								2,300
	Environmental Services Laboratory Facility Upgrading - NEWPCC (formerly Laboratory Facility Upgrades - NEWPCC)	3-207	110									110

CAPITAL PROJECTS SUMMARY

DETAIL PAGE NO.	PRELIMINARY CAPITAL	2011-2016 6 YEAR TOTAL					
		Budget 2011	2012	2013	2014	2015	2016
		Forecast					
(in Thousands of \$)							
<b>SEWAGE DISPOSAL SYSTEM (continued)</b>							
Fernbank Interceptor	3-208						8,000
Warde Interceptor Extension	3-209						3,200
Customer Information and Services System (CISS) - Interfaces, Payment Processing and Optimizations	3-210	1,680					
Sewer Service Line Asset Management and Rehabilitation Strategy	3-211				500	500	1,550
Digester Rehabilitation Project - NEWPCC	3-212	5,000	1,000	1,000	1,000	1,000	9,000
Distributed Control System (DCS) & Human Machine Interface (HMI) upgrades at Water Pollution Control Centres (WPCCs)	3-213	3,000	1,000	1,000			5,000
Grit Tank Refurbishment - SEWPCC	3-214	250					250
Centralized Facilities Renovation	3-215	150					150
552 Plinguet Wastewater Services Garage Structural Rehabilitation	3-216	400					400
Customer Service Upgrade to Telephony Communications System	3-217	100					100
Secondary Clarifier Refurbishment - NEWPCC	3-218	100	300	300	300		1,000
<b>Total Financed by Sewage Disposal Retained Earnings</b>		<b>27,090</b>	<b>25,000</b>	<b>48,350</b>	<b>35,750</b>	<b>37,450</b>	<b>39,300</b>
Environmental Impact Statement and Public Hearings	3-219	200	200	100	100		700
- Environmental Reserve							
Combined Sewer Overflow (CSO) Management Strategy & Miscellaneous Mitigation	3-220	4,100	16,200	17,200	16,200	16,200	17,200
- Environmental Reserve							
Biosolids - Alternative Disposal Delivery & Management System							
- Environmental Reserve		3,000	9,149	3,459	5,020	5,023	25,651
- External Debt			7,851	46,541	44,980	24,977	124,349
<b>Total Biosolids - Alternative Disposal Delivery &amp; Management System</b>	<b>3-221</b>	<b>3,000</b>	<b>17,000</b>	<b>50,000</b>	<b>50,000</b>	<b>30,000</b>	<b>150,000</b>
Nutrient Removal - NEWPCC							
- External Debt	3-222		150,000	150,000	65,000		365,000
<b>Total Sewage Disposal System - Regional</b>		<b>34,390</b>	<b>208,400</b>	<b>265,650</b>	<b>167,050</b>	<b>83,750</b>	<b>56,500</b>
Sewer Renewal							
- Sewer System Rehabilitation Reserve	3-223	13,200	13,900	14,600	15,300	16,100	90,000
<b>TOTAL SEWAGE DISPOSAL SYSTEM</b>		<b>47,590</b>	<b>222,300</b>	<b>280,250</b>	<b>182,350</b>	<b>99,850</b>	<b>73,400</b>



**WATER AND WASTE - GENERAL CAPITAL FUND**

Back to Capital Projects Detail  
Table of Contents

Project Name: **Stormwater Retention Basin Rehabilitation**

Department: Water and Waste  
Project: 20750001yy

Capital Priority Rating: 3 - 2  
Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	200	-	400	-	400	-	800	1,000
Financed by:									
Cash to Capital		200		400		400		800	1,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	200	-	400	-	400	-	-	1,000
Financed by:								
Cash to Capital	200		400		400			1,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase	6	18	31
<b>SURPLUS/(DEFICIT)</b>	<b>(6)</b>	<b>(18)</b>	<b>(31)</b>

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This is an annual program of carrying out repairs or improvements to shorelines and facilities of existing stormwater retention basins including, but not limited to, rock revetment, gate chambers and piping, fountains, and maintenance equipment launching ramps. Rehabilitation and/or upgrading of the retention basins will reduce annual maintenance problems and improve safety.

There are currently 93 stormwater retention basins under the City's jurisdiction. At the current level of funding and depending on the level of work required, 2 to 4 basins are rehabilitated every two years. As the basins age, they will require a higher level of maintenance, and thus future funding levels and prioritization of work will have to be reviewed in order to continue this program of asset preservation.

The expected life of this asset is 25 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.





**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Flood Pumping Station Rehabilitation**

Department: Water and Waste  
 Project: 20765001yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	1,000	1,000	1,000	1,000	1,000	1,000	5,000	6,000
Financed by:									
Cash to Capital		1,000	1,000	1,000	1,000	1,000	1,000	5,000	6,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,000	1,000	1,000	1,000	1,000	1,000	-	6,000
Financed by:								
Cash to Capital	1,000	1,000	1,000	1,000	1,000	1,000		6,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase	30	123	218
<b>SURPLUS/(DEFICIT)</b>	<b>(30)</b>	<b>(123)</b>	<b>(218)</b>

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

In a 2007 report on the adequacy and operation of the 34 regional flood pumping stations, it is estimated that \$22.7 million in upgrades will be required. Near-term expenditures (i.e., next 10 years) have been estimated at \$14.5 million, and long term (next 11-50 years) are identified to cost \$8.2 million. These upgrades improve overall station reliability during high river levels and rainfall events. Funding for this project also includes an annual program for carrying out major repairs, upgrades and/or improvements to the flood pumping stations, and associated outfall pipes and gates. Upgrades and/or improvements include changes to: ventilation, electrical, mechanical, structural, and architectural components. All stations will be upgraded for remote monitoring which is critical during flood and rainfall events.

Formerly, under the 1990 "Clean and Beautiful Winnipeg" initiative, several flood pumping stations had been identified for aesthetic improvements.

The expected life of this asset is 50 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Land Drainage and Combined Sewers Outfall Gate Structures**

Department: Water and Waste  
 Project: 20785002yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	12,150	1,350	-	1,100	-	1,500	1,500	4,100	5,450
Financed by:									
Cash to Capital		1,350		1,100		1,500	1,500	4,100	5,450

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,350	-	1,100	-	1,500	1,500	-	5,450
Financed by:								
Cash to Capital	1,350		1,100		1,500	1,500		5,450

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase	41	122	158
<b>SURPLUS/(DEFICIT)</b>	<b>(41)</b>	<b>(122)</b>	<b>(158)</b>

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

This is a project to install flap gates and positive sliding gates within concrete gate structures on outfall sewers where these facilities do not currently exist or the existing facilities are inadequate or substandard. Under high river level (flood) conditions, the river water backs up into the land drainage and combined sewer systems. In some low lying areas there is a potential for river water to inundate roadways and adjacent properties. The presence of river water in the sewer also greatly reduces the capacity of the system during a rainfall or snow melt event. Subsequent to the 1997 flood event, 70 outfall locations were identified as requiring gates.

To date 39 locations have been addressed, leaving 31 locations yet to be completed.

The expected life of this asset is 50 years.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Floodplain Management**

Department: Water and Waste  
 Project: 20700004yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	1,223	100	200	-	100	-	100	400	500
Financed by:									
Cash to Capital		100	200		100		100	400	500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	100	200	-	100	-	100	-	500
Financed by:								
Cash to Capital	100	200		100		100		500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase	3	16	28
<b>SURPLUS/(DEFICIT)</b>	<b>(3)</b>	<b>(16)</b>	<b>(28)</b>

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This project will investigate and implement programs, policies and legislation to:

- 1) Protect and ensure permanency of current and future secondary dike installation;
- 2) Prevent construction of new structures interfering with secondary dikes and within unprotected areas subjected to frequent high river levels;
- 3) Purchase and remove existing structures from the floodplain; and
- 4) Investigate a process and develop guidelines to control or prevent improvements/re-developments at unprotected private properties with potential acquisition of such high risk properties starting in 2007.

In April 2007, Council approved a program to raise the level of flood protection for low-lying properties below 20 ft James Avenue where it could be demonstrated the cost of providing sandbags exceeded the cost of a permanent flood works. In this program, the level of flood protection would be raised to 22.5 ft James Avenue and thereby avoid the need to sandbag for most floods. If all eligible properties participate, the cost of this program could be \$880,000 and the City could avoid the sandbagging cost of approximately \$2,000,000. Up until July 2010, 14 properties have been flood protected under this program.

The implementation of such programs could take place over a minimum of 5 to 10 years at a cost of \$10 million.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Seine River Waterway Acquisition**

Department: Water and Waste  
 Project: 20800001yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	1,049	150	150	150	150	150	150	750	900
Financed by:									
Cash to Capital		150	150	150	150	150	150	750	900

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	150	150	150	150	150	150	-	900
Financed by:								
Cash to Capital	150	150	150	150	150	150		900

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase		18	33
<b>SURPLUS/(DEFICIT)</b>	-	(18)	(33)

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The purchase of Seine River Waterway lands is a Council adopted policy to provide long term economical regional drainage and to manage the floodplain. The floodplain lands were originally delineated in 1980 and are required to accommodate flow along the Seine River from a 100-year summer storm. They are typically purchased at the time of subdivision, made possible from funds collected through the Seine River Waterway Charge applied to all subdivision and rezoning applications within the Seine River watershed within City limits. Development of lands adjacent to the Seine River will occur faster than the development of lands further from the Seine River. Therefore, the funding required to purchase floodplain lands will exceed the funding collected from the Waterway Charge.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Primary Dike Upgrading**

Department: Water and Waste  
 Project: 20700014yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	727	1,348	1,890	300	948	900	1,000	5,038	6,386
Financed by:									
Cash to Capital		1,348	1,890	300	948	900	1,000	5,038	6,386

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,348	1,890	300	948	900	1,000	-	6,386
Financed by:								
Cash to Capital	1,348	1,890	300	948	900	1,000		6,386

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase		183	311
<b>SURPLUS/(DEFICIT)</b>	-	(183)	(311)

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The 1997 flood identified that in the south-end of the City the primary dikes were too low due to higher flows on the upstream portion of the Red River, and in the north-end of the City the dikes were too low due to backwater effects from the Floodway. In 1997 these deficiencies were addressed by constructing temporary clay dikes. The current level of proposed funding will begin to address these areas.

To provide 1 in 700 year flood protection, the level proposed with the Floodway Expansion will require a further raise of the City's primary dike system to deal with additional backwater effects from the expanded Floodway. The estimated cost to undertake this additional work is in the range of \$400 million (2009 dollars) and represents the cost for raises to the primary dikes and associated bank stability improvements. The recently released Clean Environment Commission (CEC) report on the Floodway Expansion made a "non-licensing" recommendation that the City complete permanent raising of their primary dikes by 2015 and that all levels of government work cooperatively on the financing of these improvements.

There are a number of major drains that flow through the primary dike system. In 1997, Baldry Creek (Fort Richmond) and Beaujolais Coulee (St Norbert) had to be coffer dammed off to isolate these systems from the Red River. Water and Waste Department has been working with Public Works on a culvert replacement project on the Beaujolais Coulee on Pembina Hwy which would involve adding a gate chamber to their project. The gate chamber and fixed tractor-driven pumps are estimated to cost \$3.2 million.. This work would be scheduled to be done in 2012.

Until permanent works are completed, the City will rely on temporary raises to its primary dikes on an as-required basis.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Land Drainage Safety Upgrading Program**

Department: Water and Waste  
 Project: 20700013yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	640	-	100	-	100	-	-	200	200
Financed by:									
Cash to Capital			100		100			200	200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	100	-	100	-	-	-	200
Financed by:								
Cash to Capital		100		100				200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase		3	10
<b>SURPLUS/(DEFICIT)</b>	-	(3)	(10)

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The purpose of this program is to reconstruct or upgrade miscellaneous components of the existing land drainage system to conform with the City of Winnipeg Drainage Safety Guidelines. Specific projects have been identified and prioritized as part of the Open Channel Drainage Inventory and Safety Review Study.

The expected life of the assets is 75 years.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Land Drainage Asset Management Strategy**

Department: Water and Waste  
 Project: 20700016yy

Capital Priority Rating: 3 - 2  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	200	-	-	-	200	200
Financed by:									
Cash to Capital				200				200	200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	200	-	-	-	-	200
Financed by:								
Cash to Capital			200					200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			7
<b>SURPLUS/(DEFICIT)</b>	-	-	(7)

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

Asset management principles are being utilized for various sections in the Water and Waste Department. An asset management strategy is required to define goals, objectives, and strategies for the development and maintenance of a consistent and effective asset management program involving all functions of the land drainage service. The asset management strategy will identify, prioritize, and establish the future direction of condition assessments, establish deterioration/life cycles for components, and recommend rehabilitation, maintenance, and associated financial requirements.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Land Drainage Utility Study and Implementation**

Department: Water and Waste  
 Project: 20700016yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	500	-	-	-	500	500
Financed by:									
Cash to Capital				500				500	500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	500	-	-	-	-	500
Financed by:								
Cash to Capital			500					500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			16
<b>SURPLUS/(DEFICIT)</b>	-	-	(16)

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The funding is required to study the feasibility of implementing a new Land Drainage Utility. The capital budget established in 2006 has been canceled and re-budgeted for 2013.



**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Permanent Flood Pumping Stations**

Department: Water and Waste  
 Project: 20700023yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	200	-	250	-	-	-	-	250	250
Financed by:									
Cash to Capital			250					250	250

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	250	-	-	-	-	-	250
Financed by:								
Cash to Capital		250						250

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)		5	5
Debt and finance charges increase		8	24
<b>SURPLUS/(DEFICIT)</b>	-	(13)	(29)

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

During high water events, the City places temporary pumps to dewater the sewer system during rainfall/snowmelt events. These temporary pumps require continuous monitoring during a high water event.

This program will involve replacing some of the temporary pump locations that need to be placed every year with permanent submersible pumps. Costs include modifications to site, pumps and cost of providing appropriate power at site.

The expected life of the assets is 50 years.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Flood Manual Upgrades**

Department: Water and Waste  
 Project: 20700013yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	-	900	500	-	1,400	1,400
Financed by:									
Cash to Capital					900	500		1,400	1,400

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	900	500	-	-	1,400
Financed by:								
Cash to Capital				900	500			1,400

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The City of Winnipeg's Geographic Information System based Flood Manual was developed in the 2000 to 2003 timeframe and has proven invaluable in fighting a number of floods since then. The upper bound of the Flood Manual calculations is a water level comparable to 1997 flood or 24.5 ft James Avenue. Based on the current Floodway Operating Rules, levels in the City could exceed 24.5 ft James Avenue for floods slightly larger than a 1 in 100 year flood.

Preliminary analysis indicates that the Flood Manual should be extended to calculate flood activities up to 27.0 ft James Avenue. The City will consult with the Manitoba Water Stewardship on an appropriate upper bound. The second upgrade is to upgrade the old VB6 software that runs the Flood Manual. This needs to be done as VB6 software is no longer supported.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Land Drainage Supervisory Control and Data Acquisition (SCADA) System**

Department: Water and Waste  
Project: 20700024yy

Capital Priority Rating: 3 - 2  
Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	100	100	100	100	-	-	300	400
Financed by:									
Cash to Capital		100	100	100	100			300	400

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	100	100	100	100	-	-	-	400
Financed by:								
Cash to Capital	100	100	100	100				400

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)	25	25	25
Debt and finance charges increase	3	12	22
<b>SURPLUS/(DEFICIT)</b>	<b>(28)</b>	<b>(37)</b>	<b>(47)</b>

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The City currently has continuous water level monitoring from 8 gauges on the Red and Assiniboine Rivers. During flood or significant rainfall events surveyors are sent out to monitor water levels at other key river sites and on critical stormwater retention basins throughout the City.

Installation of a monitoring system allows for monitoring of water levels during a flood event and post-event assessments of the performance of the lake sites. A total of 14 sites have been identified. The first phase of the program is to develop installation concepts and cost estimates for each of the sites, and the second phase will be installation of gauges based on overall priority.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Outfall Rehabilitation**

Department: Water and Waste  
 Project: 20780001yy

Capital Priority Rating: 3 - 4  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	1,550	1,750	1,300	1,200	1,200	1,508	6,958	8,508
Financed by:									
Cash to Capital		1,550	1,750	1,300	1,200	1,200	1,508	6,958	8,508

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,550	1,750	1,300	1,200	1,200	1,508	-	8,508
Financed by:								
Cash to Capital	1,550	1,750	1,300	1,200	1,200	1,508		8,508

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase	47	197	349
<b>SURPLUS/(DEFICIT)</b>	<b>(47)</b>	<b>(197)</b>	<b>(349)</b>

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Funding is for rehabilitation of sewer outfalls, repair to piping, and correction of riverbank instability. A condition assessment was completed in 1998 to provide a prioritization of repairs for outfalls throughout the City. Outfall repairs will focus on the outfalls that require most immediate attention, some of which experienced damage from the high river elevations and ice flows experienced during the 1996 and 1997 floods. Originally 55 high-priority sites were identified requiring attention. Since then, 5 more sites have been added for a total of 60 sites.

The expected life of this asset is 50 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Back to Capital Projects Summary

Project Name: **Combined Sewer Flood Relief**

Department: Water and Waste  
 Project: 20710001yy

Capital Priority Rating: 3 - 4  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	-	4,000	11,000	10,000	10,000	10,000	45,000	45,000
Financed by: Sewer System Rehabilitation Reserve			4,000	11,000	10,000	10,000	10,000	45,000	45,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	4,000	11,000	10,000	10,000	10,000	-	45,000
Financed by: Sewer System Rehabilitation Reserve		4,000	11,000	10,000	10,000	10,000		45,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This program, which was approved by Council on October 21, 1987, provides for basement flood relief to combined sewer areas. Funds will be used for the planning, design, and construction of sewer relief works. Also, a portion of the funds will be used for sewer flow and meteorological monitoring in advance of design as well as public communication and education on basement flood protection.

There are 42 combined sewer districts in Winnipeg. Currently, 28 combined sewer districts have been relieved. At present, 2 combined sewer districts are being relieved, another 2 are being considered for partial separation and an additional district will be studied for future relief. Planning for the relief work is also coordinated with the upcoming Combined Sewer Overflow program and the Sewer Rehabilitation program. The cost for the remainder of the program is \$246 million and at current funding rates will require over 20 years to complete. The benefit to cost ratio of the outstanding work is 3.8 to 1; meaning for every dollar spent on sewer relief works, \$3.8 dollars are saved in reduced flood damages.

The expected life of this asset is over 50 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Flood Relief Sewers - Separate**

Department: Water and Waste  
 Project: 20720001yy

Capital Priority Rating: 3 - 4  
 Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	300	300	300	300	300	300	1,500	1,800
Financed by:									
Sewer System Rehabilitation Reserve		300	300	300	300	300	300	1,500	1,800

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	300	300	300	300	300	300	-	1,800
Financed by:								
Sewer System Rehabilitation Reserve	300	300	300	300	300	300		1,800

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Basement flooding has become an issue in some separate sewered areas as in combined sewered areas. A parallel relief sewer program in separate areas is necessary. Prior to any works proceeding, a planning study will be undertaken to identify City-wide priorities, as well as allow for sewer flow and meteorological monitoring in advance of a conceptual and detailed design.

The expected life of this asset is over 50 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

# WATER AND WASTE - GENERAL CAPITAL FUND

Project Name: **Development Agreement Paybacks**

Department: Water and Waste  
Project: 20770001yy

Capital Priority Rating: 3 - 2  
Service: Land Drainage and Flood Control

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	-	500	500	500	500	500	2,500	2,500
Financed by:									
Developer Capacity Charges			500	500	500	500	500	2,500	2,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	500	500	500	500	500	-	2,500
Financed by:								
Developer Capacity Charges		500	500	500	500	500		2,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The provision for development agreement payback is an allowance for the City to repay developers who bridge finance the installation of oversized land drainage services at a time when City capital funding is not provided. The policy guideline for bridge financing was defined in the previous version of the Development Agreement Parameters and was again incorporated in the most recent version of the Parameters which was adopted by Council on June 21, 1989.

**Funds budgeted will provide the following paybacks:**

2012 DASZ 30/05 - Bridgewood Estates Inc./Perfanick	500,000
2013 DASZ 10/10 - North Grassie Properties/Starlight Village	500,000
2014 DASZ 1/06 - MHRC/Waverley West	500,000
2015 DASZ 14/94 - Genstar/Prairie Crossing	500,000
2016 DASZ 56/85 - Inksbrook Industrial Park	500,000

The expected life of this asset is over 50 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

**WATER AND WASTE - GENERAL CAPITAL FUND**

Project Name: **Fernbank Avenue Land Drainage Sewer**

Department: Water and Waste  
 Project: 20820001yy

Capital Priority Rating: 3 - 3  
 Service: Land Drainage and Flood Control

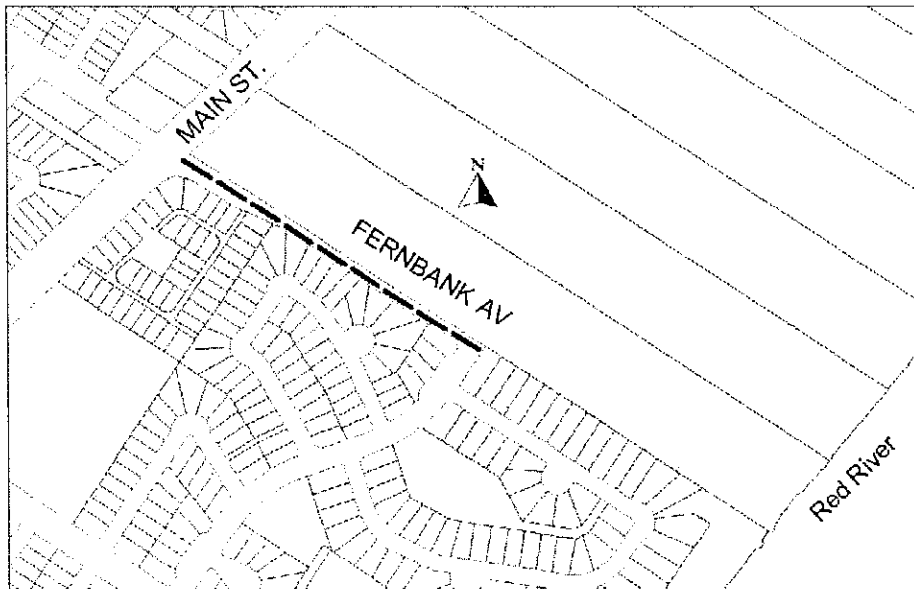
AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	875	-	-	-	875	875
Financed by: Developer Capacity Charges				875				875	875

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	875	-	-	-	-	875
Financed by: Developer Capacity Charges			875					875

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This project includes construction of a 1,350 mm diameter land drainage sewer on Fernbank Avenue from approximately 65 metres west of Main Street to Rivergrove Drive. The sewer will provide a permanent outlet for the Riverbend Subdivision retention basin and an outlet for the undeveloped lands west of the CPR Winnipeg Beach Subdivision rail line. These lands include the Public Works Department's snow dump site north of Fernbank Avenue. The expected life of this asset is 75 years.





Project Name: **Saskatchewan Avenue Watermain**

Department: Water and Waste - Capital Priority Rating: 5 - 3

Project: Waterworks System 20135001yy Service: Water

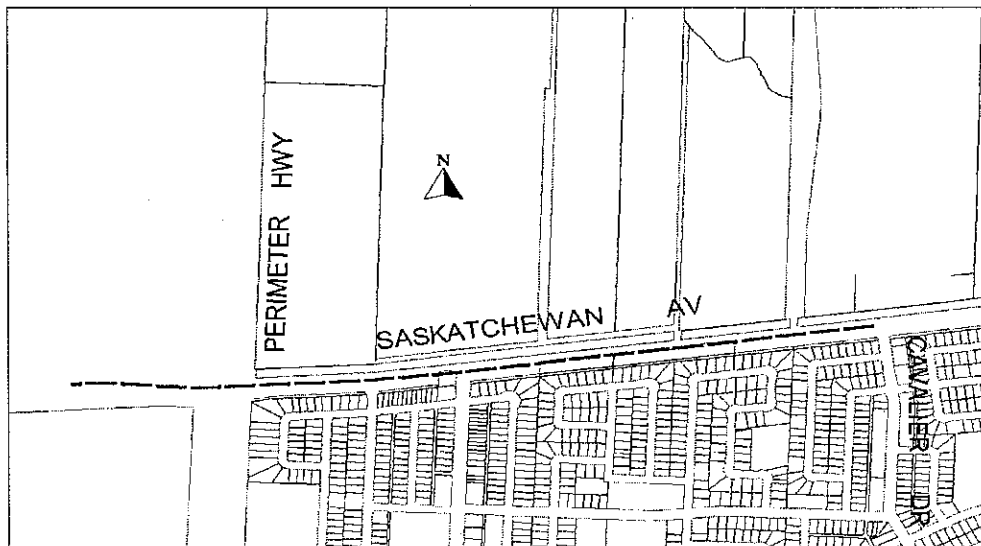
AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	3,900	-	-	-	3,900	3,900
Financed by: Retained Earnings				3,900				3,900	3,900

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	3,900	-	-	-	-	3,900
Financed by: Retained Earnings			3,900					3,900

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Urban development of the lands within the City and west of the Perimeter Highway (PTH 101) will require an extension of the water distribution system to provide a looped supply. The funds included are to provide for a watermain between Cavalier Drive and a point 500 metres west of PTH 101 on Saskatchewan Avenue. It is expected that watermains required within the development lands to complete the loop will be oversized by developers. The expected life of this asset is over 50 years.



**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Back to Capital Projects Summary

Project Name: **Water Supervisory Control and Data Acquisition (SCADA) Upgrade**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Waterworks System 20050002yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	1,800	2,900	-	-	-	-	2,900	4,700
Financed by: Retained Earnings		1,800	2,900					2,900	4,700

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,800	2,900	-	-	-	-	-	4,700
Financed by: Retained Earnings	1,800	2,900						4,700

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)	15	15	15
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	(15)	(15)	(15)

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Supervisory Control and Data Acquisition (SCADA) system controls and monitors the operation of the Drinking Water Treatment Plant and the Regional Water Supply and Distribution System. The automated control system is comprised of specialized computer hardware and software, remote communications, instrumentation, and Programmable Logic Controls (PLC). A SCADA system assessment and upgrading are required to ensure timely replacement of dated hardware and software. The SCADA system is essential for the supply, water treatment process control and distribution of drinking water.

The PLCs currently in use at the three regional pumping stations (McPhillips, MacLean, and Hurst), Tache and Deacon Booster Pumping Stations, and Shoal Lake Intake were installed in 1992 and will no longer be serviced or supported by the manufacturer as of December 31, 2011. Upgrading the water supply system's PLCs at this time will allow for the review of the control software to optimize the operation of the system.

Concurrent with the PLC replacement, the controller logic language will be updated along with additional electrical upgrades to enhance operational reliability.

The expected life of this asset is 10 years but will depend on the technical advancement in the process automation field.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

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Project Name: **Shoal Lake Intake Chloramination Facility**

Department: Water and Waste - Capital Priority Rating: 5 - 4  
Waterworks System

Project: 20120003yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	300	-	2,000	-	-	-	-	2,000	2,000
Financed by:									
Retained Earnings			2,000					2,000	2,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	2,000	-	-	-	-	-	2,000
Financed by:								
Retained Earnings		2,000						2,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The first phase of the project will be a study to review alternate forms of treatment and/or disinfection for the Shoal Lake Aqueduct and distribution system to meet the operational, public health, and safety goals. Presently, chlorine is used at the intake for disinfection, slime control in the aqueduct and zebra mussel control. This results in high levels of disinfection by-products being formed. The water treatment plant must be operational prior to replacing the strong disinfection advantages of chlorine. The Water Treatment Project Risk Management process identified viable alternatives to gas chlorine to reduce risk. Given the consequences associated with security, transportation, and containment of gas chlorine, an alternative form of chlorination will be investigated.

The expected life of this asset is 25 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **General Water Infrastructure Rehabilitation**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Waterworks System 20010026yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	300	300	500	500	1,000	2,600	2,600
Financed by:									
Retained Earnings			300	300	500	500	1,000	2,600	2,600

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	300	300	500	500	1,000	-	2,600
Financed by:								
Retained Earnings		300	300	500	500	1,000		2,600

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

Many components in the water supply and distribution systems have been in service for many years and are reaching the end of their functional lives. These components are critical elements of the infrastructure and their failure would result in disruption of service and costly emergency repairs. This project will address the need to rehabilitate the water supply and distribution systems, in order to maintain the water system reliability and conformance with current building codes and health regulations. This will be an on-going project with additional funding being included in future years.

The scope of work will be varied and will be prioritized based on the urgency and cost effectiveness identified through condition assessment studies, available rehabilitation techniques, and research into innovative rehabilitation measures. Infrastructure to be assessed and rehabilitated under this project includes, but is not limited to, reservoirs, pumping stations, feeder mains, valves, electrical and mechanical systems, control systems, chemical systems, related building structures, and security.

Life expectancy will vary with each asset, however, a range of 10 to 50 years is expected.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Waverley West Feedermain**

Department: Water and Waste -  
Waterworks System  
Project: 20040009yy

Capital Priority Rating: 5 - 3

Service: Water

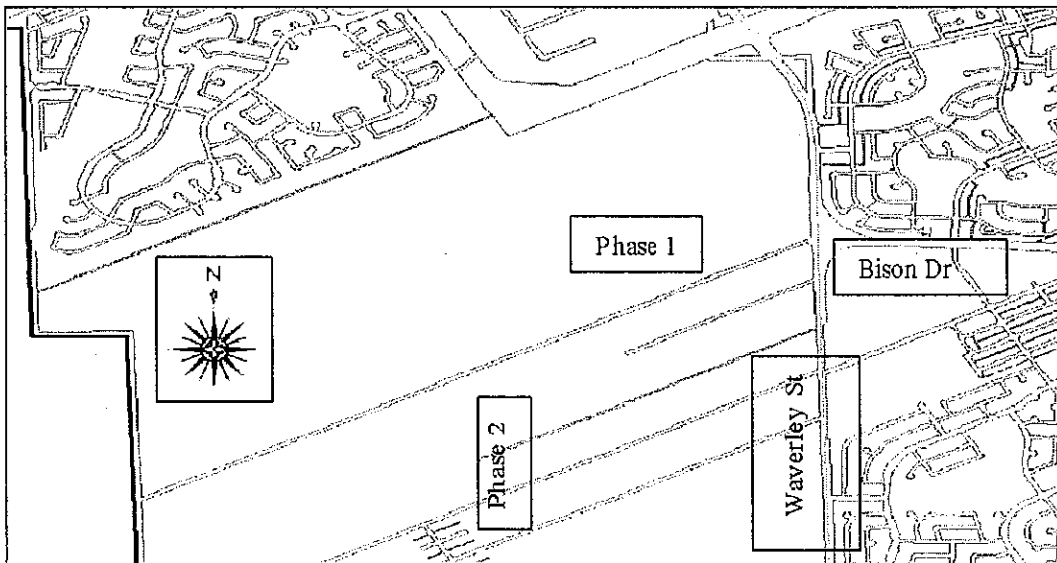
AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	3,400	-	-	6,800	-	-	-	6,800	6,800
Financed by:									
Retained Earnings				6,800				6,800	6,800

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	6,800	-	-	-	-	6,800
Financed by:								
Retained Earnings			6,800					6,800

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Urban development of the lands within the City west of Waverley Street, north and south of Cadboro Road will require an extension of the existing feedermain system to provide water service and fire protection to developments in this area. The funds included are for Phase 2 of the feedermain extension. Phase 2 will continue south down the proposed Kenaston Blvd extension. The expected life of the asset is over 50 years.



**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Feedermain Condition Assessment and Rehabilitation**

Department: Water and Waste - Capital Priority Rating: 5 - 3

Project: Waterworks System 20040007yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	300	500	500	500	1,000	1,000	1,000	4,000	4,500
Financed by:									
Retained Earnings		500	500	500	1,000	1,000	1,000	4,000	4,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	500	500	500	1,000	1,000	1,000	-	4,500
Financed by:								
Retained Earnings	500	500	500	1,000	1,000	1,000		4,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The feeder mains are specialized pipes which are unique in size, materials, construction techniques, and failure. The majority of feeder mains were installed in the 1960's and require inspection, testing, and maintenance to preserve the asset. Future funds will be identified as part of the first phase of this project.

The expected life of this asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Water Utility Asset Management Strategy**

Department: Water and Waste -  
Waterworks System

Capital Priority Rating: 5 - 2

Project: 20010006yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	240	-	200	-	-	-	-	200	200
Financed by: Retained Earnings			200					200	200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	200	-	-	-	-	-	200
Financed by: Retained Earnings		200						200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Asset management principles are being utilized for various projects in the water utility. However, development of an asset management strategy is required to define goals, objectives, and strategies for the development and maintenance of a consistent and effective asset management program involving all functions of the water utility. The asset management strategy will identify, prioritize, and establish the future direction of condition assessments, establish deterioration/life cycles for components, and recommend rehabilitation, maintenance, and associated financial requirements.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Water Supply Valve Installation / Replacement Program**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: 201400xyy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	5,038	750	750	750	750	750	750	3,750	4,500
Financed by:									
Retained Earnings		750	750	750	750	750	750	3,750	4,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	750	750	750	750	750	750	-	4,500
Financed by:								
Retained Earnings	750	750	750	750	750	750		4,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The water supply valves are critical elements used to control the distribution of water from the source through the feeder main pipes. The scope of the work will vary with site-specific conditions. This program will include installation of valves and piping at new or existing locations to improve service reliability and reduce environmental risk. The program will also include replacement of valves, operators, Supervisory Control and Data Acquisition (SCADA) control equipment, related pipe connections, valve chambers, structural assessments, and restoration works. This is an ongoing program with additional funding being included in future years.

Life expectancy will vary between 20 and 50 years.



**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Hurst Pumping Station Building - Structural Repairs**

Department: Water and Waste -  
Waterworks System  
Project: 20050007yy

Capital Priority Rating: 5 - 4  
Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	200	900	-	-	-	-	-	-	900
Financed by: Retained Earnings		900						-	900

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	900	-	-	-	-	-	-	900
Financed by: Retained Earnings	900							900

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

There are structural defects noted on the precast concrete panels at the Hurst Pumping Station. Noted defects include deterioration of the copings (exposing reinforcing steel), cracked panels, deterioration of ribs on the panels, and the deterioration of the caulking joints in several locations. These conditions may lead to water penetration into the building envelope. A structural review of these conditions is required to determine rehabilitation or replacement costs. The capital budget established in 2006 has been canceled and re-budgeted for 2010 and 2011.

The expected life of the asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Chlorination Decommission at Regional Pump Stations**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Waterworks System 20050011yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	115	-	-	-	-	115	115
Financed by:									
Retained Earnings			115					115	115

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	115	-	-	-	-	-	115
Financed by:								
Retained Earnings		115						115

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The existing chlorine disinfection facilities within the three Regional Pumping facilities will be studied to determine if they can be decommissioned now that the new drinking water treatment plant has been successfully commissioned. The proposed works at McPhillips, Hurst, and MacLean pump stations may include the removal of gas chlorine and the decommissioning of the related chlorination systems.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Deacon Chemical Feed Facility Upgrading**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: 20025002yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	400	1,000	-	-	-	-	-	-	1,000
Financed by:									
Retained Earnings		1,000						-	1,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,000	-	-	-	-	-	-	1,000
Financed by:								
Retained Earnings	1,000							1,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Deacon Chemical Feed Building contains chemical storage and injection equipment to treat the City's drinking water with fluoride and orthophosphate. Prior to upgrading the orthophosphate treatment equipment, an engineering study will be performed to review the need for orthophosphate and alternate chemicals to orthophosphate taking into consideration the enhanced water quality from the new drinking water treatment plant. Given the corrosive nature of such chemicals, the chemical pumps, piping, and related monitoring and control equipment will require upgrading and replacement by 2011.

Prior to upgrading the fluoride feed system an engineering study will be carried out to assess the flexibility of the fluoride feed system to meet future target dose rates.

The expected life of this asset is 20 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Regional Pumping Stations Structural Upgrades**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Waterworks System Service: Water  
20050012yy

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	500	-	-	-	-	500	500
Financed by: Retained Earnings			500					500	500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	500	-	-	-	-	-	500
Financed by: Retained Earnings		500						500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The McPhillips, Hurst, and MacLean pumping stations provide the final pumping to deliver water to the Water Utility customers. The pump stations were constructed in the early 1960's. It is anticipated that the building structures will require upgrading to ensure the uninterrupted operation of these pumping facilities. A preliminary assessment will be conducted in 2012 with future funding requirements to be identified in the report.

The expected life of these assets is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Wilkes Reservoir "B" Pit Upgrades/Rehabilitation**

Department: Water and Waste -  
Waterworks System  
Project: 20110002yy

Capital Priority Rating: 5 - 4  
Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	600	-	-	-	-	-	-	600
Financed by: Retained Earnings		600							600

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	600	-	-	-	-	-	-	600
Financed by: Retained Earnings	600							600

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Wilkes Reservoir "B" Pit, constructed in the early 1960's, is one of two critical inlet control structures for controlling the flow of water into the Wilkes Reservoir. The "B" pit improvement works will address the employee safety requirements, egress requirements, valve replacement, structural/foundation repairs, electrical upgrades, and improve the site/groundwater drainage.

The project name has changed from Safety Upgrades - Wilkes Reservoir "B" Pit to Wilkes Reservoir "B" Pit Upgrades/Rehabilitation to align with the scope of work required.

The expected life of this asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Regional Pumping Stations Reliability Upgrades**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Waterworks System 20050003yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	1,000	1,000	1,000	1,000	-	-	3,000	4,000
Financed by:									
Retained Earnings		1,000	1,000	1,000	1,000			3,000	4,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,000	1,000	1,000	1,000	-	-	-	4,000
Financed by:								
Retained Earnings	1,000	1,000	1,000	1,000				4,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The electrical power supply is the primary source of energy to drive the pumps in the drinking water pump stations. Electrical power disruptions have caused the electric pumps to shut down, for protection purposes, which results in reduced water service. A Water Pumping Station Power Reliability Study was completed and recommended a number of electrical and control improvements to reduce the effects of electrical power disruptions. The recommended improvements will be completed in phases according to priority.

The expected life of this asset is 20 years.

# WATER AND WASTE - WATERWORKS SYSTEM FUND

Project Name: **Waterworks System Security Upgrades**

Department: Water and Waste - Capital Priority Rating: 5 - 2

Project: Waterworks System  
20010015yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	1,700	850	500	500	500	500	150	2,150	3,000
Financed by:									
Retained Earnings		850	500	500	500	500	150	2,150	3,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	850	500	500	500	500	150	-	3,000
Financed by:								
Retained Earnings	850	500	500	500	500	150		3,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)	15	15	15
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	(15)	(15)	(15)

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The waterworks system is made up of complex infrastructure that delivers water from Shoal Lake to Winnipeg homes and businesses. Operating the waterworks system is subject to legislation including the Drinking Water Safety Act, Public Health Act, Operator Certification Regulations, Workplace Safety and Health Act, and Environment Act. Safeguarding our infrastructure from accidental or intentional damage or destruction is critical to drinking water quality and public health. Funding is required for increased security measures to adequately protect the waterworks system.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Regulatory Assessment of Water System Infrastructure and Water Supply Sources**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Waterworks System  
 Project: 20010007yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014**	2015	2016		
Project Costs (\$000's)	750	-	-	-	610	-	-	610	610
Financed by:									
Retained Earnings					610			610	610

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	610	-	-	-	610
Financed by:								
Retained Earnings				610				610

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

A drinking water system Infrastructure Assessment study is required under the Provincial Drinking Water Safety Act. The objective of the report is to carry out an onsite evaluation to identify, analyze, and mitigate any potential adverse health risks and environmental impacts associated with the water system in a "source to tap" methodology. This work will also determine whether the water system's source, facilities, equipment, and operations are effective in producing safe drinking water, and meet the regulations in force.

Infrastructure assessment reports are required on a 5-year reporting frequency.

\*\* Supported by class 3 estimate, see Appendix # 2.



**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Shoal Lake Aqueduct Asset Preservation**

Department: Water and Waste - Capital Priority Rating: 5 - 3

Project: Waterworks System  
20030006yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	2,388	700	1,300	-	-	1,000	1,000	3,300	4,000
Financed by:									
Retained Earnings		700	1,300			1,000	1,000	3,300	4,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	700	1,300	-	-	1,000	1,000	-	4,000
Financed by:								
Retained Earnings	700	1,300			1,000	1,000		4,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Shoal Lake Aqueduct, which has been in continuous service since 1919, delivers water to Winnipeg from Shoal Lake, a distance of 156 kilometres (97 miles). A comprehensive condition and rehabilitation of the Aqueduct commenced in 1988 and was substantially completed in 2004. While the Aqueduct rehabilitation project has resulted in an increase of the Aqueduct's service life by 50 years, ongoing monitoring and inspection programs will identify future works.

Works which have been identified include the rehabilitation of drainage siphons crossing the Aqueduct, replacement of corroded boathouse access doors and broken Aqueduct vent pipes, re-establishment of a boathouse in proximity of the Whitemouth River and condition inspection and cleaning of the Aqueduct underdrain.

During the rehabilitation of the Aqueduct, an inventory of specialized and costly inspection and maintenance equipment was assembled which will continue to be utilized in the ongoing inspection and maintenance of the Aqueduct. This equipment requires a dedicated and secure storage facility to ensure its functionality and availability.

The expected life of this asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Aqueduct Bridging Structure at Deacon**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System Service: Water  
20060004yy

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	100	600	-	-	-	-	-	-	600
Financed by:									
Retained Earnings		600							600

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	600	-	-	-	-	-	-	600
Financed by:								
Retained Earnings	600							600

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Greater Winnipeg Water District (GWWD) rail line crosses the Shoal Lake Aqueduct at the Deacon Reservoir site. A buried timber bridging structure was constructed, as part of the original construction work, to protect the aqueduct from the rail traffic loading. An engineering assessment of the bridging structure and aqueduct have been performed and recommended that the bridging structure be replaced as the current structure has failed and no longer offers the required protection to the aqueduct.

The expected life of this asset is 50 years.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Deacon Reservoir Cell Rehabilitation Project**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System  
20110001yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST				Five-Year Forecast Total	Six-Year Total
			2012**	2013	2014	2015		
Project Costs (\$000's)	800	1,400	750	-	-	-	750	2,150
Financed by:								
Retained Earnings		1,400	750				750	2,150

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,400	750	-	-	-	-	-	2,150
Financed by:								
Retained Earnings	1,400	750						2,150

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Deacon Reservoir cells were constructed of clay material between 1972 and 1996 and rise approximately six metres above the natural prairie. The cells have a total storage volume of 8,400 megalitres which is sufficient to supply the City of Winnipeg with water for 28 days. The cells are used to supplement the water supply when the daily water demand exceeds the capacity of the Shoal Lake Aqueduct. The cells also provide a water supply to the City when the Shoal Lake Aqueduct is annually shut down for inspection and maintenance.

There are two precast concrete box culvert pipes that cross under PTH 207 which convey water from Cell No. 2 into Cell No. 1. The box culvert joints have a history of leaking and a number of joint repair methods have been undertaken in the past with minimal success. The joint leakage is a safety issue during the winter months as the water will flood the ditches and roadway. Also this leakage over a long period of time could compromise the stability of the cell dikes in proximity of the box culvert pipes. Both box culvert pipes will be repaired by installing a structural liner.

On top of the cell dikes exists a three metre wide road which is used for inspection, maintenance, water sampling and security purposes. The total length of the cell roads is 9.5 kilometres. Over time the roads have developed a number of localized failures from water accumulation which requires repair before the roads become impassable and the cell dikes start to soften thereby increasing the risk for a catastrophic dike failure. The road rehabilitation will include excavation, recompaction of the clay dike, regrading the dike crown and placement of road gravel.

There is a significant growth of vegetation (shrubs and trees) growing on the top of the cell dikes between the edge of the road and the granite rip-rap protecting the inner slopes of the cell dikes. There is also some growth within the rip-rap. A similar growth was removed approximately 15 years ago. The removal of the vegetation is required because the roots could compromise the dike integrity and the foliage will interfere with the security system monitoring cameras and its decay will cause water quality issues. Removal of the vegetation will be labour intensive because of its proximity to the water and the rip-rap.

The expected life of this asset is 50 years.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Deacon Booster Pumping Station Suction Header Divider Valve**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System 20050009yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	100	1,200	-	-	-	-	-	-	1,200
Financed by:									
Retained Earnings		1,200						-	1,200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,200	-	-	-	-	-	-	1,200
Financed by:								
Retained Earnings	1,200							1,200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Deacon Booster Pumping Station suction header pipe has been identified as a single point of potential failure for the supply of treated water to the City. The work will include the installation of a valve in the mid point on the suction header to effectively divide the suction header. This will permit a continuous supply of water to the City in the event a leak occurs on this suction header.

The expected life of this asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Foundation Drainage Improvements for Deacon Booster Pumping Station**

Department: Water and Waste -  
Waterworks System  
Project: 20050010yy

Capital Priority Rating: 3 - 2  
Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	250	-	-	-	-	-	-	250
Financed by: Retained Earnings		250							250

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	250	-	-	-	-	-	-	250
Financed by: Retained Earnings	250							250

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

As part of a risk management assessment, the Deacon Booster Pumping Station foundation drainage system was identified as high risk due to internal flooding from excessive foundation water. The pump floor is approximately nine meters below grade. With the construction of the new water treatment plant, the Deacon Booster Pumping Station must be operated continuously to deliver drinking water to the City of Winnipeg. The foundation drainage improvement and potential automation of valves to control the flow of water will reduce the risk of flooding the electrical pumps.

The expected life of this asset is over 50 years.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Water Works By-law 504/73 Revision**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System 20010024yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	175	-	-	-	-	-	-	175
Financed by:									
Retained Earnings		175						-	175

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	175	-	-	-	-	-	-	175
Financed by:								
Retained Earnings	175							175

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Water Works By-law No. 504/73 relates to the Water Works Utility, the fixing of water rates and the billing and collection thereof. This by-law was originally passed by Council November 7, 1973. Each year amendments are passed to reflect the new water and sewer rates. The structure and language in the by-law has become dated. Amendments have occurred to clarify terms, liability or cross connection control provisions based on the original by-law structure. The Water Works By-law will be written taking into account a review of the by-laws in other jurisdictions, plain language format and better alignment with current operation policies.

The expected life of this asset is 25 years.

\*\* Supported by class 3 estimate, see Appendix #2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Environmental Services Laboratory Facility Upgrading - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 3 - 2  
 Waterworks System  
 Project: 20010022yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	150	110	-	-	-	-	-	-	110
Financed by:									
Retained Earnings		110						-	110

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	110	-	-	-	-	-	-	110
Financed by:								
Retained Earnings	110							110

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Environmental Standards Division Laboratory is an ISO accredited (for analytical and calibration laboratories, ISO 17025) laboratory located at the North End Water Pollution Control Centre (NEWPCC). The existing laboratory space is insufficient with the addition of new staff to conduct laboratory work for the new water treatment plant and the additional wastewater systems. There is a storage room at the NEWPCC of approximately 49 m<sup>2</sup> (530 ft<sup>2</sup>) that is available to be upgraded/converted to laboratory space.

The upgrade of this space includes a new heating, ventilating and air conditioning (HVAC) system to control air quality, new workstations and bench space and a new sample reception/preparation area. The cost identified also includes removal of the old duct work and other existing devices, upgrade to existing plumbing and new installation of new laboratory fume hoods, odour control canopies and incubators.

The expected life for this facility is approximately 20 years.

The funding for this project is split 50/50 between the Waterworks System Fund and the Sewage Disposal System Fund.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Deacon Site Flood Protection**

Department: Water and Waste -  
Waterworks System  
Project: 20025005yy

Capital Priority Rating: 3 - 2

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012**	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	500	-	-	-	-	500	500
Financed by:									
Retained Earnings			500					500	500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	300	200	-	-	-	-	500
Financed by:								
Retained Earnings		300	200					500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Deacon site ditch drainage system has experienced overland flooding in the past due to high water levels in the drain discharging into the floodway during the 1997 flood. With the expanded floodway and the increased water levels additional flood protection measures must be installed to protect the new Water Treatment Plant and related onsite buildings.

The expected life of this asset is over 50 years.

\*\* Supported by class 3 estimate, see Appendix # 2.



**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Tache Booster Pumping Station**

Department: Water and Waste -  
Waterworks System  
Project: 20050006yy

Capital Priority Rating: 3 - 2

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	500	3,000	1,800	-	-	5,300	5,300
Financed by:									
Retained Earnings			500	3,000	1,800			5,300	5,300

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	500	3,000	1,800	-	-	-	5,300
Financed by:								
Retained Earnings		500	3,000	1,800				5,300

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Tache Booster Pumping Station on the Branch 1 Aqueduct was constructed in 1950 in order to develop the full capacity of the aqueduct. A study identified a number of required upgrading to the pumping station and the aqueduct surge tower adjacent to the station. The work includes replacing the pump motors, upgrading the station electrical, heating and ventilation systems, upgrading the foundation and roof structures, and a reconfiguration of the valving and piping between the pumping station and the surge tower. Also, aesthetic, fencing and landscaping upgrades to the site and facilities will be undertaken to coincide and assimilate with the proposed residential redevelopment of the surround area.

The capital budget established in 2006 has been cancelled and re-budgeted for 2012 to 2014.

The expected life of this rehabilitation asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Water Treatment Research and Process Optimization Facility**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System 20025006yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	100	650	-	-	-	-	650	750
Financed by:									
Retained Earnings		100	650					650	750

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	100	650	-	-	-	-	-	750
Financed by:								
Retained Earnings	100	650						750

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The water treatment research and process optimization facility will be constructed to facilitate ongoing water treatment research and optimization of the existing water treatment process. This will be a small scale model replicating the water treatment process.

As new chemicals become available or existing chemicals become unavailable or existing chemical prices rise such that they become cost prohibitive; alternative chemicals can be pilot tested in this facility to ensure the water quality will meet the regulatory license requirements. In the future as drinking water quality regulations become more stringent new water treatment processes can be studied and validated on the water supply prior to committing to a large capital expansion to the water treatment plant. Other benefits are: filter media and absorption evaluations, operator training and education, and testing of emerging treatment technologies that become cost effective. The water treatment plant has space dedicated for this facility.

The expected life of this asset is 25 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Branch Aqueduct Condition Assessment and Rehabilitation**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System 20030005yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	500	500	1,000	-	-	2,000	2,000
Financed by:									
Retained Earnings			500	500	1,000			2,000	2,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	500	500	1,000	-	-	-	2,000
Financed by:								
Retained Earnings		500	500	1,000				2,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Branch I, II and Interconnection aqueducts are specialized pipes which are unique in size, materials, construction techniques and failure.

The Branch I aqueduct was installed in 1918 and has an established inspection and maintenance program, however, the Branch II and interconnection aqueducts were installed between 1959 and 1963 and will require specialized inspection, testing, and maintenance to preserve the asset.

The expected life of this asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Water Services Division Operations Accreditation**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System Service: Water  
20010005yy

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	500	-	-	-	500	500
Financed by:									
Retained Earnings				500				500	500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	500	-	-	-	-	500
Financed by:								
Retained Earnings			500					500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Water Services Division has a strategic goal to become certified under an ISO or similar certification program to enhance customer service and manage risk. Additional benefits of becoming certified are: improved cost effectiveness, environmental compliance, reduced hazard liabilities and promotion of best management practices. The Utility has the opportunity to demonstrate to their customers a commitment to environmentally safe processes, regulatory compliance, and environmental stewardship.

The expected life of this asset is 20 years.

Project Name: **Water Treatment Plant Upgrading**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Waterworks System 200250xyy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	-	-	-	10,000	10,000	10,000
Financed by:									
Retained Earnings							10,000	10,000	10,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	-	-	1,000	9,000	10,000
Financed by:								
Retained Earnings						1,000	9,000	10,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The drinking water treatment plant is the single source of treated water for the City of Winnipeg. The water treatment processes are made up of pumps, valves, piping, custom designed mechanical components, compressors, blowers, chemical handling and metering equipment, electronic measurement and control equipment, switch gears, variable speed drives, transformers and related equipment. Due to the corrosive properties of the chemicals and acids, the mechanical equipment will have to be rebuilt or replaced to ensure the provision of treated water for the City of Winnipeg.

The expected life of this asset is 5 to 20 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Ultraviolet Light Disinfection Upgrade/Rehabilitation**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Waterworks System 20025004yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	-	-	-	4,000	4,000	4,000
Financed by:									
Retained Earnings							4,000	4,000	4,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	-	-	4,000	-	4,000
Financed by:								
Retained Earnings						4,000		4,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The ultraviolet light disinfection system is an integral pathogen barrier in the drinking water treatment process. The process treats the water by emitting ultraviolet light into the water. There is a significant amount of rejection heat generated by the electrical and mechanical systems which degrade the equipment. Typically the ballasts, transformers, bulbs, quartz sleeves and mechanical wiper systems all must be serviced and replaced at regular intervals to maintain the reliable operation of this treatment system.

The expected life of this asset is 5 to 20 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Water Service Line Asset Management and Rehabilitation Strategy**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System  
20010023yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	500	500	550	550	2,100	2,100
Financed by:									
Retained Earnings				500	500	550	550	2,100	2,100

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	500	500	550	550	-	2,100
Financed by:								
Retained Earnings			500	500	550	550		2,100

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Several issues related to the failure of residential water service lines within City right-of-ways have been identified. The issues identified include the freezing of water services during extreme cold weather, the premature failure of polybutylene water services and the failure of older lead water services resulting in the temporary loss of water service to the customer.

The program will include the review and replacement of problem water services.

The expected life of this asset is 75 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Aqueduct Information Management System**

Department: Water and Waste - Capital Priority Rating: 3 - 4

Project: Waterworks System 20030010yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013**	2014	2015	2016		
Project Costs (\$000's)	-	-	-	200	-	-	-	200	200
Financed by: Retained Earnings				200				200	200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	200	-	-	-	-	200
Financed by: Retained Earnings			200					200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Aqueduct Information Management System is an electronic data base of Shoal Lake Aqueduct related information developed as part of the Shoal Lake Aqueduct Rehabilitation Program. The current system is at the end of its useful life. In order to preserve the data base a new system is to be developed.

The expected life of this asset is 10 years.

\*\* Supported by class 3 estimate, see Appendix # 2.



**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **McPhillips Reservoir Slope Stabilization**

Department: Water and Waste - Capital Priority Rating: 3 - 2

Project: Waterworks System  
20110003yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	120	-	-	-	120	120
Financed by:									
Retained Earnings				120				120	120

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	120	-	-	-	-	120
Financed by:								
Retained Earnings			120					120

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The west cell of the McPhillips reservoir parallels the back lane along Gallagher Avenue. A portion of the existing earthen side slope of the reservoir cell has failed. Geotechnical analysis and remediation works are required to correct the slope failure to prevent earth from the slope from encroaching on the back lane.

The expected life of this asset is 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Public Water Outlets**

Department: Water and Waste - Capital Priority Rating: 3 - 3

Project: Waterworks System Service: Water  
20010017yy

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	-	500	-	-	500	500
Financed by:									
Retained Earnings					500			500	500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	500	-	-	-	500
Financed by:								
Retained Earnings				500				500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

There are three public drinking water outlets in the City providing truck filling services for contractors or homeowners hauling water. Funds are required to perform an assessment of water sales, a review of the public water outlet locations, safety upgrades, and rehabilitation or decommissioning works. In some locations structural and mechanical repairs are required to maintain this service. Future funds may be required following the recommendations of the study.

Life expectancy will vary between 20 and 50 years.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Customer Information and Services System (CISS) - Interfaces, Payment Processing and Optimizations**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Waterworks System  
 Project: 20100002yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	1,680	-	-	-	-	-	-	1,680
Financed by: Retained Earnings		1,680							1,680

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,680	-	-	-	-	-	-	1,680
Financed by: Retained Earnings	1,680							1,680

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Customer Information and Services System (CISS) - Interfaces, Payment Processing and Optimizations project includes implementing functionality of the Oracle Customer Care and Billing (CCB) system. Some components include upgrading the cashiering system to interface with a new payment processing system and capturing image and documentation of customer bill payments. The enhanced CCB will provide the avenue for increased customer service regarding bill and payment opportunities and functionality.

The project will prepare CCB for interfacing to the other primary department systems, such as Geographic Information System (GIS), so that an integral view of customer, work and asset information is available for better decision making. This will provide for more efficient routing for meter reading and maintenance, work routes for field crews and customer notification on water and sewer issues.

The CISS Project included \$10 million (split between the Waterworks System Fund and the Sewage Disposal System Fund) for replacing the legacy mainframe system with the new web based CCB system. In order to mitigate risk and ensure a successful project, only the base system functionality was first implemented.

The funding for this project is split 50/50 between the Waterworks System Fund and the Sewage Disposal System Fund.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Meter Infrastructure Program**  
 Department: Water and Waste - Capital Priority Rating: 3 - 1  
 Waterworks System  
 Project: 20010025yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012**	2013	2014	2015	2016		
Project Costs (\$000's)	-	355	2,520	-	-	-	-	2,520	2,875
Financed by: Retained Earnings		355	2,520					2,520	2,875

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	355	2,520	-	-	-	-	-	2,875
Financed by: Retained Earnings	355	2,520						2,875

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The project includes two segments: (1) 2011 - The development of a Business Case that will drive the selection and implementation plans for the metering technology, and (2) the completion of a 12-month testing period (2012-2013) followed by an assessment period. The business case will identify costs associated with water meters with encoder registers, meter interface units (radio frequency devices that communicate meter information to data collector units), data collector units, meter data management system (hardware/software) and meter installation service. Full system implementation is planned over a minimum of a three year period (2014 - 2016). Costs for advanced metering technology are estimated to be up to \$75 million.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Project Name: **Customer Service Upgrade to Telephony Communications System**

Department: Water and Waste - Capital Priority Rating: 3 - 3

Project: Waterworks System  
20100005yy

Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	100	-	-	-	-	-	-	100
Financed by:									
Retained Earnings		100							100

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	100	-	-	-	-	-	-	100
Financed by:								
Retained Earnings	100							100

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

An upgrade is required to the telephony system used for the Water Bill Inquiry Line (986-2455), which was originally purchased in 1997. This upgrade will provide enhanced functionality for the Water Bill Inquiry Line, including skills-based routing, enhanced reporting and statistics, scheduling optimization, and enhanced monitoring, recording and coaching capacity. It will ensure that the Water and Waste Department can more effectively use its resources to provide quality customer service in a more reliable environment.

The Department plans to upgrade to the same system currently being used by the 311 Contact Centre and the Handi-Transit Contact Centre to optimize resources, as 24/7 system support has already been established within the organization, and a training and back-up facility is already located at 510 Main Street. Although the new system will be more robust and effective, it is expected that annual operating expenses will remain the same as those currently being incurred.

The funding for this project is split 50/50 between the Waterworks System Fund and the Sewage Disposal System Fund.

\*\* Supported by class 1 estimate, see Appendix # 2.

**WATER AND WASTE - WATERWORKS SYSTEM FUND**

Back to Capital Projects Summary

Project Name: **Watermain Renewals**

Department: Water and Waste - Capital Priority Rating: 5 - 2

Project: Waterworks System 20130001yy Service: Water

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	13,500	14,000	15,000	16,000	17,000	17,000	79,000	92,500
Financed by:									
Watermain Renewal Reserve		13,500	14,000	15,000	16,000	17,000	17,000	79,000	92,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	13,500	14,000	15,000	16,000	17,000	17,000	-	92,500
Financed by:								
Watermain Renewal Reserve	13,500	14,000	15,000	16,000	17,000	17,000		92,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This project is a continuing program to replace and/or rehabilitate deteriorating watermain infrastructure. Funding is used for watermain replacement, cathodic protection, valve and hydrant replacement/rehabilitation, correction of dead end mains, upgrading of substandard mains, watermain studies, assessments, and hydraulic improvements for fire protection purposes. Additional funding has been added to the program due to the escalation in construction costs and an increase in the number of watermains requiring replacement/rehabilitation. The expected remaining life of each rehabilitated watermain ranges from 20 to 80 years, depending on the rehabilitation technology and the asset condition.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

Project Name: **Lift Stations Upgrading**

Department: Water and Waste -  
Sewage Disposal  
Project: 20350001yy

Capital Priority Rating: 5 - 4

Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	2,000	2,000	750	750	750	750	5,000	7,000
Financed by:									
Retained Earnings		2,000	2,000	750	750	750	750	5,000	7,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	2,000	2,000	750	750	750	750	-	7,000
Financed by:								
Retained Earnings	2,000	2,000	750	750	750	750		7,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This project is part of a continuing program for mitigating hydraulic, structural, safety, odour, aesthetic problems, and capacity assessments as required for the 95 lift stations and associated forcemains, gate chambers, and related works in the sewage collection system. For maximum effectiveness the program must be on a planned and continuous basis.

The program will include a condition assessment of all lift stations to establish future funding requirements.

The expected life of this asset is 50 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Inflow / Infiltration / Cross-Connection Study and Mitigation**

Department: Water and Waste - Capital Priority Rating: 3 - 3

Project: Sewage Disposal 20410001yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	2,793	-	-	500	500	3,000	-	4,000	4,000
Financed by:									
Retained Earnings				500	500	3,000		4,000	4,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	500	500	1,500	1,500	-	4,000
Financed by:								
Retained Earnings			500	500	1,500	1,500		4,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

This project involves locating and identifying sources of extraneous inflow and infiltration (I&I) entering the wastewater sewer system, and implementing mitigative measures to reduce the I&I such that wet weather flows to wastewater treatment plants are minimized, basement flood protection is improved during high river levels and emergency discharges are minimized.

Extraneous inflows from groundwater, snowmelt, and rainfall events place an additional stress on the wastewater treatment plants that can result in reduced life expectancy of equipment and/or accelerate the need for wastewater treatment plant expansion. Minimizing extraneous inflows will reduce these additional stresses, prolong equipment life, and postpone facility expansion. Areas of the City will also be identified where land drainage sewer system cross-connections may exist with the wastewater sewer system that can be significant sources of I&I under high river levels or wet weather.

In addition to this, as of 1990, new homes are required to have sump pumps and pits to collect foundation drainage and then discharge this clean water onto the home owners land. The intent was to remove this large source of extraneous flow from reaching the wastewater treatment plants. It has been found, however, that some home owners have illegally connected sump pumps to their wastewater sewer service. Areas where large sources of extraneous I&I are suspected will be investigated. Appropriate technical measures including public education and communication will be initiated to rectify this situation.

The expected life of this asset is 50 years.



**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Sewer System Isolation in Areas Protected by Secondary Dikes**

Department: Water and Waste - Capital Priority Rating: 3 - 3  
 Sewage Disposal  
 Project: 20300002yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	500	1,000	1,000	-	-	-	2,000	2,500
Financed by:									
Retained Earnings		500	1,000	1,000				2,000	2,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	500	1,000	1,000	-	-	-	-	2,500
Financed by:								
Retained Earnings	500	1,000	1,000					2,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This project involves isolating the sewer system in areas protected by secondary dikes from the remainder of the sewer system behind the primary dikes. This will involve one of three types of work for different locations:

1. Installation of gate valves on the house sewer connection;
2. Installation of sump pits and pumps and backwater valves in each property; or,
3. Installation of parallel sewer mains in streets.

The purpose of installing these works is to prevent complete flooding of a sewer district behind a primary dike should a secondary dike breach occur and flood the properties between the secondary and primary dikes.

The expected life of this asset is 50 years.

Project Name: **Raw Sewage Pump Replacement - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 3

Project: Sewage Disposal 2031xx10yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	6,150	5,450	-	-	9,300	-	-	9,300	14,750
Financed by:									
Retained Earnings		5,450			9,300			9,300	14,750

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	5,450	-	-	9,300	-	-	-	14,750
Financed by:								
Retained Earnings	5,450			9,300				14,750

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

Raw sewage pumping is an essential operation at the NEWPCC. The largest and oldest raw sewage pumps at the NEWPCC (pumps labeled as MP2, MP3, MP4 and MP6) were installed in 1965 and are each rated at 700 horsepower with a pumping capacity of 188 megalitres per day (ML/d). While these pumps have been maintained in good condition, repairs are becoming more difficult to complete. Parts are difficult to obtain and may have to be custom fabricated. The variable speed drives on pumps MP2 and MP4 are considered obsolete. Variable speed drives allow for more efficient pumping to pace the flows received at the NEWPCC.

Funding through to 2011 will be for: conceptual design pertaining to replacement of all six raw sewage pumps; functional and detailed design, contract administration, and additional services pertaining to immediate replacement of pumps MP4 and MP5; and a supply and installation contract for two variable speed pump/motor/drive assemblies and associated equipment and services for pumps MP4 and MP5.

Funding in 2014 will be for engineering and supply and delivery contracts for pumps MP2, MP3 and MP6.

The scope and cost for these upgrades will be reviewed and updated as engineering proceeds through the design and implementation phases.

The expected life of the pumps is 25 years. The expected life of the HVAC and Electrical systems is 15 years.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Upgrading External Power Supply - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 2031xx23yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	1,000	5,000	4,000	-	-	15,000	24,000	25,000
Financed by: Retained Earnings		1,000	5,000	4,000			15,000	24,000	25,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,000	5,000	4,000	-	-	15,000	-	25,000
Financed by: Retained Earnings	1,000	5,000	4,000			15,000		25,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The NEWPCC currently has two separate electrical power supply lines which are both capable of powering the entire NEWPCC facility. In the event of a power failure to one supply, the plant will continue to operate on the other supply.

When any additional treatment processes are added to the plant, this redundant power supply will not be capable of powering the plant independently due to the increase power load demands.

The biological nutrient reduction processes must be implemented by December 2014 and will increase the plant power requirement beyond the current capacity of either of the two supplies. In anticipation of nutrient removal at the NEWPCC the existing power supplies must be assessed and upgraded. The estimated cost of this upgrade is \$10,000,000.

The NEWPCC also requires stand-by power generation to keep critical plant processes such as controls, ventilation and partial treatment operating during power interruptions. Funding has been added to 2016 for this installation.

The life expectancy of this asset is 50 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Hauled Liquid Waste Acceptance Facility - Wastewater Pollution Control Centres**

Department: Water and Waste - Capital Priority Rating: 5 - 3  
 Sewage Disposal  
 Project: 20340009yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	8,000	2,800	3,000	-	-	-	-	3,000	5,800
Financed by:									
Retained Earnings		2,800	3,000					3,000	5,800

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	2,800	3,000	-	-	-	-	-	5,800
Financed by:								
Retained Earnings	2,800	3,000						5,800

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The West End Water Pollution Control Centre (WEWPCC) accepted waste from septic haulers as a disposal facility at the Perimeter Road Pumping Station. The design consultants for the WEWPCC Biological Nutrient Removal facility have recommended that this practice be stopped. On December 1, 2005, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred with the recommendation. As of July 1, 2007, septage was no longer accepted at the WEWPCC and the septage receiving facility at the WEWPCC was closed. This project is to provide increased capacity at the other two facilities (North and South End Water Pollution Control Centres).

The name of this project has been revised from Septage Acceptance Facility - Wastewater Pollution Control Centres to Hauled Liquid Waste Acceptance Facility - Wastewater Pollution Control Centres. The funding in 2008 and 2009 will be used to design and construct upgraded hauled liquid waste acceptance facilities at the North End Water Pollution Control Centres and include provisions for landfill leachate acceptance at the NEWPCC. Construction of this part of the project commenced in 2010.

Due to timing of design, tendering, construction and increased budget costs, the tendering and construction of the South End Water Pollution Control Centre Hauled Liquid Waste Facility is anticipated to start in 2011.

To improve truck entry and exit security within the NEWPCC it is proposed to add an additional receiving/handling facility to the NEWPCC Hauled Liquid Waste Acceptance Facility in 2012 that will receive sludge from SEWPCC and WEWPCC. This facility will then maintain all truck traffic outside the secure fenced perimeter of the NEWPCC.

The expected life of the structures is 50 years, the expected life of electrical and mechanical components is 25 years, and the expected life for computer related systems is 10 years.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Re-Roofing at Water Pollution Control Centres**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 20300010yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A *	400	-	400	-	400	-	800	1,200
Financed by:									
Retained Earnings		400		400		400		800	1,200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	400	-	400	-	400	-	-	1,200
Financed by:								
Retained Earnings	400		400		400			1,200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Various Water Pollution Control Centre buildings require re-roofing because the existing roofing has exceeded their functional life and are in need of frequent repair and servicing. Mechanical equipment and controls contained in these facilities require that the superstructures be adequately maintained to protect its components. Re-roofing in a timely and proactive manner will maximize the functional life of the facilities, protect the mechanical and control components contained in the facilities, and prevent structural damage to the facilities as a result of water leakage undergoing freeze-thaw cycles. The funding for this ongoing program includes engineering, design, and re-roofing construction.

The expected life of this asset is 30 years.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Centrifuge Replacement - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Sewage Disposal 2031xx24yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	1,500	8,000	-	-	-	9,500	9,500
Financed by:									
Retained Earnings			1,500	8,000				9,500	9,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	1,500	8,000	-	-	-	-	9,500
Financed by:								
Retained Earnings		1,500	8,000					9,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The centrifuge units de-water digested sludge produced as a residual of wastewater treatment processes. Sludge residuals from the South End and the West End Water Pollution Control Centres is processed at NEWPCC. There are 6 units that are subject to intense mechanical wear, have been in operation since 1990, and are failing with increasing frequency. For construction, operation, and maintenance reasons, these units must be identical to each other, and as such must be purchased over 2 years at maximum.

The life expectancy of this asset is 15 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **River Crossings Monitoring and Rehabilitation**

Department: Water and Waste -  
Sewage Disposal  
Project: 20360007yy

Capital Priority Rating: 5 - 4  
Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	1,300	1,300	1,300	1,300	1,300	1,300	6,500	7,800
Financed by:									
Retained Earnings		1,300	1,300	1,300	1,300	1,300	1,300	6,500	7,800

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,300	1,300	1,300	1,300	1,300	1,300	-	7,800
Financed by:								
Retained Earnings	1,300	1,300	1,300	1,300	1,300	1,300		7,800

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This project is for the rehabilitation and/or replacement of forcemain river crossings and for the installation of leak detection equipment on the existing waterway crossings.

The Department has completed a risk assessment of all river crossings in order to determine a prioritization plan to upgrade and replace any at risk river crossings as required by Environmental Licences issued by the Province of Manitoba for the wastewater collection system in the City of Winnipeg.

These funds will also be used to install continuous leak detection monitoring equipment at all river crossings as required by the Provincial Environmental License. The Department is currently undertaking a pilot program to evaluate and determine methods to meet this requirement.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Water Pollution Control Centre Reliability Upgrades**

Department: Water and Waste -  
Sewage Disposal  
Project: 20300005yy

Capital Priority Rating: 5 - 4

Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	19,358	-	-	5,000	5,000	5,000	5,000	20,000	20,000
Financed by:									
Retained Earnings				5,000	5,000	5,000	5,000	20,000	20,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	5,000	5,000	5,000	5,000	-	20,000
Financed by:								
Retained Earnings			5,000	5,000	5,000	5,000		20,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

A risk and criticality assessment of the City's three water pollution control centres has been undertaken. The assessment outline required improvements to the existing systems to increase their reliability. The program will address the improvements which affect mechanical, electrical, and structural components at all three water pollution control centres.

The expected life of the structure upgrades is 50 years and the expected life of the electrical and mechanical components is 25 years.



**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Wastewater System Security Upgrades**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 20300015yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	500	-	500	500	500	500	500	2,500	2,500
Financed by:									
Retained Earnings			500	500	500	500	500	2,500	2,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	500	500	500	500	500	-	2,500
Financed by:								
Retained Earnings		500	500	500	500	500		2,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)		15	15
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	(15)	(15)

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The wastewater system is made up of complex infrastructure of sewers and pumping stations that convey sewage from Winnipeg homes and businesses to one of three wastewater treatment plants.

Operating the wastewater system is subject to legislation including City By-Laws, the Public Health Act, Operator Certification Regulations, Workplace Safety and Health Act and the Environment Act.

Safeguarding our infrastructure from accidental or intentional damage or destruction is critical to protecting public health and safety, preserving the environment and ensuring economic stability.

Funding is required for increased security measures to adequately protect the wastewater system.

The scope and cost of these security measures are preliminary at this time and will be reviewed and updated through the audit (expected completion by the end of 2010), design and implementation phases.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Traffic Safety Upgrades - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 3  
 Sewage Disposal  
 Project: 2031xx19yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	200	-	-	2,450	-	-	-	2,450	2,450
Financed by:									
Retained Earnings				2,450				2,450	2,450

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	2,450	-	-	-	-	2,450
Financed by:								
Retained Earnings			2,450					2,450

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The 1990 dewatering expansion at NEWPCC considered the need for traffic lights on Main street at the exit due to the increase in large truck traffic and the safety concerns associated therewith, but this did not proceed at that time. Since then, large truck traffic at NEWPCC has increased over time from 20 - 25 large trucks/day to upwards of 100-150, with considerable increases in large leachate and liquid sludge trucks, construction trucks, as well as septage trucks and delivery/staff and contractor vehicles associated with plant expansions which are currently underway (in addition to the 100 large trucks/day). Meanwhile, the Chief Peguis bridge and surrounding developments have resulted in large increases in vehicular traffic on Main Street.

Over time, construction traffic will be replaced and exceeded by more septage trucks due to the closing of a West End receiving facility, by chemical delivery trucks due to treatment processes under construction, and by sludge trucks due to expansions at the City's other plants now underway. A traffic expert consultant assignment is urgently required to assess and develop alternatives and consult with authorities and obtain any needed approvals, followed by construction works (traffic lights, ramps, roadways, R/R crossings, access, etc.) to alleviate traffic safety issues both with on-site traffic and ingress/egress at Main Street.

The expected life of this asset is over 50 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Holding Tanks Restoration - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 2031xx20yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	100	2,550	-	2,550	-	-	-	2,550	5,100
Financed by:									
Retained Earnings		2,550		2,550				2,550	5,100

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	2,550	-	2,550	-	-	-	-	5,100
Financed by:								
Retained Earnings	2,550		2,550					5,100

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The four original digesters at the NEWPCC, built in the mid 1930's, are now used as digested sludge holding tanks, and are essential to the operation of the digested sludge dewatering facility, which serves all three of the City's wastewater treatment plants. The interior concrete walls are subject to corrosive gases and the interior wall and ceiling have deteriorated to the point where reinforcing steel is exposed in some areas. Assessment by qualified experts has been carried out. The recommended rehabilitation includes surface preparation, application of a sealant and/or coating and installation of anodes to assure continued functionality of these tanks and avoid the expense of complete rebuilding.

The expected life of this asset is over 50 years.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Primary Clarifier Covers - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 3  
 Sewage Disposal  
 Project: 2031xx08yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	500	-	25,000	-	25,500	25,500
Financed by:									
Retained Earnings				500		25,000		25,500	25,500

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	500	-	25,000	-	-	25,500
Financed by:								
Retained Earnings			500		25,000			25,500

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The three uncovered primary clarifiers at the NEWPCC have been identified as one of the remaining untreated odour sources at the site. The original Primary Clarifier Cover project, first introduced into the 1992 Capital Budget Estimates forecast was set up to implement a cover/ventilation system which would facilitate year round maintenance and operational flexibility and provide odour control capability. The project scope of work and the budget were expanded to include replacement of the clarifier sweep mechanisms which was completed in early 2010.

The work now required on the NEWPCC Clarifiers is composed of the design and installation of clarifier covers and their ancillary equipment. The budget originally established for work required for the Clarifier Covers was developed in 2003. Recent construction cost increases averaging 15% per year, a better understanding of the required work and changes to the National Building Code have resulted in a new estimated cost of \$25,500,000.

The expected life of this asset is over 50 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Wastewater Utility Asset Management Strategy**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 20300006yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	400	-	-	200	-	-	-	200	200
Financed by: Retained Earnings				200				200	200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	200	-	-	-	-	200
Financed by: Retained Earnings			200					200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

Asset management principles are being utilized for various projects in the wastewater utility. Development of an asset management strategy is required to define goals, objectives and strategies for the development and maintenance of a consistent and effective asset management program involving all functions of the wastewater utility. The asset management strategy will identify, prioritize and establish the future direction of condition assessments, establish deterioration / life cycles for components, and recommend rehabilitation, maintenance, and associated financial requirements.

The expected life of this asset is over 50 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **New Discharge Chamber - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 3

Project: Sewage Disposal 20310021yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	500	-	-	5,000	10,000	-	-	15,000	15,000
Financed by:									
Retained Earnings				5,000	10,000			15,000	15,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	5,000	10,000	-	-	-	15,000
Financed by:								
Retained Earnings			5,000	10,000				15,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The discharge chamber and related appurtenances were part of a major plant expansion in 1963. Due to age, wear, and the corrosive environment, extensive deterioration of this asset is evident. Funding in 2009 was for an engineering assessment on the condition and capacity of the discharge chamber and the conduit from the discharge chamber to the grit building. Funding in 2013 and 2014 will be for the design and construction of a second discharge chamber and will be dependent on the outcome of the condition assessment.

Estimates for rehabilitation of these chambers are preliminary at this time and will be revised as engineering assessment proceeds.

The expected life of the structure is 50 years and the expected life of the mechanical and electrical components is 25 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **New Surgewell - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 3  
 Sewage Disposal  
 Project: 20310009yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	1,000	-	4,000	9,000	-	-	-	13,000	13,000
Financed by:									
Retained Earnings			4,000	9,000				13,000	13,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	4,000	9,000	-	-	-	-	13,000
Financed by:								
Retained Earnings		4,000	9,000					13,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The surgewell and related appurtenances were part of the original plant construction in 1936. Due to age, wear, and the corrosive environment, extensive deterioration of this asset is evident. In addition to constructing a new surgewell, consideration will be given to upgrading the on-site interceptors and pump suction header system to improve control of raw sewage inflows and provide redundancy for the plant inflow systems.

The expected life of the structure is 50 years and the expected life of the mechanical and electrical components is 25 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Grit Handling Upgrades - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 3  
 Sewage Disposal  
 Project: 20310002yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012**	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	2,400	4,900	6,600	-	5,000	18,900	18,900
Financed by:									
Retained Earnings			2,400	4,900	6,600		5,000	18,900	18,900

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	2,400	4,900	6,600	-	5,000	-	18,900
Financed by:								
Retained Earnings		2,400	4,900	6,600		5,000		18,900

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Funds included are for the engineering and construction of a new grit collection and handling system in the Grit Removal building at the NEWPCC. Phase 1 of this project involved tank geometry and air flow system upgrades in 2008. Phases 2 and 3 will include supply and installation of a grit collection, removal and classification systems into the four grit tanks, and Phase 4 will include the replacement of the grit conveyor system.

The expected life of the structure is 50 years and the expected life of the electrical and mechanical components is 25 years.

\*\* Supported by class 3 estimate, see Appendix # 2.



**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Cockburn Lift Station Upgrades to Facilitate Fort Rouge Yards Development**

Department: Water and Waste - Capital Priority Rating: 5 - 4  
 Project: Sewage Disposal 20350004yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	300	2,000	-	-	-	-	2,000	2,300
Financed by:									
Retained Earnings		300	2,000					2,000	2,300

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	300	2,000	-	-	-	-	-	2,300
Financed by:								
Retained Earnings	300	2,000						2,300

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The existing Cockburn combined sewer lift station is at its operating capacity. The proposed Bus Rapid Transit (BRT) and Fort Rouge Yards (FRY) Development will result in additional dry and wet weather flows to this station. To safely convey all dry weather flows to the wastewater treatment plants without risk of dry weather overflows, and maintaining sufficient wet weather flow capacity to protect against basement flooding, the station will require significant structural, mechanical and electrical upgrades.

The expected life of the structure is 50 years, and 25 years for the electrical and mechanical components.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Environmental Services Laboratory Facility Upgrading - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 3 - 2  
 Sewage Disposal  
 Project: 20300022yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	150	110	-	-	-	-	-	-	110
Financed by:									
Retained Earnings		110						-	110

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	110	-	-	-	-	-	-	110
Financed by:								
Retained Earnings	110							110

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Environmental Standards Division Laboratory is an ISO accredited (for analytical and calibration laboratories, ISO 17025) laboratory located at the North End Water Pollution Control Centre (NEWPCC). The existing laboratory space is insufficient with the addition of new staff to conduct laboratory work for the new water treatment plant and the additional wastewater systems. There is a storage room at the NEWPCC of approximately 49 m<sup>2</sup> (530 ft<sup>2</sup>) that is available to be upgraded/converted to laboratory space.

The upgrade of this space includes a new heating, ventilating and air conditioning (HVAC) system to control air quality, new workstations and bench space and a new sample reception/preparation area. The cost identified also includes removal of the old duct work and other existing devices, upgrade to existing plumbing and new installation of new laboratory fume hoods, odour control canopies and incubators.

The expected life for this facility is approximately 20 years.

The funding for this project is split 50/50 between the Waterworks System Fund and the Sewage Disposal System Fund.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Fernbank Interceptor**

Department: Water and Waste -  
Sewage Disposal  
Project: 20370011yy

Capital Priority Rating: 5 - 2

Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	-	-	-	8,000	8,000	8,000
Financed by:									
Retained Earnings							8,000	8,000	8,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	-	-	8,000	-	8,000
Financed by:								
Retained Earnings						8,000		8,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

**Note:** Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

This project includes construction of an interceptor sewer to service lands in future developments in the Northeast sector of the City of Winnipeg, west of the Riverbend Subdivision and east of McPhillips Avenue.

The expected life of this asset is 75 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Warde Interceptor Extension**

Department: Water and Waste -  
Sewage Disposal  
Project: 20370005yy

Capital Priority Rating: 5 - 2

Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	-	-	-	3,200	3,200	3,200
Financed by: Retained Earnings							3,200	3,200	3,200

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	-	-	3,200	-	3,200
Financed by: Retained Earnings						3,200		3,200

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

This project includes the construction of an interceptor sewer to service lands in future developments in the Southeast sector of the City of Winnipeg, east of the existing Royalwoods subdivision.

The expected life of this asset is 75 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Customer Information and Services System (CISS) - Interfaces, Payment Processing and Optimizations**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 2040000211 Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	1,680	-	-	-	-	-	-	1,680
Financed by: Retained Earnings		1,680						-	1,680

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	1,680	-	-	-	-	-	-	1,680
Financed by: Retained Earnings	1,680							1,680

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Customer Information and Services System (CISS) - Interfaces, Payment Processing and Optimizations Project includes implementing functionality of the Oracle Customer Care and Billing (CCB) system. Some components include upgrading the cashiering system to interface with a new payment processing system and capturing image and documentation of customer bill payments. The enhanced CCB will provide the avenue for increased customer service regarding bill and payment opportunities and functionality.

The project will prepare CCB for interfacing to the other primary department systems, such as Geographic Information System (GIS), so that an integral view of customer, work and asset information is available for better decision making. This will provide for more efficient routing for meter reading and maintenance, work routes for field crews and customer notification on water and sewer issues.

The CISS Project included \$10 million (split between the Waterworks System Fund and the Sewage Disposal System Fund) for replacing the legacy mainframe system with the new web based CCB system. In order to mitigate risk and ensure a successful project, only the base system functionality was first implemented.

The funding for this project is split 50/50 between the Waterworks System Fund and the Sewage Disposal System Fund.

\*\* Supported by class 3 estimate, see Appendix # 2.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Sewer Service Line Asset Management and Rehabilitation Strategy**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Sewage Disposal 20300023yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	-	-	-	500	500	550	1,550	1,550
Financed by:									
Retained Earnings					500	500	550	1,550	1,550

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	-	-	500	500	550	-	1,550
Financed by:								
Retained Earnings				500	500	550		1,550

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

Currently under Schedule B of the Sewer By-Law the City bears the repair and/or replacement costs, under certain conditions for a private wastewater sewer service within the public right-of-way. Many wastewater sewer services are failing due to age and material properties.

The program will include the review and replacement of problem sewer services within the public right-of-way.

The expected life of this asset is approximately 75 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Digester Rehabilitation Project - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 4  
 Sewage Disposal  
 Project: 20310025yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	5,000	1,000	1,000	1,000	1,000	-	4,000	9,000
Financed by:									
Retained Earnings		5,000	1,000	1,000	1,000	1,000		4,000	9,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	5,000	1,000	1,000	1,000	1,000	-	-	9,000
Financed by:								
Retained Earnings	5,000	1,000	1,000	1,000	1,000			9,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The NEWPCC has six anaerobic digesters, five of which are required for sludge treatment at maximum flows. In November 2009, Digester #11 suffered a process upset which resulted in damage to the roof structure and process equipment. The project scope will be defined in upcoming months and will include engineering analysis, roof repairs, piping system upgrades and process upgrades.

Upgrades to the remaining digesters will be implemented as quickly as possible to protect them from possible foaming problems to ensure their safe and reliable operation. Estimates are very preliminary at this time and will be refined as engineering assessments and designs proceed.

The life expectancy of the structure is 50 years. The life expectancy of the electrical and mechanical components is 20 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Distributed Control System (DCS) & Human Machine Interface (HMI) upgrades at Water Pollution Control Centres (WPCCs)**

Department: Water and Waste - Capital Priority Rating: 5 - 4  
 Sewage Disposal  
 Project: 20400005yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011	FORECAST				Five-Year Forecast Total	Six-Year Total
		Estimate **	2012 **	2013 **	2014	2015		
Project Costs (\$000's)	-	3,000	1,000	1,000	-	-	2,000	5,000
Financed by:								
Retained Earnings		3,000	1,000	1,000			2,000	5,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	3,000	1,000	1,000	-	-	-	-	5,000
Financed by:								
Retained Earnings	3,000	1,000	1,000					5,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Water and Waste Department's three Water Pollution Control Centres (WPCC) utilize an ABB Infi90 Distributed Control System (DCS) with an ABB Process Control View (PCV) Human Machine Interface (HMI). It is an intricate network of specialized computers that monitor thousands of sensors throughout the plants and controls the treatment processes by making calculations and adjustments prescribed by operators and process control analysts using the HMI. This hardware was purchased between 1998 and 2003.

PCV is an older software package that runs on an operating system which gives rise to significant hardware compatibility issues in the event of replacement of existing computers. Newer computers require newer software drivers, which are not available in the current versions of the software that the Department owns. It is therefore not feasible to simply replace the existing computers as new computers will not be compatible with the existing software.

The purpose of this project is to implement immediate upgrades to the WPCCs' DCS and HMI systems to ensure that they remain operational and viable.

The expected life of this asset is 15 years.

\*\* Supported by class 3 estimate, see Appendix # 2.



**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Grit Tank Refurbishment - South End Water Pollution Control Centre (SEWPCC)**

Department: Water and Waste - Sewage Disposal  
 Project: 20320008yy

Capital Priority Rating: 5 - 3  
 Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	250	-	-	-	-	-	-	250
Financed by: Retained Earnings		250							250

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	250	-	-	-	-	-	-	250
Financed by: Retained Earnings	250							250

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The grit removal system at the SEWPCC was part of the original plant construction in 1974. The mechanical portion of this system has reached the end of its functional life and needs to be replaced. The work of this project will require the replacement of the pipes, valves and controls of the aeration components in the grit tanks.

The expected life is 25 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Centralized Facilities Renovation**  
 Department: Water and Waste - Capital Priority Rating: 2 - 2  
 Sewage Disposal  
 Project: 20300011yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	150	-	-	-	-	-	-	150
Financed by:									
Retained Earnings		150						-	150

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	150	-	-	-	-	-	-	150
Financed by:								
Retained Earnings	150							150

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The Water and Waste Department has identified organizational changes that will support the future expanded operations of both water and wastewater operations. The changes include transferring responsibility for local sewer services from the Water Services Division to the Wastewater Services Division which has been done.

Currently, the local water and sewer staff remain located in the same building. There may be significant efficiencies in amalgamating local sewer and regional sewer staff into one location and the establishment of mechanical, electrical and civil maintenance capability.

To identify the business case for this a facilities study will have to be undertaken. The recommendations from the study will then be implemented.

The life expectancy of this asset is 30 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **552 Plinguet Wastewater Services Garage Structural Rehabilitation**

Department: Water and Waste -  
Sewage Disposal  
Project: 20300014yy

Capital Priority Rating: 3 - 2  
Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	400	-	-	-	-	-	-	400
Financed by:									
Retained Earnings		400						-	400

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	400	-	-	-	-	-	-	400
Financed by:								
Retained Earnings	400							400

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The Wastewater Services garage building requires various building upgrades to the superstructure as the existing building has exceeded its functional life and is in need of repairs and servicing which may include improvements to the heating and ventilation system, electrical upgrades, insulation upgrades, etc. Equipment and materials contained in these facilities require that the superstructures be adequately maintained to protect its components.

Building upgrades in a timely and proactive manner will maximize the functional life of the facilities, protect the equipment and materials contained in the facilities, and prevent structural damage to the facilities as a result of water leakage undergoing freeze-thaw cycles. The funding for this program includes engineering, design, and re-roofing construction.

The expected life of this asset is 30 years.

## WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND

**Project Name: Customer Service Upgrade to Telephony Communications System**

**Department:** Water and Waste - **Capital Priority Rating:** 3-3

**Project:** Sewage Disposal  
20400005yy

**Service:** Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate **	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	100	-	-	-	-	-	-	100
Financed by:									
Retained Earnings		100						-	100

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	100	-	-	-	-	-	-	100
Financed by:								
Retained Earnings	100							100

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

**Note:** *Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

An upgrade is required to the telephony system used for the Water Bill Inquiry Line (986-2455), which was originally purchased in 1997. This upgrade will provide enhanced functionality for the Water Bill Inquiry Line, including skills-based routing, enhanced reporting and statistics, scheduling optimization, and enhanced monitoring, recording and coaching capacity. It will ensure that the Water and Waste Department can more effectively use its resources to provide quality customer service in a more reliable environment.

The Department plans to upgrade to the same system currently being used by the 311 Contact Centre and the Handi-Transit Contact Centre to optimize resources, as 24/7 system support has already been established within the organization, and a training and back-up facility is already located at 510 Main Street. Although the new system will be more robust and effective, it is expected that annual operating expenses will remain the same as those currently being incurred.

The funding for this project is split 50/50 between the Waterworks System Fund and the Sewage Disposal System Fund.

\*\* Supported by Class 1 estimate, see Appendix # 2.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Secondary Clarifier Refurbishment - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 20310003yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	-	100	300	300	300	-	-	900	1,000
Financed by:									
Retained Earnings		100	300	300	300			900	1,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	100	300	300	300	-	-	-	1,000
Financed by:								
Retained Earnings	100	300	300	300				1,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

The ten circular secondary clarifiers at the NEWPCC were constructed in 1963. Over the years the concrete launders, aluminum weir plates and the clarifier mechanism guide plates have required periodical maintenance to keep them functioning. At this time the concrete and metal parts of these components require more substantial repairs. This project will require an engineering assessment to establish the work program followed by a three-year repair program.

The expected life is 50 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Project Name: **Environmental Impact Statement and Public Hearings**

Department: Water and Waste - Capital Priority Rating: 5 - 4

Project: Sewage Disposal 2034xx03yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	1,316	200	200	100	100	100	-	500	700
Financed by:									
Environmental Reserve		200	200	100	100	100		500	700

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	200	200	100	100	100	-	-	700
Financed by:								
Environmental Reserve	200	200	100	100	100			700

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

Upon completion of the 2003 regulatory hearings of the Clean Environment Commission (CEC), it has been recommended and the Province has adopted that further regulatory reviews be undertaken in two (2) years and then every three (3) years thereafter.

Ongoing works to satisfy regulatory requirements will require documentation, monitoring, and support to demonstrate that the successful implementation of projects relating to the CEC recommendations, required as a condition of tripartite funding, are meeting compliance conditions.

Budgeted funds are for environmental assessment related studies/reports, public participation, regulatory liaison, site-specific assessments, monitoring and analysis, and future representation at hearings expected to the 2015 horizon.

Project Name: **Combined Sewer Overflow (CSO) Management Strategy & Miscellaneous Mitigation**

Department: Water and Waste - Capital Priority Rating: 5 - 2  
 Sewage Disposal  
 Project: 20380001yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	32,068	4,100	16,200	17,200	16,200	16,200	17,200	83,000	87,100
Financed by: Environmental Reserve		4,100	16,200	17,200	16,200	16,200	17,200	83,000	87,100

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	4,100	16,200	17,200	16,200	16,200	17,200	-	87,100
Financed by: Environmental Reserve	4,100	16,200	17,200	16,200	16,200	17,200		87,100

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)	260	610	710
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	<b>(260)</b>	<b>(610)</b>	<b>(710)</b>

Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges

It is the intent to create a multi-year combined sewer mitigation program that integrates with other major sewer programs, including:

- Basement flooding relief
- Sewer Condition Assessment and Condition Upgrading
- Pollution Control Centre Upgrading Programs

A Combined Sewer Overflow Master Implementation Plan will develop specific strategies for implementation that meet regulatory compliance. The plan will consider: 2003 CEC Hearings recommendations; Manitoba Conservation Guidance and Priorities; Canadian Council of Ministers on the Environment (CCME) Municipal Effluent Strategy Guidelines; consistency with prevailing international practice; understanding of benefits and costs; fiscal responsibility and environmental stewardship; initiation of near-term actions to reduce CSO's; and confirmation of long-range control program.

The Clean Environment Commission (CEC) has recommended that the City reduce the number of overflows to the local rivers within a 20 to 25 year timeframe.

Funds budgeted are for the development of a CSO Master Implementation plan, technical and economic analyses, program development, staging of mitigation works, annual monitoring programs, pilot studies, land acquisition, integration with other major sewer programs, overflow monitoring and reporting, and initiation and implementation of control measures, including SCADA (Supervisory Control and Data Acquisition).

As more CSO's are diverted to the wastewater treatment plants, additional treatment will need to be added to process the wet weather flows to meet effluent limits set in Environment Act Licences issued for each plant.

The expected life of the sewers is 50 years, mechanical components is 25 years and SCADA system is 10 years.

Project Name: **Biosolids - Alternative Disposal Delivery & Management System**

Department: Water and Waste - Capital Priority Rating: 5 - 3

Project: Sewage Disposal 20310004yy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	6,644	3,000	17,000	50,000	50,000	30,000	-	147,000	150,000
Financed by:									
Environmental Reserve		3,000	9,149	3,459	5,020	5,023		22,651	25,651
External Debt			7,851	46,541	44,980	24,977		124,349	124,349

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	3,000	17,000	50,000	50,000	30,000	-	-	150,000
Financed by:								
Environmental Reserve	3,000	9,149	3,459	5,020	5,023			25,651
External Debt		7,851	46,541	44,980	24,977			124,349

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

The City of Winnipeg has reviewed its land application practices of biosolids relative to regulation requirements, emerging requirements associated with nutrient management regulations, changes to quantity and quality from upgraded wastewater treatment plants, and risk and criticality assessments done at all three plants. The City will have to implement an alternate biosolids management program as a result of the Provincial Nutrient Management Regulation.

The current WINGRO management program will need to be modified to satisfy the Regulation and will require significant capital investment and transition time to implement the required changes. A recently completed Biosolids Master Plan Study identified potential options, costs and timeframes to implement a new biosolids management program to comply with the Nutrient Management Regulations. Funds included are for engineering design and construction of an alternative to the existing WINGRO program.

The City of Winnipeg will be implementing an alternative project delivery method for the Nutrient Removal/Expansion project for the SEWPCC and NEWPCC, as well as an alternative Biosolids Management Program. As such, the Capital Budget needs and cash flow may need to be altered in the future, depending on how the projects are delivered.

The expected life of the facility is 50 years and the expected life of the mechanical components is 25 years.



Project Name: **Nutrient Removal - North End Water Pollution Control Centre (NEWPCC)**

Department: Water and Waste - Sewage Disposal  
 Project: 20310013yy

Capital Priority Rating: 5 - 4  
 Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	35,500	-	150,000	150,000	65,000	-	-	365,000	365,000
Financed by:									
External Debt			150,000	150,000	65,000			365,000	365,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	-	150,000	150,000	65,000	-	-	-	365,000
Financed by:								
External Debt		150,000	150,000	65,000				365,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

Upon completion of the 2003 Clean Environment Commission Regulatory Hearings regarding the review of the wastewater treatment plants, it was learned that nutrient control for all three Pollution Control Centres is a high priority for the Province of Manitoba. The main concerns relate to excess nutrients (nitrogen (N) and phosphorus (P)) introduced to Lake Winnipeg contributing to undesirable blooms of blue-green algae.

Environment Act Licences have been issued for all three plants requiring a final effluent with total P and N concentrations of about 1 mg/L and 15 mg/L, respectively. The upgrade requirements for ammonia and/or nutrient reduction at the wastewater treatment plants must be considered jointly. The implementation of a nutrient removal (NR) process will require a major plant expansion and double the size of the current facility. Due to the timing and magnitude of the costs, a portion of the project will need to be debt financed if it is to be implemented within the next ten years.

The impact of changes in sludge quantity and quality resulting from a NR process upgrades will have a large impact on solids handling and land applications. The addition of wet weather treatment processes associated with combined sewer overflow (CSO) control must be considered in the overall NR process design and operation effluent disinfection for wet weather.

The required funding is based on meeting expected effluent limits on a rolling 30 day average basis. These limits are contained in an Environment Act License issued for this facility. Funding is being requested to allow for completion of the plant expansion by December 2014. Additional funds may be required and will be identified in succeeding years capital budgets.

The current funding requirement is based on planning level assessments and are subject to a great deal of uncertainty. These funding requirements will be updated as engineering progresses.

The City of Winnipeg will be implementing an alternative project delivery method for the Nutrient Removal/Expansion project for the SEWPCC and NEWPCC, as well as an alternative Biosolids Management Program. As such, the Capital Budget needs and cash flow may need to be altered in the future, depending on how the projects are delivered.

The expected life of the structures is 50 years, the expected life of electrical and mechanical components is 25 years, and the expected life for computer related systems is 10 years.

**WATER AND WASTE - SEWAGE DISPOSAL SYSTEM FUND**

Back to Capital Projects Summary

Project Name: **Sewer Renewal**

Department: Water and Waste - Capital Priority Rating: 5 - 2

Project: Sewage Disposal 2039xxxxxy Service: Wastewater

AUTHORIZATION	Previous Budgets	2011 Estimate	FORECAST					Five-Year Forecast Total	Six-Year Total
			2012	2013	2014	2015	2016		
Project Costs (\$000's)	N/A*	13,200	13,900	14,600	15,300	16,100	16,900	76,800	90,000
Financed by: Sewer System Rehabilitation Reserve		13,200	13,900	14,600	15,300	16,100	16,900	76,800	90,000

CASH FLOW	2011	2012	2013	2014	2015	2016	Beyond 2016	Total
Project Costs (\$000's)	13,200	13,900	14,600	15,300	16,100	16,900	-	90,000
Financed by: Sewer System Rehabilitation Reserve	13,200	13,900	14,600	15,300	16,100	16,900		90,000

NET OPERATING IMPACT	2011	2012	2013
Revenue increase/(decrease)			
Less:			
Operating expenditures increase/(decrease)			
Debt and finance charges increase			
<b>SURPLUS/(DEFICIT)</b>	-	-	-

*Note: Net Operating Impact = Revenue - Operating expenditures - Debt and finance charges*

This project is a continuing program to replace and/or rehabilitate sewer infrastructure. Funds will be utilized to rehabilitate or replace combined, separate wastewater and land drainage sewers. Sewers will be replaced or rehabilitated using appropriate technologies, based on condition assessment determined through video inspection. A portion of the funding will be used for condition assessment. Additional funding has been added to the program due to the increased number of sewer mains requiring replacement/rehabilitation. The expected remaining life of each rehabilitated sewer ranges from 20 to 100 years, depending on the rehabilitation technology and the asset condition.

\* N/A - No amounts have been included in the "Previous Budgets" due to this project's on-going nature.



**Water rate**

Per cubic metre per quarter (Effective June 1, 2009, rates started being billed per cubic metre)	2009 rate	2010 rate	2011 rate (effective January 1, 2011)
0 - 272	\$1.25	\$1.29	\$1.34
272.1 - 2,720	\$1.08	\$1.12	\$1.17
over 2,720	\$0.91	\$0.95	\$1.00

**Sewer rate**

Per cubic metre per quarter (Effective June 1, 2009, rates started being billed per cubic metre)	2009 rate	2010 rate	2011 rate (effective January 1, 2011)
	\$1.86	\$1.91	\$1.97

**Daily basic charges for City-owned meters**

Meter size (Effective June 1, 2009, basic charges started being billed on a daily basis)	2009 rate	2010 rate	2011 rate (effective January 1, 2011)
5/8" meter	\$0.15	\$0.15	no change
3/4" meter	\$0.16	\$0.16	no change
1" meter	\$0.20	\$0.20	no change
1 1/2" meter	\$0.24	\$0.24	no change
2" meter	\$0.35	\$0.35	no change
3" meter	\$1.22	\$1.22	no change
4" meter	\$1.55	\$1.55	no change
6" meter	\$2.31	\$2.31	no change
8" meter	\$3.17	\$3.17	no change
10" meter	\$4.04	\$4.04	no change

**Daily basic charge for privately-owned meters**

Meter size (both water and sewer service) (Effective June 1, 2009, basic charges started being billed on a daily basis)	2009 rate	2010 rate	2011 rate (effective January 1, 2011)
All meter sizes	\$0.10	\$0.10	no change





*Embrace the spirit • Vivez l'esprit*

## **Water and Waste Department • Service des eaux et des déchets**

### **RATE OVERVIEW**

#### ***Structure***

- **Applies to all Customers Classes**
- **Declining Block Water Rate with Three Tiers Applied Quarterly**
  - **0 – 9,600 Cubic Feet**
  - **9,601 – 96,000 Cubic Feet**
  - **Over 96,001 Cubic Feet**
- **Uniform Sewer Rate**
  - **Applied Based on Water Consumption**
- **Billed Quarterly**

#### ***Rate Setting Process***

- **Rates Determined on a Cash Basis**
  - **Includes Operating**
  - **Includes Capital**
    - **Cash to Capital**
    - **Capital Reserve Contributions**

#### ***Approval Process***

- **Rate Reports, with Ten Year Projections are Reviewed Annually**
- **Long Term Projections Allow Rate Smoothing**
- **Report is Submitted to Standing Policy Committee on Infrastructure Renewal and Public Works for review**
- **Then to Executive Policy Committee for review and approval**
- **Then to Council for Approval**
- **Council Approves Increases for One Year Only**

## WATER AND SEWER UTILITY PRINCIPLES OF OPERATION

1. Self-Supporting Utilities. The Utilities do not receive subsidies from the mill rate.
2. Cost of Service Rates. Customers pay water and sewer rates, which represent the operating and capital costs of providing the utility services.
3. Debt Servicing. The Utilities' revenues are sufficient to service the Utilities' long-term debt.
4. Working Capital Reserves - Water and Sewer Utilities. The Water and Sewer Utilities maintain working capital reserves to protect the Utilities' financial position and prevent significant rate fluctuations that may otherwise result from a decline in consumption or major unforeseen expenditures. On an annual basis, the Utilities strive to maintain a minimum combined working capital position of 11% of the combined Water and Sewer sales.
5. Ten Year Financial Plan - Water and Sewer Utilities. Rates in the Water and Sewer Utilities are planned over a ten-year time frame to mitigate the effects of year over year fluctuations and to coincide with the longer term infrastructure development and renewal planning.
6. Infrastructure Renewal.

The Watermain Renewal and Sewer System Rehabilitation Reserves were established to provide a consistent approach to financing infrastructure renewal. Maintaining the reserves ensures this approach continues. Reserve contributions by the Utilities are based on an asset management strategy developed by the Utilities and approved through the capital and operating budget processes.
7. Transfers to the General Revenue Fund. The Water and Sewer Utilities transfer funds to the General Revenue Fund in the form of:
  - support to the Land Drainage program which funds 100% of the costs of this program.
  - additional general provisions to meet the City's financial targets
8. Capital Reserve Funds. The Utilities establish reserves to fund major capital projects. The pay-as-you-go capital program is more economical than traditional debt financing, which equates to lower rates for our customers. In addition, for specific and cost intensive projects, the Department has developed a strategy whereby a portion of the project is funded through reserves and a portion through debt financing. This strategy facilitates an equitable approach for short and long term funding support





**Agenda – Council – December 15, 2010**

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works –  
November 16, 2010 adjourned to November 23, 2010**

**Item No. 2                    2011 Water and Sewer Rates**

**STANDING COMMITTEE RECOMMENDATION:**

On December 8, 2010, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submits the following to Council:

1. That effective January 1, 2011, the water rates, based on water used, be increased as follows:
  - A. To \$1.34 from \$1.29 per cubic metre from 0 - 272 cubic metres/quarter (Block 1)
  - B. To \$1.17 from \$1.12 per cubic metre 272.1 – 2,720 cubic metres/quarter (Block 2)
  - C. To \$1.00 from \$0.95 per cubic metre over 2,720 cubic metres/quarter (Block 3)
2. That effective January 1, 2011, the sewer rates, based on water used, be increased to \$1.97 from \$1.91 per cubic metre, which includes 22 cents per cubic metre for the Environmental Projects Reserve (18 cents in 2010).
3. That a By-Law be enacted to implement these fee changes, as shown on Appendix G of the report from the Winnipeg Public Service dated November 16, 2010.
4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Agenda – Council – December 15, 2010**

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works –  
November 16, 2010 adjourned to November 23, 2010**

**DECISION MAKING HISTORY:**

**EXECUTIVE POLICY COMMITTEE RECOMMENDATION:**

On December 8, 2010, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submitted the matter to Council.

**STANDING COMMITTEE RECOMMENDATION:**

On November 23, 2010, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

## ADMINISTRATIVE REPORT

**Title: 2011 WATER AND SEWER RATES**

**Critical Path: Standing Policy Committee on Infrastructure Renewal and Public Works - Executive Policy Committee - Council**

### AUTHORIZATION

Author	Department Head	CFO	CAO
Darlene Capp, C.G.A. Assistant Controller	B. D. MacBride, P. Eng Director of Water and Waste	M Ruta	M Ruta Acting CAO

### RECOMMENDATIONS

It is recommended that

1. Effective January 1, 2011 the water rates, based on water used, be increased as follows:  
to \$1.34 from \$1.29 per cubic metre from 0 - 272 cubic metres/quarter (Block 1)  
to \$1.17 from \$1.12 per cubic metre 272.1 – 2,720 cubic metres/quarter (Block 2)  
to \$1.00 from \$0.95 per cubic metre over 2,720 cubic metres/quarter (Block 3)
2. Effective January 1, 2011 the sewer rates, based on water used, be increased to \$1.97 from \$1.91 per cubic metre, which includes 22 cents per cubic metre for the Environmental Projects Reserve (18 cents in 2010).
3. Council enact a By-Law (draft attached as Appendix G) to implement these fee changes.

### REASON FOR THE REPORT

Changes to the Water and Sewer rates require Council approval.

### IMPLICATIONS OF THE RECOMMENDATIONS

The increases recommended in this report for the 2011 rates are the same that were forecast for 2011 a year ago in the report for the 2010 rates.

Winnipeggers are embracing good conservation practices. Per capita water consumption is the lowest it's been in decades. Even with a growing population, Winnipeg is using less water every year.

Despite a steadily rising population "peak hour" and "peak day" consumptions are the lowest experienced since the 1960's.

This conservation means we have been able to avoid millions of dollars of infrastructure capital expenditures such as larger water treatment plant and quite likely a second aqueduct.

However, one consequence of lower water use is lower revenues. The cost to maintain the water and sewer systems is mostly fixed and has not changed. Minimal savings may result on chemicals and pumping costs associated with lower volumes. Consequently, water and sewer rates will have to increase to produce the necessary revenue to sustain the system. Although the rates will be higher, this does not generate higher revenue.

The Department is currently undertaking a project to review the existing rate structure. The Cost of Service study will ensure water and sewer rates are aligned with the actual cost of delivering services to each class of customer. The rate study will review alternative rate structures including declining block, inclining block, uniform, seasonal, and winter cost averaging.

#### **Water Rate**

Water rates are proposed to increase effective January 1, 2011:

- \$1.34 for domestic from 0 - 272 cu. m/quarter (Block 1)
- \$1.17 for intermediate from 272.1 – 2,720 cu. m/quarter (Block 2)
- \$1.00 for industrial over 2,720 cu. m/quarter (Block 3)

#### **Sewer Rate**

For 2011, the Department is proposing that the sewer rate increase from \$1.91 to \$1.97 per cubic metre. This includes 22 cents per cubic metre for the Environmental Projects Reserve (18 cents in 2010).

The Winnipeg Public Service is working on preliminary design of wastewater upgrades at the North and South End Wastewater Pollution Control Centres.

Two major projects, Biosolids Management and Combined Sewer Overflow Control (CSO) are still in the planning stages creating uncertainty in the budget numbers.

In terms of biosolids management, the 2001 estimate that has been carried up until this report was \$62 million. The estimate predated the CEC hearings and the Province's Nutrient Management Regulation that came into effect in 2008. A recent review of the impact of those events plus the ongoing construction inflation has increased the estimated cost to \$150 million or higher for some options. The estimate of \$150 million has been used in this rate forecast.

The combined sewer overflow mitigation cost of \$450 million has not been updated since the hearings in 2003. The City has been expecting the Province to issue an environmental license for CSO mitigation but has not received one at the time of writing this report. The CSO cost projection and financial plan needs to be updated to current costs. This will be revised for next year's report once the specific requirements of the license are known and an engineering estimate is prepared.

Federal/Provincial Funding: \$50 million in funding under a federal-provincial infrastructure program is being provided to the City of Winnipeg for wastewater system improvements. The agreement was finalized in 2007 and the funding incorporated into the forecast from 2007-2011.

In the 2007 throne speech, the Province announced funding of \$206 million for Wastewater projects. To date no agreement has been signed, beyond the \$50 million received under the Canada Strategic Infrastructure Fund (CSIF). For the purposes of this forecast, we have estimated receiving the Provincial funds over four years, 2011 to 2014. While there is the possibility of additional federal contributions, without confirmation, numbers have not been incorporated into the forecast.

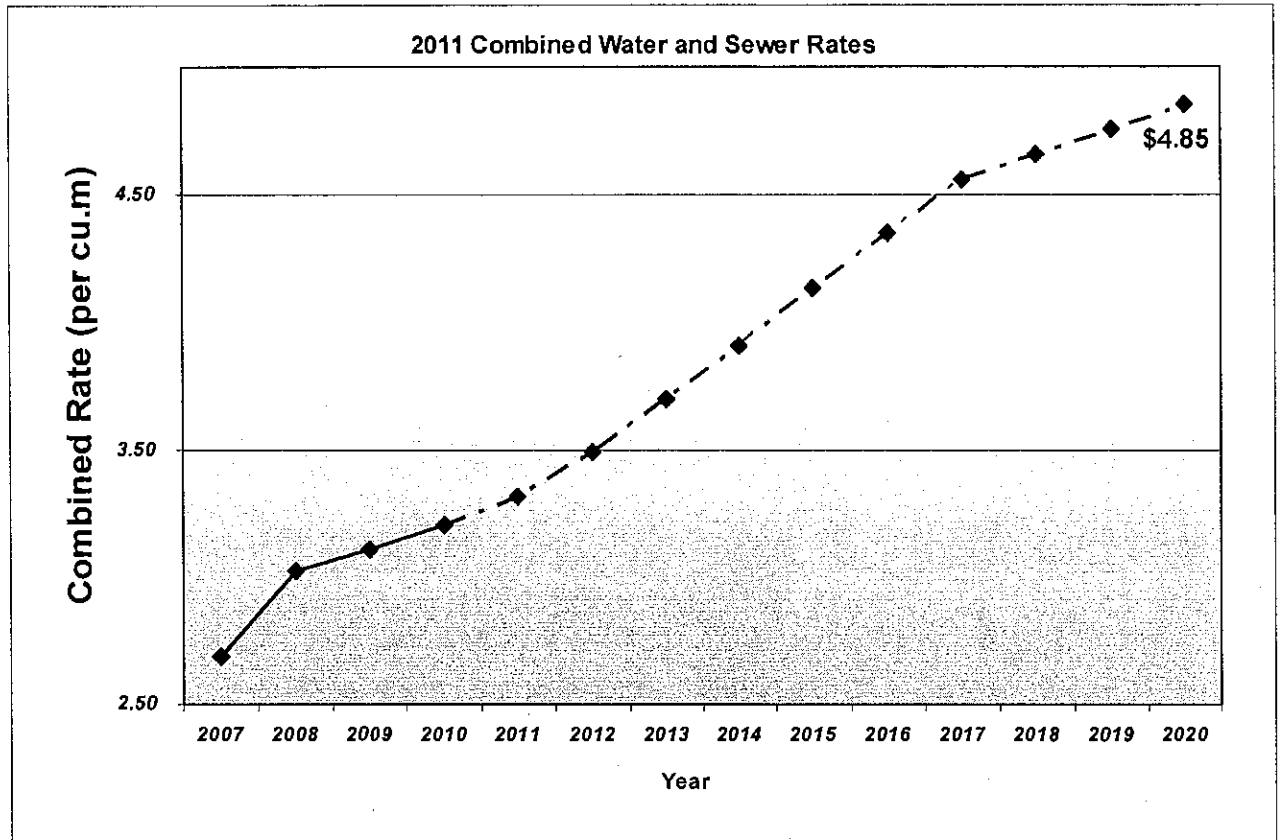
## **HISTORY**

### **Working Capital**

Typically the Water and Sewer Utilities maintain a minimum working capital reserve of 11% of the combined Water and Sewer sales. This is to protect the Utilities' financial position, prevent significant rate fluctuations, provide medium-term stability and absorb losses in any given year that may otherwise result from a decline in consumption or major unforeseen expenditures.

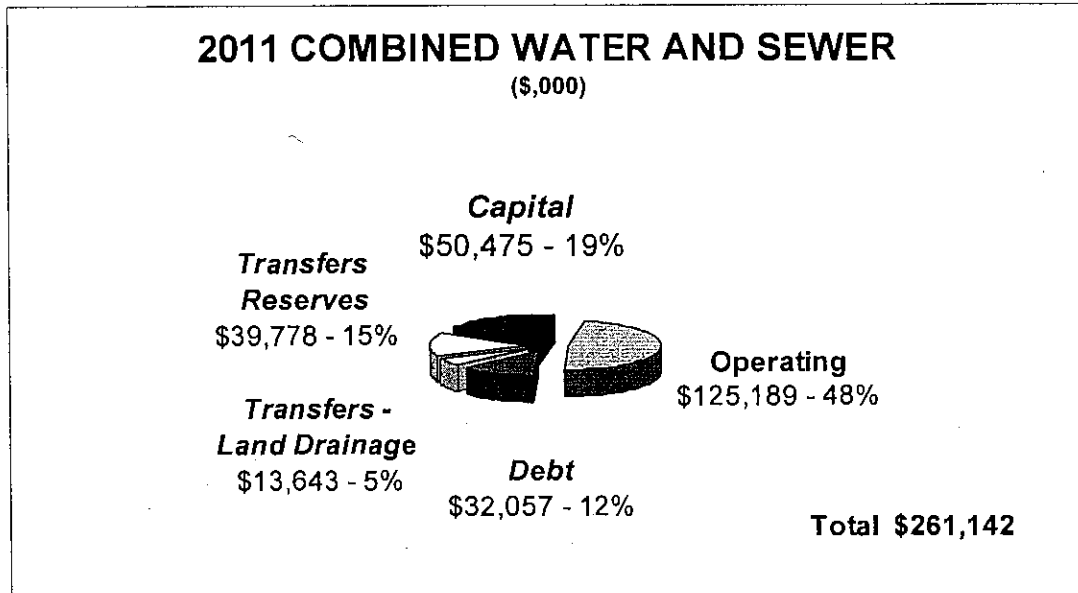
### **Combined Water and Sewer Rates**

The 2011 water and sewer rate model projects an increase to the combined water and sewer rate of 3.2% for 2011. The 10 year plan forecasts rate increases to continue to be higher than inflation for several years. Increases are then forecast to decline to inflationary levels and remain there.



A typical residential customer's annual water and sewer bill will increase by \$26.40 to \$849.40 in 2011.

For 2011, the following represents the major cost categories contributing to the water and sewer rates. Total costs are forecast at \$261 million, including \$50 million for cash funded capital projects.



**Daily Basic Service Charge**

The Daily Basic Service Charge (DBSC) recovers the cost of meter reading, customer billing, accounts administration, and customer service centre support. Costs associated with the meter installation and maintenance are also recovered from the daily basic service charge. This charge is being reviewed as part of the Cost of Service study. No change is recommended for 2011 for the DBSC.

**Reserves**

**Environmental Projects Reserve:** The Environmental Projects Reserve will support the wastewater treatment improvement program as directed by Manitoba Conservation. Federal/Provincial funding of \$256 million over eight years has been incorporated into the financing plan. In addition, under this rate plan, the Department will require borrowing authority for up to \$452 million in order to fully fund the improvements over the next 10 years.

Contributions to the reserve will increase in 2011 from 18 cents to 22 cents per cubic metre an increase of 4.0 cents per cubic metre. The increased contribution to the reserve is part of a plan to reduce the amount of debt funding that is required to complete the wastewater treatment improvement program, therefore reducing the amount of interest and service charges being paid.

**Sewer Utility  
Environmental Projects and Financing Schedule \$000s**

Year	Annual Capital Expenditure	Project Financing					Balance	
		Volume Rate <sup>1</sup>	Fed/Prov	Debt	Retained Earnings	Total	Debt	Reserve
to 2006	44,001	90,944	-	-	-	90,944	-	46,943
2007	19,430	9,959	8,200	-	-	18,159	-	45,672
2008	21,789	8,514	3,866	-	3,028	15,408	-	39,291
2009	5,529	9,844	5,195	-	-	15,039	-	48,801
2010	8,421	12,524	19,704	-	-	32,228	-	72,608
2011	131,342	13,578	64,035	-	9,536	87,149	-	28,415
2012	131,125	16,181	51,000	14,000	27,658	108,839	14,000	6,130
2013	222,405	18,875	52,000	146,000	-	216,875	160,000	600
2014	191,405	19,265	52,000	120,000	-	191,265	280,000	461
2015	155,626	19,184	-	136,000	-	155,184	416,000	19
2016	11,684	19,231	-	-	-	19,231	416,000	7,566
2017	32,040	19,150	-	6,000	-	25,150	422,000	676
2018	32,010	19,134	-	13,000	-	32,134	435,000	799
2019	30,724	21,450	-	9,000	-	30,450	444,000	525
2020	30,055	21,849	-	7,681	-	29,530	442,681	-
2021	27,000	21,094	-	5,906	-	27,000	448,587	-
2022	26,034	21,008	-	5,026	-	26,034	453,613	-
2023	21,034	21,116	-	-	-	21,116	453,613	82
2024	21,000	21,116	-	-	-	21,116	453,613	197
2025	21,000	21,223	-	-	-	21,223	453,613	420
2026	21,000	21,223	-	-	-	21,223	453,613	643
2027	21,000	21,223	-	-	-	21,223	453,613	865
2028	21,000	21,330	-	-	-	21,330	453,613	1,195
2029	21,000	21,437	-	-	-	21,437	453,613	1,632
2030	21,000	21,544	-	-	-	21,544	453,613	2,177
<b>Total to 2020</b>	<b>1,067,586</b>	<b>319,683</b>	<b>256,000</b>	<b>451,681</b>	<b>40,222</b>	<b>1,067,586</b>	<b>442,681</b>	<b>-</b>
<b>Total to 2030</b>	<b>1,288,654</b>	<b>531,996</b>	<b>256,000</b>	<b>462,613</b>	<b>40,222</b>	<b>1,290,831</b>	<b>453,613</b>	<b>2,177</b>

<sup>1</sup> Includes Interest

<sup>2</sup> Project forecast includes inflation and contingency

**Sewer System Rehabilitation and Watermain Renewal Reserves:** Since 2009 the Sewer System Rehabilitation and Watermain Renewal reserves, formerly frontage levy funded, are funded from water and sewer rates. Maintaining the reserves ensures the Department has a consistent funding approach and dedicated resources for infrastructure renewal. A segregated renewal funding approach allows the department to monitor funds, manage contributions and ensure long term funding availability. Based on the Department's asset management strategy and best practices, contributions to the reserves will gradually increase to begin to address the issue of infrastructure deficit. The current annual funding deficit is approximately \$6M for watermains and \$8M for sewer mains, per year over existing contributions. Reserve spending is approved through the capital budget process.

**Transfers to the Land Drainage Program**

In 2011, the sewer fund will transfer an estimated \$13.6 million to fully support the tax-supported land drainage and flood control program, (total sewer Land Drainage transfers for 2010 \$13.4 million).

The Department had received \$7.5M in frontage levies for basement flood relief for tax supported Land Drainage annually. In the 2010 approved capital budget, the frontage levy contribution was reduced to \$1.1M; and then eliminated in 2011 capital budget forecast while the project was not eliminated. A Land Drainage fee is being studied as part of the Cost of



Service study. A land drainage fee could only be implemented if approved by City Council. In consideration of a possible land drainage fee, the \$7.5 million annual requirement has not been included in this rate model projection as presented in Appendix C.

#### **Transfers to Capital Program**

The water and sewer funds continue to employ a pay-as-you-go policy for ongoing infrastructure renewal programs. In 2011, the water fund will cash finance an estimated capital program of \$13.9 million. The cash financed sewer fund capital program in 2011 is estimated at \$36.6 million, not including the Environmental Projects Reserve.

#### **Financial Projection Risks**

The detailed financial projections and rate plans are contained in Appendices B (Water) and C (Sewer). There are several variables that can affect the financial projection and resulting water and sewer rates.

1. Consumption: Consumption is forecast to continue to gradually decline over the next ten years. Consumption projections are based on a five year trend analysis and incorporate, to mitigate risks, the assumptions found in a 2010 Evaluation of Water Consumption and Future Demand report including population growth offset by increased conservation and efficiencies for water usage. If actual consumption is less than plan, as is the case for 2010, this could cause a rate increase (conversely, actual consumption greater than plan could effect a rate decrease). See Appendix D for six year history.
2. Capital Investment: Capital investment is based upon the Department's early estimate of improvements that are required. Many items can influence the capital program expenditures, including escalation in market price, the introduction of new technology and availability of consultant and contractor resources.
3. Economic development: The City's economic climate can have significant impact on the financial plan. The addition or deletion of a major customer could effect a change in rates due to the consumption and sales revenue associated with large volume users.
4. New legislation: Environmental and public health concerns are driving more stringent standards in the water and wastewater industry. The Environment Act Licenses for the three water pollution control centers have required large increases in capital and operating costs. The further introduction of new legislation could cause increased rates through the operating and capital costs associated with compliance. It is expected that an environmental license will be issued for combined sewer overflow mitigation in the near future.

The funds target to maintain a minimum combined working capital position of 11% of combined water and sewer sales on an annual basis. The purpose of the working capital is to provide medium-term stability and the ability to absorb losses in any given year when consumption falls short of anticipated levels and/or unforeseen emergency funds are required. The working capital is comprised of current assets (cash and accounts receivable) net of current liabilities (current accounts payable), cash or near cash items that can readily absorb unexpected fluctuations. It is prudent to have a larger shock absorber under conditions where change is significant, costs are rapidly increasing and consumption is declining, due to increasing costs and continuing conservation programs.

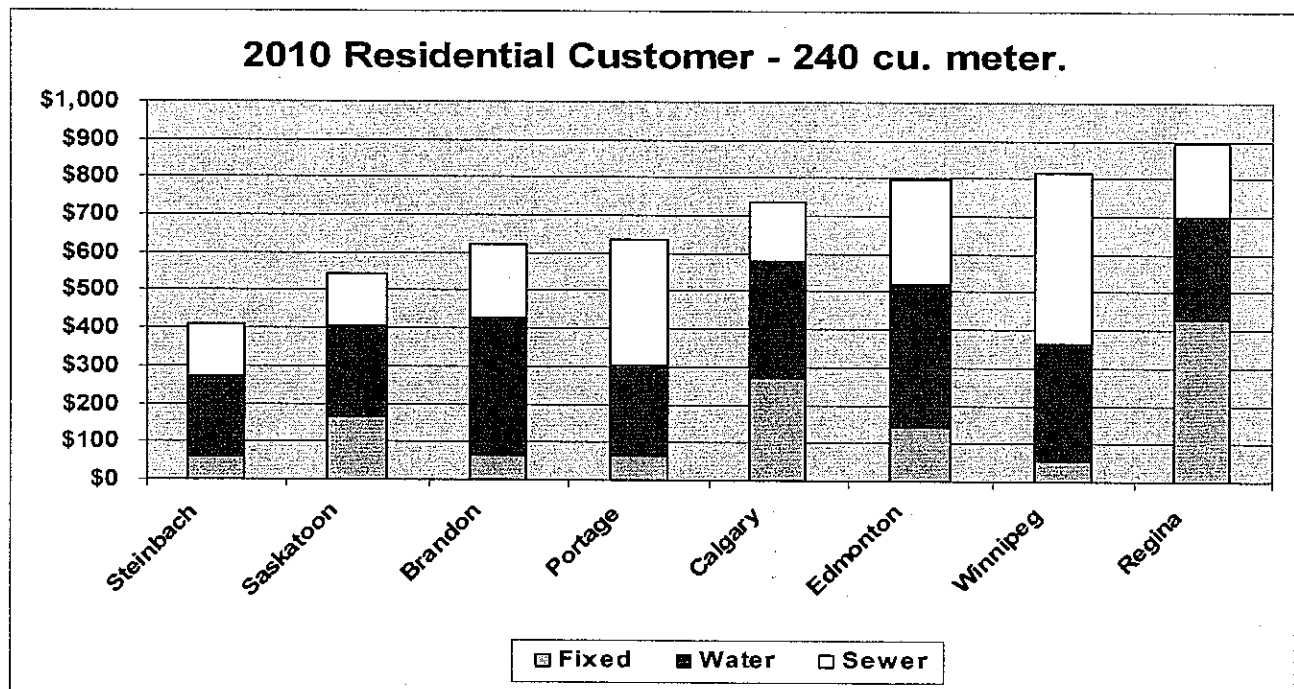
The Water and Sewer Funds adhere to a set of operating principles that can be found in Appendix E. Appendix F illustrates the impact of the rate strategy on various sample customers.

**Competitiveness**

Winnipeg's combined water and sewer rate remains competitive to other cities of similar size. Rates have increased across cities surveyed. The following tables illustrate costs for residential customers (Block 1 rates, consumption of 240 cubic metres), commercial customers (Block 1 and 2 rates, consumption of 1,600 cubic metres) and large users (Block 1, 2 and 3 rates consumption of 254,500 cubic metres) each in 2010 rates.

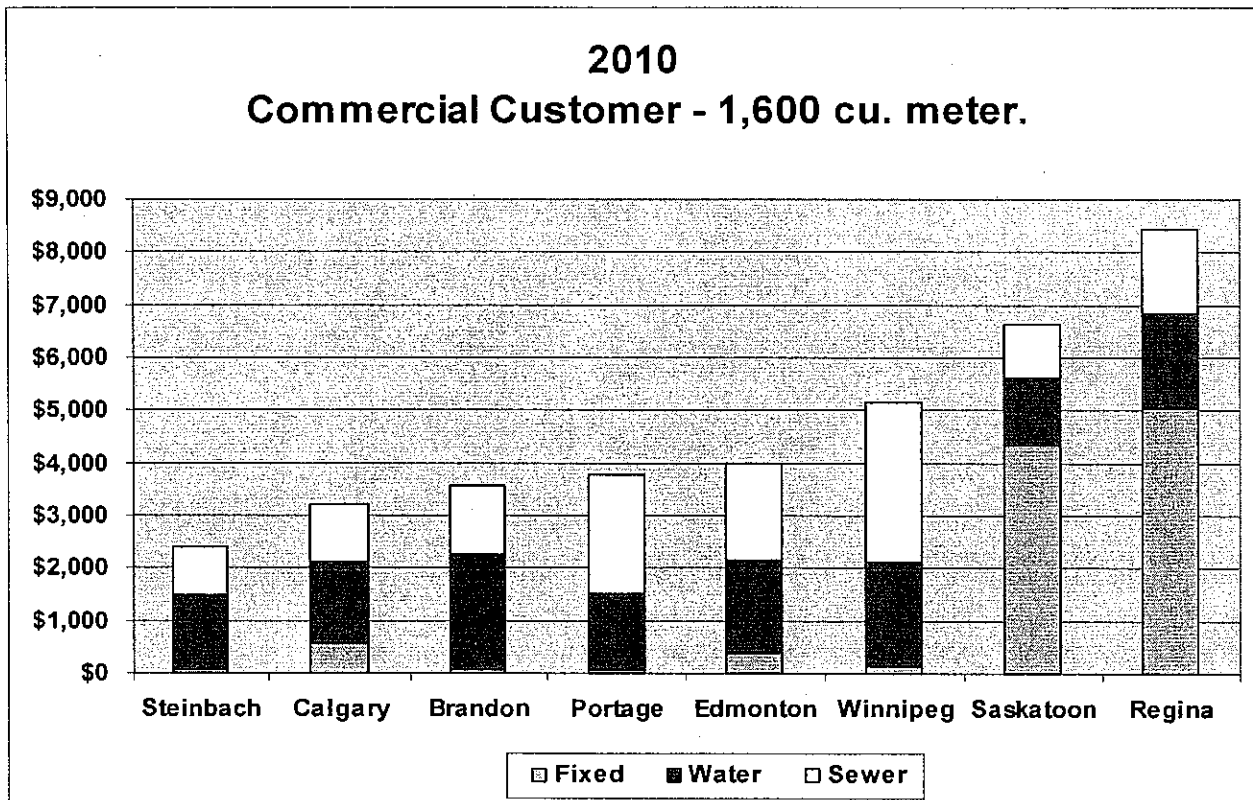
**Residential Customers**

	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach
Fixed	55.00	427.05	165.36	270.00	141.84	63.60	64.00	61.00
Water	309.60	271.16	240.74	310.81	377.49	239.64	363.93	211.70
Sewer	458.40	197.00	136.58	156.39	276.59	334.86	192.67	137.96
<b>Total 2010</b>	<b>\$823.00</b>	<b>\$895.21</b>	<b>\$542.69</b>	<b>\$737.21</b>	<b>\$795.91</b>	<b>\$638.10</b>	<b>\$620.60</b>	<b>\$410.66</b>
<b>Total 2009</b>	<b>801.95</b>	<b>821.74</b>	<b>518.65</b>	<b>708.24</b>	<b>761.56</b>	<b>603.89</b>	<b>597.57</b>	<b>403.52</b>
Variance	\$ 21.05	\$ 73.47	\$ 24.04	\$ 28.97	\$ 34.35	\$ 34.20	\$ 23.03	\$ 7.14
Percent	2.6%	8.9%	4.6%	4.1%	4.5%	5.7%	3.9%	1.8%



**Commercial Customers**

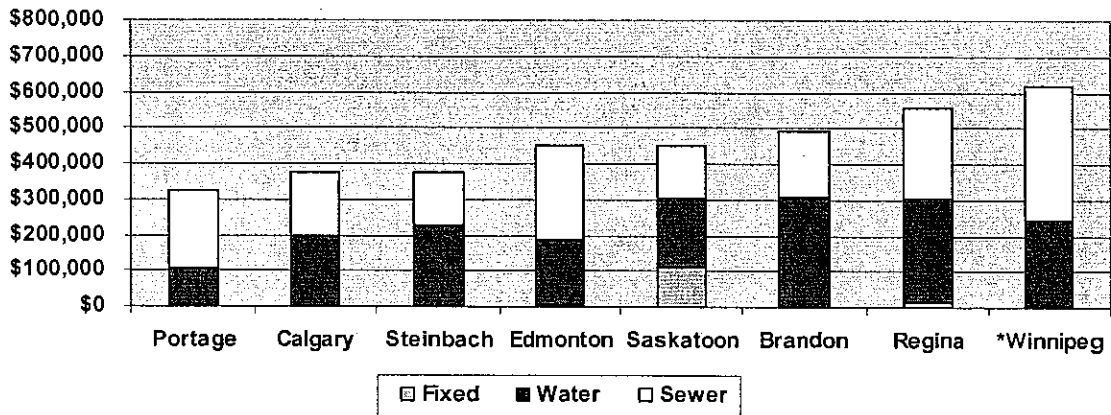
	<b>Winnipeg</b>	<b>Regina</b>	<b>Saskatoon</b>	<b>Calgary</b>	<b>Edmonton</b>	<b>PLAP</b>	<b>Brandon</b>	<b>Steinbach</b>
Fixed	127.20	5,047.95	4,324.80	576.84	372.48	63.60	64.00	61.00
Water	1,976.85	1,807.75	1,282.53	1,557.68	1,767.54	1,466.61	2,209.32	1,411.31
Sewer	3,056.00	1,569.57	1,020.99	1,091.15	1,843.90	2,232.41	1,284.45	919.73
<b>Total 2010</b>	<b>\$5,160.05</b>	<b>\$8,425.27</b>	<b>\$6,628.32</b>	<b>\$3,225.67</b>	<b>\$3,983.92</b>	<b>\$3,762.63</b>	<b>\$3,557.78</b>	<b>\$2,392.04</b>
<b>Total 2009</b>	<b>5,019.30</b>	<b>7,592.97</b>	<b>6,060.56</b>	<b>3,157.39</b>	<b>3,798.78</b>	<b>3,543.12</b>	<b>3,407.20</b>	<b>2,312.76</b>
<b>Variance</b>	<b>\$140.75</b>	<b>\$832.30</b>	<b>\$567.76</b>	<b>\$68.28</b>	<b>\$185.14</b>	<b>\$219.51</b>	<b>\$150.58</b>	<b>\$79.28</b>
<b>Percent</b>	<b>2.8%</b>	<b>11.0%</b>	<b>9.4%</b>	<b>2.2%</b>	<b>4.9%</b>	<b>6.2%</b>	<b>4.4%</b>	<b>3.4%</b>



## Very Large Industrial Users

	Winnipeg	Regina	Saskatoon	Calgary	Edmonton	PLAP	Brandon	Steinbach
Fixed	1,142.80	12,734.85	110,714.88	2,275.32	7,508.16	63.60	64.00	61.00
Water	243,809.56	290,111.18	191,890.83	195,565.84	182,343.67	105,967.46	309,257.03	226,490.31
Sewer	370,266.50	251,887.76	149,921.54	175,110.09	260,517.35	219,537.82	184,308.12	147,600.43
<b>Total 2010</b>	<b>\$615,218.86</b>	<b>\$554,733.80</b>	<b>\$452,527.24</b>	<b>\$372,951.25</b>	<b>\$450,369.18</b>	<b>\$325,568.88</b>	<b>\$493,629.15</b>	<b>\$374,151.74</b>
<b>Total 2009</b>	<b>596,078.03</b>	<b>510,788.71</b>	<b>409,320.80</b>	<b>358,397.74</b>	<b>430,177.56</b>	<b>292,857.87</b>	<b>456,064.62</b>	<b>361,427.57</b>
Variance	\$19,140.83	\$43,945.09	\$43,206.44	\$14,553.51	\$20,191.62	\$32,711.01	\$37,564.53	\$12,724.17
Percent	3.2%	8.6%	10.6%	4.1%	4.7%	11.2%	8.2%	3.5%

### 2010 Very Large Industrial User - 254,500 cu. meter.



\*Includes 30% Large Volume Sewer Discount, economic reduction over \$100,000

### COMMUNICATION:

The Water and Waste Department will communicate the water and sewer rates to customers as follows:

Strategy	Timeline
Briefing session for Water Billing Representatives	December 2010
Ads in the business section of both daily newspapers	December 2010
Web site updated with new rates	December 2010
Presentation on water and sewer rates at the annual Customer Seminar	January 2011
Message imprinted on each water/sewer bill	January – March 2011

## FINANCIAL IMPACT

**Financial Impact Statement**      **Date:**    October 12, 2010

**Project Name:**                      2011 WATER AND SEWER RATES

The 2011 rates and financial plans for water and sewer funds are contained in Appendices B and C. These plans are reflected in the current and capital estimates and as such, a financial impact statement has not been prepared.

*"original signed by Lucy Szkwarek, C.G.A."*  
Lucy Szkwarek, C.G.A.  
Acting Manager of Finance and Administration

## CONSULTATION

**In preparing this report there was consultation with:**

Internal Consultation With and Concurrence By:  
Legal Services Department

## SUBMITTED BY

Water and Waste Department  
Finance and Administration Division  
Prepared by: Darlene Capp CGA  
Date: November 16, 2010  
File No.            010-08-20-01-00  
                          010-08-20-01-01

**APPENDICES:**

The following appendices are attached as additional information:

- APPENDIX A      Water and Sewer Rates - Ten Year History
- APPENDIX B      Waterworks System Fund - Ten year financial projection of revenue, expenditures and working capital based on the recommendations contained in this report
  
- APPENDIX C      Sewage Disposal System Fund - Ten year financial projection of revenue, expenditures and working capital based on the recommendations contained in this report
  
- APPENDIX D      Water Consumption Five Year Historical Summary 2003 - 2008
- APPENDIX E      Water and Sewer - Principles of Operation
- APPENDIX F      Impact of the Water and Sewer recommendations on sample customers January 1st, 2010
  
- APPENDIX G      Water Works System By-law Amendment

Appendix A

History of Water and Sewer Rates  
2001 - 2010

History of Water and Sewer Utility Rates

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Water Rates (per cu m)</u>										
Block 1 (< 272 cu.m)	\$0.97	\$0.97	\$0.97	\$0.97	\$0.97	\$0.97	\$1.11	\$1.22	\$1.25	\$1.29
Block 2 (272 - 2720 cu.m)	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80	\$0.94	\$1.05	\$1.08	\$1.12
Block 3 (> 2720 cu.m)	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.77	\$0.88	\$0.91	\$0.95
<u>Sewer Rates (per cu m)</u>										
Volume Rate	\$0.96	\$0.96	\$0.96	\$1.10	\$1.20	\$1.37	\$1.57	\$1.81	\$1.86	\$1.91
Total Water and Sewer Rate (Block 1)	\$1.94	\$1.94	\$1.94	\$2.07	\$2.17	\$2.34	\$2.69	\$3.03	\$3.11	\$3.20

Appendix B

WATERWORKS SYSTEM FUND  
Financial Projection 2011-2020 (\$000s)

O:\FID\CD\PR\Rates\Rate Model\W&S2011\2011RTS\_02.xls\WATER\_REPORT Values

Waterworks System	2010 Budget	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenue</b>											
Sales Revenue	89,431	88,091	90,344	93,369	96,764	99,971	102,073	104,005	106,147	108,136	110,702
Non Rate Revenue	4,175	3,935	4,179	4,289	3,975	3,433	3,220	3,431	3,652	3,882	4,122
<b>Total Revenue</b>	<b>93,606</b>	<b>92,026</b>	<b>94,523</b>	<b>97,658</b>	<b>100,739</b>	<b>103,404</b>	<b>105,293</b>	<b>107,436</b>	<b>109,799</b>	<b>112,018</b>	<b>114,824</b>
% Change in Rate Revenue		-1.5%	2.6%	3.3%	3.6%	3.3%	2.1%	1.9%	2.1%	1.9%	2.4%
<b>Expenditures</b>											
Operating	62,070	58,912	61,329	62,932	64,265	65,624	67,011	68,425	69,868	71,339	72,840
Fire Hydrant Maintenance Expense	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708
Debt Service	17,994	18,259	18,551	18,220	16,690	14,230	12,400	12,585	12,780	12,982	13,195
Transfer to Watermain Renewal Reserve	10,500	13,000	14,000	15,000	16,000	17,000	17,000	17,000	17,000	17,000	17,000
<b>Total Expenditures</b>	<b>94,272</b>	<b>93,879</b>	<b>97,588</b>	<b>99,860</b>	<b>100,663</b>	<b>100,562</b>	<b>100,119</b>	<b>101,718</b>	<b>103,356</b>	<b>105,029</b>	<b>106,743</b>
Surplus(Deficit) for the year	(666)	(1,853)	(3,065)	(2,202)	77	2,842	5,174	5,718	6,442	6,989	8,081
Opening Working Capital		59,674	44,872	28,479	13,386	6,274	3,224	4,154	4,872	6,314	8,303
Appropriated to Capital		(13,899)	(13,328)	(12,891)	(7,340)	(6,285)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Other Changes in Working Capital		950	0	0	151	393	756	0	0	0	0
Ending Working Capital		44,872	28,479	13,386	6,274	3,224	4,154	4,872	6,314	8,303	11,384
<b>Working Capital as a % of Sales</b>		<b>51%</b>	<b>32%</b>	<b>14%</b>	<b>6%</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>

<b>Water Rate</b>	<b>Block 1 (\$dollars)</b>	1.29	1.34	1.40	1.45	1.51	1.57	1.64	1.68	1.71	1.75
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<b>Rate Change</b>	<b>Block 1</b>	2.9%	3.9%	4.5%	3.6%	4.1%	4.0%	1.9%	2.4%	1.8%	2.3%
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<b>Long-Term Debt Summary</b>											
New debt, Water Treatment Plant											
Debt outstanding, closing year end balance	167,160	161,012	154,571	148,045	142,009	136,933	132,853	128,588	124,128	119,466	114,591



Appendix C

SEWAGE DISPOSAL SYSTEM FUND  
Financial Projection 2011-2020 (\$000s)

O:\FAD\CAPP\Rates\Rate Model\WBS2011\2011RTS\_02\2011RTS\_02.xls\SEWAGE\_REPORT Values

	2010 Budget	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Sewage Disposal System</b>											
Revenue											
Sales Revenue	123,741	113,118	116,175	121,957	131,067	140,816	151,707	162,356	167,251	168,588	171,585
Non Rate Revenue	7,088	7,343	7,872	6,432	4,761	4,848	5,210	5,867	6,832	8,128	9,782
Environmental Projects Reserve	11,993	13,578	16,181	18,875	19,265	19,184	19,156	19,150	19,133	21,849	21,848
<b>Total Revenue</b>	<b>142,822</b>	<b>134,039</b>	<b>140,228</b>	<b>147,264</b>	<b>155,093</b>	<b>164,848</b>	<b>176,073</b>	<b>187,373</b>	<b>193,216</b>	<b>198,565</b>	<b>203,215</b>
% Change in Rate Revenue		-6.7%	4.5%	6.4%	6.7%	6.4%	6.8%	6.2%	2.7%	2.2%	1.6%
Expenditures											
Operating	60,820	62,569	63,749	66,456	72,785	80,340	87,130	92,158	92,392	92,639	92,899
Debt Service	13,683	13,798	14,255	14,453	17,587	25,613	32,232	33,016	34,597	36,705	38,952
Transfer to Environmental Projects Reserve	11,993	13,578	16,181	18,875	19,265	19,184	19,156	19,150	19,134	21,849	21,849
Land Drainage	13,441	13,643	13,711	13,709	13,846	13,985	14,124	14,266	14,408	14,552	14,688
Transfer to Sewer System Rehabilitation Reserve	9,000	13,200	13,900	14,600	15,300	16,100	16,900	16,900	16,900	16,900	16,900
<b>Total Expenditures</b>	<b>108,937</b>	<b>116,788</b>	<b>121,796</b>	<b>128,093</b>	<b>138,783</b>	<b>155,222</b>	<b>169,542</b>	<b>175,490</b>	<b>177,431</b>	<b>182,645</b>	<b>185,298</b>
Surplus(Deficit) for the year	33,885	17,251	18,432	19,171	16,310	9,626	6,531	11,883	15,785	15,920	17,917
Opening Working Capital		97,956	78,615	78,615	43,922	25,259	11,627	4,928	5,810	10,496	15,209
Appropriated to Capital		(36,576)	(36,000)	(36,000)	(36,000)	(22,800)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)
Other Changes in Working Capital		(16)	13	(309)	27	(459)	(2,230)	(0)	(99)	(208)	(147)
Ending Working Capital		78,615	61,060	43,922	25,259	11,627	4,928	5,810	10,496	15,209	21,979
<b>Working Capital as a % of Sales</b>		<b>69%</b>	<b>53%</b>	<b>36%</b>	<b>19%</b>	<b>8%</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>9%</b>	<b>13%</b>
<b>Sewer Rate</b>	<b>\$1.91</b>	<b>\$1.97</b>	<b>\$2.10</b>	<b>\$2.24</b>	<b>\$2.40</b>	<b>\$2.57</b>	<b>\$2.75</b>	<b>\$2.92</b>	<b>\$2.98</b>	<b>\$3.04</b>	<b>\$3.10</b>
<b>Rate Change</b>		<b>3.1%</b>	<b>6.6%</b>	<b>6.7%</b>	<b>7.1%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>6.2%</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Long-Term Debt Summary</b>											
New debt, Environmental Projects	0	0	14,000	146,000	120,000	136,000	0	6,000	13,000	9,000	7,681
Debt outstanding, closing year end balance	28,282	21,366	28,197	168,005	281,432	408,591	395,148	387,039	384,767	376,793	365,554

Note: The sewer rates in this report do not include any possible reduction resulting from a potential Land drainage fee currently being studied

## Appendix D

WATER CONSUMPTION HISTORICAL SUMMARY - 000s CUBIC METERS  
Consumption for volume sales (excludes standpipe)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>B-1 Sales</b>	<u>04/05</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>
October	3,401	4,425	4,036	3,875	3,489
November	2,893	3,142	3,156	2,994	2,584
December	3,720	3,805	3,785	3,352	3,366
January	4,045	3,658	3,817	3,785	3,526
February	3,172	2,900	3,009	2,991	2,923
March	3,601	3,481	3,525	3,483	3,310
April	3,674	3,572	3,569	3,724	3,282
May	2,907	2,977	3,066	2,733	2,672
June	3,742	3,543	3,635	3,197	3,382
July	4,011	3,952	3,465	3,623	3,774
August	3,328	3,716	2,984	3,131	3,216
September	3,602	4,363	3,797	4,019	3,751
<b>Total</b>	<b>42,096</b>	<b>43,534</b>	<b>41,844</b>	<b>40,906</b>	<b>39,275</b>
<b>B-2 Sales</b>	<u>04/05</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>
October	1,141	1,737	1,650	1,537	1,452
November	1,496	1,496	1,607	1,644	1,471
December	1,288	1,149	1,114	1,034	1,008
January	1,571	1,395	1,411	1,372	1,354
February	1,645	1,418	1,592	1,658	1,538
March	1,144	1,207	1,059	1,044	1,037
April	1,377	1,271	1,157	1,410	1,138
May	1,420	1,484	1,590	1,399	1,399
June	1,093	1,056	1,100	1,010	1,071
July	1,392	1,447	1,361	1,253	1,377
August	1,727	1,746	1,498	1,621	1,685
September	1,479	1,106	1,139	1,202	1,254
<b>Total</b>	<b>16,774</b>	<b>16,513</b>	<b>16,277</b>	<b>16,184</b>	<b>15,783</b>
<b>B-3 Sales</b>	<u>04/05</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>
October	499	1,824	1,038	993	708
November	1,247	986	1,333	1,061	1,071
December	830	467	930	690	803
January	737	576	1,965	800	750
February	1,326	921	(46)	1,031	915
March	797	976	1,149	578	838
April	737	1,748	386	823	627
May	1,146	(3)	922	968	726
June	847	604	1,891	578	521
July	875	1,109	341	659	763
August	1,631	2,456	1,122	1,231	1,094
September	980	(861)	813	1,019	984
<b>Total</b>	<b>11,650</b>	<b>10,802</b>	<b>11,845</b>	<b>10,432</b>	<b>9,798</b>
<b>TOTAL B1-B3</b>	<b>70,521</b>	<b>70,850</b>	<b>69,966</b>	<b>67,522</b>	<b>64,857</b>

WATER AND SEWER UTILITY  
PRINCIPLES OF OPERATION

1. Self-Supporting Utilities: The Utilities do not receive subsidies from the mill rate.
2. Cost of Service Rates: Customers pay water and sewer rates, which represent the operating and capital costs of providing the utility services.
3. Debt Servicing: The Utilities' revenues are sufficient to service the Utilities' long-term debt.
4. Working Capital Reserves: Water and Sewer Utilities. The Water and Sewer Utilities maintain working capital reserves to protect the Utilities' financial position and prevent significant rate fluctuations that may otherwise result from a decline in consumption or major unforeseen expenditures. On an annual basis, the Utilities strive to maintain a minimum combined working capital position of 11% of the combined Water and Sewer sales.
5. Ten Year Financial Plan: Water and Sewer Utilities. Rates in the Water and Sewer Utilities are planned over a ten-year time frame to mitigate the effects of year over year fluctuations and to coincide with the longer term infrastructure development and renewal planning.
6. Infrastructure Renewal: The Watermain Renewal and Sewer System Rehabilitation Reserves were established to provide a consistent approach to financing infrastructure renewal. Maintaining the reserves ensures this approach continues. Reserve contributions by the Utilities are based on an asset management strategy developed by the Utilities and approved through the capital and operating budget processes.
7. Transfers to the General Revenue Fund: The Water and Sewer Utilities transfer funds to the General Revenue Fund in the form of support to the Land Drainage program which funds 100% of the costs of this program.
8. Capital Reserve Funds: The Utilities establish reserves to fund major capital projects. The pay-as-you-go capital program is more economical than traditional debt financing, which equates to lower rates for our customers. In addition, for specific and cost intensive projects, the Department has developed a strategy whereby a portion of the project is funded through reserves and a portion through debt financing. This strategy facilitates an equitable approach for short and long term funding support

# Appendix F

## CUSTOMER IMPACT ANALYSIS Annual Basis

O:\FaDCAPP\RateRate Model WMS\2011\2011RTS\_02.xls\customer impact calculation

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Residential 5/8" meter</b>											
240 cu.m. Water	1.29	1.34	1.40	1.45	1.51	1.57	1.61	1.64	1.68	1.71	1.75
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	3.20	3.31	3.50	3.69	3.91	4.14	4.36	4.56	4.66	4.75	4.85
Daily Basic Service Charge <sup>(1)</sup>	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
	\$823.00	\$849.40	\$895.00	\$940.60	\$993.40	\$1,048.60	\$1,101.40	\$1,149.40	\$1,173.40	\$1,195.00	\$1,219.00
Overall \$ Change	21.23	26.40	45.60	45.60	52.80	55.20	52.80	48.00	24.00	21.60	24.00
Overall % Change	2.67%	3.21%	5.37%	5.09%	5.61%	5.56%	5.04%	4.36%	2.09%	1.84%	2.01%

<b>Commercial 2" meter</b>											
1,600 cu.m. Water	1.12	1.17	1.23	1.28	1.34	1.40	1.44	1.47	1.51	1.54	1.58
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	3.03	3.14	3.33	3.52	3.74	3.97	4.19	4.39	4.49	4.58	4.68
Daily Basic Service Charge <sup>(1)</sup>	31.80	31.80	31.80	31.80	31.80	31.80	31.80	31.80	31.80	31.80	31.80
	\$5,160.05	\$5,336.16	\$5,640.16	\$5,944.16	\$6,296.16	\$6,664.16	\$7,016.16	\$7,336.16	\$7,496.16	\$7,640.16	\$7,800.16

<b>Large Restaurant 3" meter</b>											
17,700 cu.m. Water	0.95	1.00	1.06	1.11	1.17	1.23	1.27	1.30	1.34	1.37	1.42
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	2.86	2.97	3.16	3.35	3.57	3.80	4.02	4.22	4.32	4.41	4.52
Daily Basic Service Charge <sup>(1)</sup>	109.45	109.45	109.45	109.45	109.45	109.45	109.45	109.45	109.45	109.45	109.45
	\$53,180.28	\$55,041.36	\$58,404.36	\$61,767.36	\$65,661.36	\$69,732.36	\$73,626.36	\$77,166.36	\$78,936.36	\$80,529.36	\$82,367.56

<b>Foundry 8" meter</b>											
254,500 cu.m. Water	0.95	1.00	1.06	1.11	1.17	1.23	1.27	1.30	1.34	1.37	1.42
Sewer	1.91	1.97	2.10	2.24	2.40	2.57	2.75	2.92	2.98	3.04	3.10
Total Volume Rate	2.86	2.97	3.16	3.35	3.57	3.80	4.02	4.22	4.32	4.41	4.52
Daily Basic Service Charge <sup>(1)</sup>	285.70	285.70	285.70	285.70	285.70	285.70	285.70	285.70	285.70	285.70	285.70
	\$731,047.36	\$769,042.36	\$807,397.36	\$855,752.36	\$911,742.36	\$970,277.36	\$1,026,267.36	\$1,077,167.36	\$1,102,617.36	\$1,125,522.36	\$1,153,408.56

**THE CITY OF WINNIPEG**

**BY-LAW NO.**

A By-law of THE CITY OF WINNIPEG to amend the Water Works By-law

**THE CITY OF WINNIPEG**, in Council assembled, enacts as follows:

1 *Section 1 of Schedule A of the Water Works By-law No. 504/73 is repealed and the following is substituted:*

Domestic \$1.34 per cubic metre from 0 to 272 cubic metres per quarter

Intermediate \$1.17 per cubic metre from 272.1 to 2,720 cubic metres per quarter

Industrial \$1.00 per cubic metre over 2,720 cubic metres per quarter

2. *This By-law comes into force on January 1, 2011.*

**DONE AND PASSED**, this      day of      , 2010.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk

Approved as to content:

\_\_\_\_\_  
Director of Water and Waste

Approved as to form:

\_\_\_\_\_  
For City Solicitor/Director of  
Legal Services





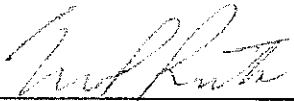
# **The City of Winnipeg**

## **2009 Fees and Charges Schedule**

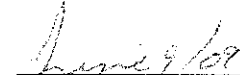
**June 8, 2009**

**Certification by the Chief Financial Officer**

I certify, to the best of my knowledge, the information contained in the 2009 Fees and Charges Schedule, dated June 8, 2009 are correctly stated.



\_\_\_\_\_  
**Mike Ruta,**  
Deputy CAO / Chief Financial Officer



\_\_\_\_\_  
**Date**



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Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Animal Services</b>				
GST not included, application varies				
<b>Animal services - animal adoption fees</b>				
Over 4 months	\$166.98	each	Jan 1/09	By-law 7100/97
Sterilized	\$133.59	each	Jan 1/09	By-law 7100/97
Under 4 months	\$199.30	each	Jan 1/09	By-law 7100/97
<b>Animal services - fees</b>				
Fowl - care and maintenance	\$1.06	per day		By-law 2443/79
Fowl - kennel fee	\$1.06	per offence		By-law 2443/79
Horses/cattle/sheep/goats/pigs - care and maintenance	\$5.30	per day		By-law 2443/79
Kennel fee - cats	\$9.45	per day		By-law 7119/97
Kennel fee - dogs	\$22.05	per day	Jan 1/09	By-law 3891/85
Kennel fee: horses/cattle/sheep/goats/pigs - initial fee	\$10.60	per offence		By-law 2443/79
Microchipping dogs/cats	\$34.47	each	Jan 1/09	By-law 7100/97
Running at large cats - 1st offence	\$15.00	per offence		By-law 7119/97
Running at large cats - 2nd offence (within the current license year)	\$50.00	per offence		By-law 7119/97
Running at large cats - 3rd or subsequent offence (within the current license year)	\$75.00	per offence		By-law 7119/97
Running at large: dogs - 1st offence	\$50.00	per offence		By-law 2443/79
Running at large: dogs - 2nd offence (within the current license year)	\$150.00	per offence		By-law 2443/79
Running at large: dogs - 3rd or subsequent offence (within the current license year)	\$225.00	per offence		By-law 2443/79
Surrendered animal fee/turnover fee	\$74.10	each	Jan 1/09	By-law 7100/97
Replacement tag	\$2.00	each		By-law 7119/97
<b>Animal services - licenses &amp; permits</b>				
Animal services - excess animal permit - annual inspection fee	\$60.00	each		By-law 7539/99
Animal services - excess animal permit - initial application fee	\$120.00	each		By-law 7539/99
Animal services - unsterilized cat permit	\$50.00	each		By-law 7441/99
Dangerous dog annual fee	\$75.00	each		By-law 2443/79
Dangerous dog pro-rated April - June	\$56.25	each		By-law 2443/79
Dangerous dog pro-rated July - Sep	\$37.50	each		By-law 2443/79
Dangerous dog pro-rated Oct - Dec	\$18.75	each		By-law 2443/79
Every dog: annual fee	\$60.00	each	May 1/09	By-law 7119/97
Every sterile dog: annual fee	\$25.00	each	May 1/09	By-law 7119/97
<b>Animal services - trap rental</b>				
Cat trap - refundable deposit for five days	\$50.00	each		By-law 7100/97
Cat trap administration fee	\$10.77	each	Jan 1/09	By-law 7100/97
Skunk/squirrel trap rental	\$65.87	each	Jan 1/09	By-law 7100/97
Trap set up/removal	\$37.71	each	Jan 1/09	By-law 7100/97

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
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## Arts, Entertainment and Culture

GST not included, application varies

### Assiniboine Park Enterprises - Assiniboine Park Zoo - general daily admission

March - October inclusive - family - admission under the "family" category is to include one (1) or two (2) adults and their children under the age of 18 years.

March - October inclusive - adult - 18 to 64 years of age inclusive \$4.55 each Jan 1/09 By-law 3219/82

March - October inclusive - child - 2 to 12 years of age inclusive \$2.40 each Jan 1/09 By-law 3219/82

March - October inclusive - family - equal to the fee of two (2) adults and one (3) youth minus 10%, round off to the nearest .25. \$16.00 each Jan 1/09 By-law 3219/82

March - October inclusive - infant - up to 2 years of age \$0.00 each By-law 3219/82

March - October inclusive - senior - 65 years of age and over \$4.25 each Jan 1/09 By-law 3219/82

March - October inclusive - youth - 13 to 17 years of age inclusive \$2.95 each Jan 1/09 By-law 3219/82

November - February inclusive - adult - 18 to 64 years of age inclusive \$4.00 each Jan 1/09 By-law 3219/82

November - February inclusive - child - 2 to 12 years of age inclusive \$1.90 each Jan 1/09 By-law 3219/82

November - February inclusive - family - equal to the fee of two (2) adults and one (3) youth minus 10%, round off to the nearest .25. \$12.80 each Jan 1/09 By-law 3219/82

November - February inclusive - infant - up to 2 years of age - each Jan 1/09 By-law 3219/82

November - February inclusive - senior - 65 years of age and over \$3.75 each Jan 1/09 By-law 3219/82

November - February inclusive - youth - 13 to 17 years of age inclusive \$2.40 each Jan 1/09 By-law 3219/82

### Assiniboine Park Enterprises - room rentals

Conservatory - after hours \$407.00 per time slot Jan 1/09 By-law 3219/82

Conservatory - 50 minutes \$102.00 per time slot Jan 1/09 By-law 3219/82

Conservatory - 75 minutes \$152.00 per time slot Jan 1/09 By-law 3219/82

Conservatory - 100 minutes \$203.00 per time slot Jan 1/09 By-law 3219/82

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Assessment and Taxation</b>				
<b>Property &amp; business tax fees for service</b>				
Tax certificates	\$35.00	per property		BY-LAW 4860/88
Online tax information subscription service	\$9.50	per transaction		CFO Dec 18/2006
Custom data reports	\$9.00	per account		CFO Dec 18/2006
Custom data reports for requests on >50 accounts or > 2.5 hrs of work	\$30.00	per hour		CFO Dec 18/2006
Current tax year search	\$11.00	per account		CFO Dec 18/2006
Local improvements statements	\$35.00	per account	Jan 1/09	Council
Non-current tax year search	\$15.00	per account	Jan 1/09	Council
Property tax status verification	\$10.00	per account	Jan 1/09	Council
Tax account info - financial institutions - electronic or paper listing	\$15.00	per account	Jan 1/09	Council
Tax sale redemption certificates	\$15.00	per account	Jan 1/09	Council
Administrative Fee for Miscellaneous Additions to Tax Roll	\$30.00	per transaction		Council Mar 26/06
<b>Tax Instalment Payment Plan (TIPP)</b>	\$0.70	per month	Jan 1/09	BY-LAW 194/2004
<b>Tax penalty interest</b>				
Monthly interest on tax arrears	1.25%	per month		BY-LAW 5796/91
Interest on current year property tax arrears for the month of September only	7.50%			BY-LAW 5796/91
Interest on current year business tax arrears for the month of August only	6.25%			BY-LAW 5796/91
<b>Tax sale penalty</b>				
Tax sale properties - 10% penalty on "sold in tax sale" amount	10.00%	on "sold in tax sale" amount		BY-LAW 8157/2002
Interest on tax sale properties	1.25%	per month		BY-LAW 8157/2002
<b>Cemeteries</b>				
GST applicable to all fees; PST applicable to some products				
<b>Traditional inground property</b>				
Continuous Foundation Property	\$1,400.00	each	Jan 1/09	BY-LAW 130/2007
Flat Marker Property	\$1,115.00	each	Jan 1/09	BY-LAW 130/2007
Infant up to 2 Years of Age	\$225.00	each	Jan 1/09	BY-LAW 130/2007
Child 2 to 10 Years of Age	\$500.00	each	Jan 1/09	BY-LAW 130/2007
Field of Honour (Regimental No. required)	\$1,115.00	each	Jan 1/09	BY-LAW 130/2007
Social Services/Low Income Clients -Full Size Casket Lot	\$1,115.00	each	Jan 1/09	BY-LAW 130/2007
Double Plot - No Foundation	\$2,280.00	each	Jan 1/09	BY-LAW 130/2007
Double Plot - Foundation	\$2,770.00	each	Jan 1/09	BY-LAW 130/2007
Cremation Lot for 2 Creains	\$620.00	each	Jan 1/09	BY-LAW 130/2007
Family Cremation Plot for 4 Creains	\$990.00	each	Jan 1/09	BY-LAW 130/2007

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Columbaria packages</b>				
Square – Gold Premium	\$2,910.00	each	Jan 1/09	BY-LAW 130/2007
Square – Gold Standard	\$2,650.00	each	Jan 1/09	BY-LAW 130/2007
Square - Silver Premium	\$2,410.00	each	Jan 1/09	BY-LAW 130/2007
Square - Silver Standard	\$2,230.00	each	Jan 1/09	BY-LAW 130/2007
Y-Niche - Gold	\$2,650.00	each	Jan 1/09	BY-LAW 130/2007
Y-Niche - Silver	\$2,410.00	each	Jan 1/09	BY-LAW 130/2007
Sunset Round - Gold	\$2,650.00	each	Jan 1/09	BY-LAW 130/2007
Sunset Round - Silver	\$2,410.00	each	Jan 1/09	BY-LAW 130/2007
Estate Four Niche Columbaria per unit	\$9,787.00	each	Jan 1/09	BY-LAW 130/2007
Estate Four Niche Columbaria per niche	\$2,855.00	each	Jan 1/09	BY-LAW 130/2007
Estate Two Niche Columbaria per unit	\$5,935.00	each	Jan 1/09	BY-LAW 130/2007
Estate Two Niche Columbaria per niche	\$3,195.00	each	Jan 1/09	BY-LAW 130/2007
Triangle - Gold	\$2,230.00	each	Jan 1/09	BY-LAW 130/2007
Triangle - Silver	\$2,135.00	each	Jan 1/09	BY-LAW 130/2007
Plaque or Engraved Low	\$2,135.00	each	Jan 1/09	BY-LAW 130/2007
Round - Silver	\$2,135.00	each	Jan 1/09	BY-LAW 130/2007
Round - Gold	\$2,230.00	each	Jan 1/09	BY-LAW 130/2007
<b>Vaults/liners/urns</b>				
Whitex No. 2 Concrete Liner - Adult	\$890.00	each	Jan 1/09	BY-LAW 130/2007
Monticello No. 4 (Fiberglass) Vault Adult	\$1,480.00	each	Jan 1/09	BY-LAW 130/2007
Vault/Liner Surcharge when purchased elsewhere -Excl. Wood box	\$205.00	each	Jan 1/09	BY-LAW 130/2007
Cremation Urns	Various Prices	each		BY-LAW 130/2022
Cremation Vaults	Various Prices	each		BY-LAW 130/2023
<b>Traditional interment fees</b>				
Up to and including 4 feet	\$290.00	each	Jan 1/09	BY-LAW 130/2007
Over 4FT: Single Depth	\$685.00	each	Jan 1/09	BY-LAW 130/2007
Over 4FT: Double Depth (Subject to conditions and availability)	\$1,075.00	each	Jan 1/09	BY-LAW 130/2007
Frost & Snow Removal. Payable Nov. 1 to Apr 30	\$90.00	each	Jan 1/09	BY-LAW 130/2007
<b>Cremation interment fees</b>				
Single Depth	\$295.00	each	Jan 1/09	BY-LAW 130/2007
Double Depth	\$423.00	each	Jan 1/09	BY-LAW 130/2007
Frost & Snow Removal. Payable Nov. 1 to Apr 30	\$90.00	each	Jan 1/09	BY-LAW 130/2007
Sub-surface Ash Crypt	\$230.00	each	Jan 1/09	BY-LAW 130/2007
Niche Inurnment	\$235.00	each	Jan 1/09	BY-LAW 130/2007
Niche opening to allow removal of companion urn for 2nd inurnment	\$60.00	each	Jan 1/09	BY-LAW 130/2007
Cremated Remains Scattering -Inc Engraved Plaque	\$205.00	each	Jan 1/09	BY-LAW 130/2007
Cremated Remains Ossuary & Lecturn Service	\$255.00	each	Jan 1/09	BY-LAW 130/2007
Cremains interment at same time as casket burial in same location.	50% of prevailing cremains interment rate plus casket full rate.			BY-LAW 130/2007
Multiple cremains interments at same time, same location	1st at the full prevailing rate, each additional cremains at 50% of full rate.			BY-LAW 130/2007

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Multiple interments same time, different locations full prevailing charges.	full prevailing charges.			BY-LAW 130/2007
<b>Disinterment</b>				
Full Casket Disinterment.	3 times the prevailing interment rate	each		BY-LAW 130/2007
Cremated Remains at single depth	one and one-half times the prevailing	each		BY-LAW 130/2007
Cremated Remains at double depth	2 times the prevailing	each		BY-LAW 130/2007
Columbarium Niche	\$155.00	each	Jan 1/09	BY-LAW 130/2007
<b>Saturday/late funeral additional fees</b>				
Funerals arriving at cemetery gate: - Between 3:30 and 3:59 p.m.	\$220.00	each	Jan 1/09	BY-LAW 130/2007
Funerals arriving at cemetery gate: - At or after 4 p.m. and up to and including 4:59 p.m.	\$455.00	each	Jan 1/09	BY-LAW 130/2007
Full Casket Interment Saturday before Noon	\$735.00	each	Jan 1/09	BY-LAW 130/2007
Inground Cremation Interment before Noon	\$255.00	each		BY-LAW 130/2007
Infant up to 2 years of age, Saturday interment before 12 Noon	\$252.00	each		BY-LAW 130/2007
Child 2-10 years of age, Saturday interment before 12 Noon	\$368.00	each	Jan 1/09	BY-LAW 130/2007
Niche Inurnment before Noon	\$220.00	each		BY-LAW 130/2007
Cremation Scattering/Ossuary Interment before Noon	\$220.00	each		BY-LAW 130/2007
<b>Cancellation of interment fee</b>	A charge of 50% of the interment fee is required for cancellation once opening services have been performed.			BY-LAW 130/2007
<b>Monument foundation fees</b>				
Cement Slab - Single	\$280.00	each	Jan 1/09	BY-LAW 130/2007
Cement Slab - Double	\$570.00	each	Jan 1/09	BY-LAW 130/2007
Cement Slab 24" - Infant Section	\$165.00	each	Jan 1/09	BY-LAW 130/2007
Cement Slab 30" - Child Section	\$225.00	each	Jan 1/09	BY-LAW 130/2007
<b>Monument/marker/vase installation/removal fees</b>				
Military Upright Monument	\$155.00	each	Jan 1/09	BY-LAW 130/2007
Flat Marker - up to and including 27" width	\$125.00	each	Jan 1/09	BY-LAW 130/2007
Flat Marker - over 27" width up to and including 48" Width	40c per sq inch	each		BY-LAW 130/2007
Flat Markers installed with an attached vase	Applicable flat marker installation fee plus \$45.00	each	Jan 1/09	BY-LAW 130/2007

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Separate Memorial Vase	\$125.00	each	Jan 1/09	BY-LAW 130/2007
Military Monument Removal	\$210.00	each	Jan 1/09	BY-LAW 130/2007
Pre-Purchased Flat Marker Removal for 1st Interment	\$125.00	each	Jan 1/09	BY-LAW 130/2007
Flat Marker and Separate Memorial Vase Installed at the same time	20% discount applied to applicable combined marker and memorial vase installation fees	each		BY-LAW 130/2007
<b>Monument installation - permits</b>				
Per Monument or Marker	\$60.00	each	Jan 1/09	BY-LAW 130/2007
<b>Memorials</b>				
Memorial Bench - Donated	\$1,108.00	each	Jan 1/09	BY-LAW 130/2007
Memorial Bench -Plastic Plaque	\$82.00	each	Jan 1/09	BY-LAW 130/2007
Memorial Bench -Bronze Plaque	\$240.00	each	Jan 1/09	BY-LAW 130/2007
Black Granite Memorial Bench	\$3,162.00	each	Jan 1/09	BY-LAW 130/2007
<b>Miscellaneous fees</b>				
Burial Record Search (per deceased) - <b>Not charged for visiting a location, an interment, or where a record is not available on the Cemeteries website.</b>	\$50.00	each		BY-LAW 130/2007
Transfer of Deed	\$100.00	each		BY-LAW 130/2007
Replacement of Lost Deed	\$100.00	each		BY-LAW 130/2007
Tree/Shrub Removal from Property	\$195.00	each		BY-LAW 130/2007
Military Monument GPS & Photo	\$35.00	each	Jan 1/09	BY-LAW 130/2007
Engraving for Third Niche Interment	\$100.00	each	Jan 1/09	BY-LAW 130/2007
Replacement Plaque on Niche	Priced on order	each		BY-LAW 130/2007
Metal Vase	\$20.00	each		BY-LAW 130/2007
Seasonal Wreaths	Various Prices	each		BY-LAW 130/2007
History Book Vol 1 or 2 each	\$14.04	each		BY-LAW 130/2007
History Books Multi Pack	\$22.12	two		BY-LAW 130/2007
<b>Columbaria sundries</b>				
Estate Niche Vase Granite (Includes Installation) (Applicable only if complete columbaria unit is purchased)	\$330.00	each	Jan 1/09	BY-LAW 130/2007
	\$561.00	two	Jan 1/09	BY-LAW 130/2007
Estate Niche Vase Polished Black Metal (Includes Installation) (Applicable only if complete columbaria unit is purchased)	\$237.00	each	Jan 1/09	BY-LAW 130/2007
	\$402.90	two	Jan 1/09	BY-LAW 130/2007
Columbaria Motif Engraving on Niche Door (Must be ordered at the time of ordering the standard door engraving)	\$57.00	each	Jan 1/09	BY-LAW 130/2007
	\$96.90	two	Jan 1/09	BY-LAW 130/2007
Estate Columbaria Family Name Engraving (Applicable only if complete columbaria unit is purchased)	\$280.00	each	Jan 1/09	BY-LAW 130/2007



Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>City Beautification</b>				
<b>Miscellaneous rental services (GST applicable)</b>				
Garden plots - serviced garden plots	\$37.50	each	March 1/09	BY-LAW 3219/82
Garden plots - unserviced garden plots	\$25.00	each	March 1/09	BY-LAW 3219/82
<b>Community Health</b>				
GST not included, application varies				
<b>By-law enforcement - civic charities permits</b>				
Regular permit	\$50.00	per permit		By-law 6916/96
Tag day permit	\$50.00	per permit		By-law 6916/96
<b>By-law enforcement - licenses - administration</b>				
Photocopying	\$0.53	per page		Council Sep 21/94
<b>By-law enforcement- licenses - bicycle recovery</b>				
One-time bicycle registration	\$5.40	each	Jan 1/09	Council May 26/93
One-time bicycle registration - transfer	\$3.25	each	Jan 1/09	Council May 26/93
<b>By-law enforcement - environmental health</b>				
Registration fee - food handler training exam and certificate only - effective September 1	\$33.00	each	Sep 1/09	By-law 5160/89
Registration fee - food handler training program - effective September 1	\$76.00	each	Sep 1/09	By-law 91/2008
Reprint - food handler certificates	\$5.65	each	Sep 1/09	By-law 91/2008
<b>By-law enforcement - licenses - general licenses</b>				
Antique dealer	\$360.00	each	Jun 1/09	By-law 91/2008
Auctioneer	\$360.00	each	Jun 1/09	By-law 91/2008
Bicycle dealer	\$205.00	each	Jun 1/09	By-law 91/2008
Body modification establishment	\$513.00	each	Jun 1/09	By-law 91/2008
Body modification technician	\$113.00	each	Jun 1/09	By-law 91/2008
Converted residential dwelling	\$282.00	each	Jun 1/09	By-law 91/2008
Converted residential dwelling with shared facilities	\$436.00	each	Jun 1/09	By-law 91/2008
Escort	\$133.00	each	Jun 1/09	By-law 91/2008
Escort agency	\$4,104.00	each	Jun 1/09	By-law 91/2008
Food service establishment high risk	\$563.00	each	Jun 1/09	By-law 91/2008
Food service establishment medium risk	\$410.00	each	Jun 1/09	By-law 91/2008
Food service establishment low risk	\$344.00	each	Jun 1/09	By-law 91/2008
Hostel	\$308.00	each	Jun 1/09	By-law 91/2008
Independent escort agency	\$2,052.00	each	Jun 1/09	By-law 91/2008
Large public venue	\$154.00	each	Jun 1/09	By-law 91/2008
Massage parlour	\$4,104.00	each	Jun 1/09	By-law 91/2008
Massagist	\$133.00	each	Jun 1/09	By-law 91/2008
Outdoor mobile food vendor - general - effective January 1st of each year	\$360.00	each	Jan 1/09	By-law 91/2008

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Precious metals dealer	\$410.00	each	Jun 1/09	By-law 91/2008
Shared facilities dwelling	\$246.00	each	Jan 1/09	By-law 91/2008
Swimming pool - indoor	\$513.00	each	Jun 1/09	By-law 91/2008
Swimming pool - outdoor	\$360.00	each	Jun 1/09	By-law 91/2008
Temporary food service establishment	\$308.00	each	Jun 1/09	By-law 91/2008
Temporary food service establishment (limited)	\$128.00	each	Jun 1/09	By-law 91/2008
Temporary food service establishment (extension)	\$154.00	each	Jun 1/09	By-law 91/2008
Temporary trade show	\$267.00	each	Jun 1/09	By-law 91/2008
Used goods dealer	\$462.00	each	Jun 1/09	By-law 91/2008
Used material yard	\$339.00	each	Jun 1/09	By-law 91/2008
Whirlpool	\$718.00	each	Jun 1/09	By-law 91/2008
<b>By-law enforcement - licenses - raffles</b>				
Raffle lottery - 1.5% of the value of tickets being printed, or \$25.00, whichever is greater	1.5%	percent		By-law 7470/99
<b>By-law enforcement - licenses - taxicabs</b>				
Taxi cab license fee per vehicle or booking office	\$57.50	each	Jan 1/09	By-law 6123/93 taxicab act subsec 9 (3)
<b>Council Services - City Clerk's</b>				
<b>By-laws Photocopying</b>	\$0.50	per page		Council
<b>Certification of documents, per seal</b>	\$5.00	per seal	Jan 1/09	Council
<b>Hansard</b>				
Individual meeting	\$7.00	per unit		Council
Photocopying - extracts	\$0.50	per page		Council
<b>Minutes</b>				
Individual meeting	\$0.50	per page		Council
Photocopying - extracts	\$0.50	per page		Council
Municipal manual	\$4.00	per manual		Council
<b>Photocopying - Flate Rate per page</b>	\$0.50	per page		Council
<b>Research services</b>				
Minimum hourly wage of Clerk "A"	\$13.56	per hour	Jan 1/09	Council
<b>Lapel Pin - Souvenir items - kiosk</b>	\$0.35	each		Council
<b>Manual of Street indexes</b>	\$35.00	per index		Council
<b>Transcripts</b>				
Minimum hourly wage of Clerk "A"	\$13.56	per hour	Jan 1/09	Council
<b>Videocassettes, reproduction of meetings</b>	\$20.00	each		Council

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Development Approvals, Building Permits and Inspections</b>				
<b>Building permit fees</b>				
Construction: based on valuation of total worth - \$ 0 to \$1,000	\$111.00	each	May 1/09	By-law 77/2009
Construction: based on valuation of total worth - each additional \$1,000 in excess of \$ 1,000	\$10.74	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - all other - 4645 m2 or less	\$20.15	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - all other - over 4645 m2	\$24.18	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - restaurants - 280 m2 or less	\$13.43	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - restaurants - 280 m2 to 850 m2	\$17.46	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - restaurants - more than 850 m2	\$22.83	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - schools, recreation facilities	\$18.80	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - open-air	\$13.43	each	May 1/09	By-law 77/2009
Construction: service index - Group A occupancy - worship	\$16.12	each	May 1/09	By-law 77/2009
Construction: service index - Group B1 occupancy	\$30.89	each	May 1/09	By-law 77/2009
Construction: service index - Group B2 occupancy	\$28.21	each	May 1/09	By-law 77/2009
Construction: service index: Group C occupancy - multiple family dwellings	\$9.40	each	May 1/09	By-law 77/2009
Construction: service index - Group C occupancy - hotels/motels four storeys or less in height	\$10.74	each	May 1/09	By-law 77/2009
Construction: service index - Group C occupancy - hotels/motels more than four storeys in height	\$13.43	each	May 1/09	By-law 77/2009
Construction: service index - Group C occupancy - 10 stories storeys or more	\$13.43	each	May 1/09	By-law 77/2009
Construction: service index - Group C occupancy - 3 stories to ten	\$9.40	each	May 1/09	By-law 77/2009
Construction: service index - Group D occupancy - less than 7500 m2	\$9.40	each	May 1/09	By-law 77/2009
Construction: service index - Group D occupancy - more than 7500 m2	\$11.00	each	May 1/09	By-law 77/2009
Construction: service index - Group E occupancy - less than 7500 m2	\$6.72	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Construction: service index - Group E occupancy - more than 7500 m2	\$8.38	each	May 1/09	By-law 77/2009
Construction: service index - F1 occupancy	\$8.28	each	May 1/09	By-law 77/2009
Construction: service index - F2 occupancy - less than 4500 m2	\$6.06	each	May 1/09	By-law 77/2009
Construction: service index - F2 occupancy - more than 4500 m2	\$8.28	each	May 1/09	By-law 77/2009
Construction: service index - F3 occupancy - less than 7500 m2	\$5.37	each	May 1/09	By-law 77/2009
Construction: service index - F3 occupancy - more than 7500 m2	\$7.00	each	May 1/09	By-law 77/2009
Administrative fee in addition to permit fee imposed on buildings constructed as shell only	\$222.00	each	May 1/09	By-law 77/2009
Monthly maintenance fee - temporary building (excl tent)	\$53.00	each	May 1/09	By-law 77/2009
Misc: satellite dish, radio tower, communication tower less than 30.48 m	\$81.00	each	May 1/09	By-law 77/2009
Misc: satellite dish, radio tower, communication tower 30.48 m or more	\$134.00	each	May 1/09	By-law 77/2009
Misc.: tents - for one tent	\$111.00	each	May 1/09	By-law 77/2009
Misc.: tents - for each additional tent	\$13.00	each	May 1/09	By-law 77/2009
Misc: Storage tank - removal per site, each tank	\$20.00	each	May 1/09	By-law 77/2009
Misc: Storage tank - installation per site, each tank	\$20.00	each	May 1/09	By-law 77/2009
Misc: Outdoor swimming pool - above ground	\$81.00	each	May 1/09	By-law 77/2009
Misc: Outdoor swimming pool - below ground	\$161.00	each	May 1/09	By-law 77/2009
Alterations, renos & repairs: based on valuation of total worth - \$ 0 to \$1,000	\$111.00	each	May 1/09	By-law 77/2009
Alterations, renos & repairs: based on valuation of total worth - on each additional \$1,000	\$10.74	each	May 1/09	By-law 77/2009
Building permit fees - minimum charge for all permits	\$111.00	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: based on habitable space \$.2.05sq.m.	\$2.28	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: basement development	\$111.00	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: construction of a non-sheltered deck	\$51.00	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: construction of detached garage	\$111.00	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: accessory building over 10 m2 in area	\$85.00	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: installation of solid fuel burning appliance	\$85.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Single-family & two family dwellings: outside swimming pools - above ground	\$51.00	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: outside swimming pools - below ground	\$158.00	each	May 1/09	By-law 77/2009
Single-family & two family dwellings: radio or communication tower	\$51.00	each	May 1/09	By-law 77/2009
Fee calculation for work that cannot be defined in terms of area: \$1,000 or less in declared value	\$111.00	each	May 1/09	By-law 77/2009
Fee calculation for work that cannot be defined in terms of area: for each additional \$1,000 in declared value	\$11.10	each	May 1/09	By-law 77/2009
<b>City plans</b>				
Amendment to Plan Winnipeg: application fee	\$5,550.00	each	May 1/09	By-law 77/2009
Amendment to Plan Winnipeg: public hearing fee	\$1,503.00	each	May 1/09	By-law 77/2009
Amendment to Plan Winnipeg: secondary plan amendment	\$2,775.00	each	May 1/09	By-law 77/2009
<b>Demolition fees</b>				
Demolition commercial - by hand, machine, based on each square m	\$0.28	each	May 1/09	By-law 77/2009
One & two-family dwellings	\$222.00	each	May 1/09	By-law 77/2009
One & two-family dwellings - accessory structures	\$139.00	each	May 1/09	By-law 77/2009
Demolition commercial - by implosion based on each square m	\$0.33	each	May 1/09	By-law 77/2009
Demolition fees - minimum charge for all permits	\$111.00	each	May 1/09	By-law 77/2009
Demolition plan review fee	\$111.00	each	May 1/09	By-law 77/2009
<b>Document fees</b>				
Single permit activity report	\$50.00	each	May 1/09	By-law 77/2009
Permit activity & statistical report - annual	\$50.00	each	May 1/09	By-law 77/2009
Permit activity & statistical report - semi- annual - for 1 calendar year	\$70.00	each	May 1/09	By-law 77/2009
Permit activity & statistical report - quarterly - for 1 calendar year	\$120.00	each	May 1/09	By-law 77/2009
Permit activity & statistical report - monthly - for 1 calendar year	\$300.00	each	May 1/09	By-law 77/2009
Permit activity & statistical report - weekly - for 1 calendar year	\$800.00	each	May 1/09	By-law 77/2009
Permit activity & statistical report - daily - for 1 calendar year	\$2,000.00	each	May 1/09	By-law 77/2009
Building plans search - initial fee search	\$17.00	per page	May 1/09	By-law 77/2009
Building plans search - final processing fee	\$33.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Building plans search - first page of building plan	\$8.00	per page	May 1/09	By-law 77/2009
Building plans search - each additional page	\$3.00	each	May 1/09	By-law 77/2009
Building records search - initial search fee	\$17.00	each	May 1/09	By-law 77/2009
Building records search - final search fee	\$33.00	each	May 1/09	By-law 77/2009
Building records search - copy per page	\$3.00	per page	May 1/09	By-law 77/2009
Minimum building plans or records search fee	\$50.00		May 1/09	By-law 77/2009
Centralized property file search - one and two family dwellings	\$151.00	each	May 1/09	By-law 77/2009
Centralized property file search - condominiums _ for one unit	\$151.00	each	May 1/09	By-law 77/2009
Centralized property file search - condominiums - unlimited units - same complex	\$450.00	each	May 1/09	By-law 77/2009
Centralized property file search - all other buildings or uses	\$450.00	each	May 1/09	By-law 77/2009
Centralized property file search - any other search letter	\$113.00	each	May 1/09	By-law 77/2009
Digital information - per hour- first hour	\$100.00	per hour	May 1/09	By-law 77/2009
Digital information - per hour- each additional hour	\$80.00	per hour	May 1/09	By-law 77/2009
Fees for photocopies - 15 pages or less	\$5.00	each	May 1/09	By-law 77/2009
Fees for photocopies - each additional page	\$1.00	per page	May 1/09	By-law 77/2009
<b>Electrical fees</b>				
Annual permit fee	\$292.00	each	May 1/09	By-law 77/2009
Certificate of electrical inspection acceptance	\$28.00	each	May 1/09	By-law 77/2009
Electric heating and/or cooking appliances: 2 kw or less	\$7.00	each	May 1/09	By-law 77/2009
Electric heating and/or cooking appliances: more than 2 kw to 4 kw or less	\$11.00	each	May 1/09	By-law 77/2009
Electric heating and/or cooking appliances: more than 4 kw to 14 kw or less	\$17.00	each	May 1/09	By-law 77/2009
Electric heating and/or cooking appliances: over 14 kw	\$28.00	each	May 1/09	By-law 77/2009
Electric signs and similar equipment: first sign installed sign on same premises installed at the same time (free standing)	\$85.00	each	May 1/09	By-law 77/2009
Electric signs and similar equipment: first sign non free standing	\$85.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Electric signs and similar equipment: for each additional installed sign on same premises installed at the same time (free standing)	\$51.00	each	May 1/09	By-law 77/2009
Electric signs and similar equipment: for each additional installed sign on same premises installed at the same time (non free standing)	\$14.00	each	May 1/09	By-law 77/2009
Electrical fees - minimum charge for all permits	\$111.00	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - a (one year)	\$215.00	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - a (three year)	\$602.00	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - b (one year)	\$143.00	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - b (three year)	\$395.00	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - c (one year)	\$143.00	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - c (three year)	\$395.00	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - d (one year)	n/a	each	May 1/09	By-law 77/2009
Electrical licences: annual fee for electrical contractor's license - d (three year)	n/a	each	May 1/09	By-law 77/2009
Electrical licences: contractor's examination fee	\$85.00	each	May 1/09	By-law 77/2009
Contractor license - late renewal fee	\$85.00	each	May 1/09	By-law 77/2009
Emergency lighting unit equipment	\$9.00	each	May 1/09	By-law 77/2009
Fire alarm system: each control panel and annunciator	\$56.00	each	May 1/09	By-law 77/2009
Fire alarm system device	\$4.50	each	May 1/09	
Audible and visual device	\$4.50	each	May 1/09	
Detection devices (smoke, carbon monoxide, methane)	\$4.50	each	May 1/09	
Sprinkler/standpipe flow , supervision devices	\$4.50	each	May 1/09	By-law 77/2009
Pull stations	\$4.50	each	May 1/09	By-law 77/2009
Electromagnetic locks	\$4.00	each	May 1/09	By-law 77/2009
Nurse call system device	\$4.50	each	May 1/09	By-law 77/2009
Smoke alarms	\$4.50	each	May 1/09	By-law 77/2009
Exit signs	\$1.48	each	May 1/09	By-law 77/2009
Raceway installation - 60 m or less	\$28.00	each	May 1/09	By-law 77/2009
Raceway installation - 60 m to 300 m	\$56.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Raceway installation - Over 300 m	\$111.00	each	May 1/09	By-law 77/2009
Fire pump electrical connection and assoc. Equipment	\$180.00	each	May 1/09	By-law 77/2009
Motorized valves, transformers, motors, controllers, capacitors and similar equipment				
(i) 1 kVAR - hp - or less	\$9.00	each	May 1/09	By-law 77/2009
(ii) Over 1 kVAR - hp -to- 25 kVAR -hp	\$17.00	each	May 1/09	By-law 77/2009
(iii) Over 25 kVAR - hp -to- 100 kVAR - hp	\$47.00	each	May 1/09	By-law 77/2009
(iv) Over 100 kVAR - hp	\$92.00	each	May 1/09	By-law 77/2009
First service and distribution panel board low voltage, rating - over 1000 amperes	\$212.00	each	May 1/09	By-law 77/2009
First service and distribution panel board low voltage, rating - less than 400 amperes	\$89.00	each	May 1/09	By-law 77/2009
For each additional service and distribution panel board low voltage, rating - not over 400 amperes	\$67.00	each	May 1/09	By-law 77/2009
First service and distribution panel board low voltage, rating - 400 to 1000 amperes	\$167.00	each	May 1/09	By-law 77/2009
For each additional service and distribution panel board low voltage, rating - 400 to 1000 amperes	\$100.00	each	May 1/09	By-law 77/2009
First service and distribution panel board low voltage, rating in amperes - x - each additional panel board - over 1000 amperes	\$118.00	each	May 1/09	By-law 77/2009
First service and distribution panel board low voltage, rating in amperes - x - each additional panel board - over 200 amperes but not over 400	n/a	each	May 1/09	By-law 77/2009
First service and distribution panel board operating at low voltage, rating in amperes - x - each additional panel board - over 400 amperes to 1000	n/a	each	May 1/09	By-law 77/2009
Fibre optic cable installation, flat fee	\$28.00	each	May 1/09	By-law 77/2009
Data outlets	\$2.15	each	May 1/09	By-law 77/2009
One data rack including components	\$71.00	each	May 1/09	By-law 77/2009
Each additional data rack in the same application	\$49.00	each	May 1/09	By-law 77/2009
Generator driven by prime mover & associated equipment	\$200.00	each	May 1/09	By-law 77/2009
High voltage installations: services including metering and grounding	\$251.00	each	May 1/09	By-law 77/2009
High voltage installations: distribution	\$58.00	each	May 1/09	By-law 77/2009
High voltage installations: motors and transformers: over 500 hp/kva but not over 1000	\$158.00	each	May 1/09	By-law 77/2009
High voltage installations: motors and transformers: not over 500 hp/kva	\$85.00	each	May 1/09	By-law 77/2009



Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
High voltage installations: motors and transformers: over 1000 hp/kva	\$315.00	each	May 1/09	By-law 77/2009
Educational facilities: per floor area used for public and private schools and educational institutions	\$11.10	per 10 sq.m.	May 1/09	By-law 77/2009
Hotels and motels: per bedroom unit	\$51.00	each	May 1/09	By-law 77/2009
Hotels and motels: per floor area used for kitchens, dining rooms, beverage rooms...	\$11.10	per 10 sq.m.	May 1/09	By-law 77/2009
Industrial and commercial apparatus, motorized valves or similar equipment, transformer, motors: 25.1 hp/kva to 100 hp/kva	\$47.00	each	May 1/09	By-law 77/2009
Industrial and commercial apparatus, motorized valves or similar equipment, transformer, motors: over 100 hp/kva	\$92.00	each	May 1/09	By-law 77/2009
Industrial and commercial apparatus, motorized valves or similar equipment, transformers, motors: 1 hp/kva to 25 hp/kva	\$17.00	each	May 1/09	By-law 77/2009
Industrial and commercial apparatus, motorized valves or similar equipment, transformers, motors: not over 1 hp/kva	\$9.00	each	May 1/09	By-law 77/2009
Installation of fuel burning equipment: each domestic type package and unit heater	\$17.00	each	May 1/09	By-law 77/2009
Installation of fuel burning equipment: each industrial or commercial type package	\$47.00	each	May 1/09	By-law 77/2009
Lamp standard	\$13.00	each	May 1/09	By-law 77/2009
Light switches, 15 ampere receptacles, lighting fixtures and similar equipment	\$1.48	each	May 1/09	By-law 77/2009
Local switches on lighting circuits, 15 ampere receptacles, lighting fixtures..	\$2.15	each	May 1/09	By-law 77/2009
Gasoline dispensing device/similar equipment	\$24.00	each	May 1/09	By-law 77/2009
Multiple-family dwelling providing three or more separate dwelling units - first three dwelling units	\$431.00	each	May 1/09	By-law 77/2009
Multiple-family dwelling providing three or more separate dwelling units - for each additional dwelling unit	\$108.00	each	May 1/09	By-law 77/2009
New single-family dwellings, two-family dwellings and row house not more than two storeys in height - over 400 amperes	\$215.00	each	May 1/09	By-law 77/2009
New single-family dwellings, two-family dwellings and row house not more than two storeys in height - up to 400 amperes	\$176.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Single-family dwellings, two-family dwellings including garage, enclosed deck or pool or outbuilding: additions, renovations, repairs, alterations - up to 400 amperes	\$111.00	each	May 1/09	By-law 77/2009
Single-family dwellings, two-family dwellings including garage, enclosed deck or pool or outbuilding: additions, renovations, repairs, alterations - more than 400 amperes	\$180.00	each	May 1/09	By-law 77/2009
Single-family dwellings, two-family dwellings -second panel - 400 or less amperes	\$65.00	each	May 1/09	By-law 77/2009
Single-family dwellings, two-family dwellings - second panel - more than 400 amperes	\$114.00	each	May 1/09	By-law 77/2009
SFD each piece of electrical equipment - other than an air-conditioner	\$7.00	each	May 1/09	By-law 77/2009
'Spray booth installations - each 110 sq. M. Or less	\$134.00	per 110 sq.m.	May 1/09	By-law 77/2009
Spray booth installations - each additional 10 sq. M.	\$12.21	per 10 sq.m.	May 1/09	By-law 77/2009
Temporary installations or traveling shows - supplied from a temporary existing permanent	\$85.00	each	May 1/09	By-law 77/2009
Temporary installations or traveling shows - supplied from a temporary electrical service	\$143.00	each	May 1/09	By-law 77/2009
Wiring of sfd alone	\$85.00	each	May 1/09	By-law 77/2009
Wiring of sfd air conditioners	\$51.00	each	May 1/09	By-law 77/2009
Outdoor swimming pools and hot tubs	\$51.00	each	May 1/09	By-law 77/2009
Open decks . Gazebo, patio, landscape lighting	\$51.00	each	May 1/09	By-law 77/2009
Sfd - installation pf fire alarm system - no other wiring	\$85.00	each	May 1/09	By-law 77/2009
Sfd - installation pf fire alarm system - other wiring (add to permit)	\$7.00	each	May 1/09	By-law 77/2009
<b>Encroachment fees</b>				
Annual encroachment license for all other types: first 5 sq. Metres	\$60.00	each	May 1/09	By-law 77/2009
Annual encroachment license for all other types: each additional 5 sq. Metres	\$30.00	each	May 1/09	By-law 77/2009
Annual encroachment license for warning sign	\$9.00	each	May 1/09	By-law 77/2009
Annual encroachment license after first year has past - signs less than 3 sq. Meters	\$68.00	each	May 1/09	By-law 77/2009
Annual encroachment license after first year has past - signs 3 to 6 sq. Meters	\$113.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Annual encroachment license after first year has past - signs 6.1 to 9 sq. Meters	\$151.00	each	May 1/09	By-law 77/2009
Annual encroachment license after first year has past - signs 9.1 to 18 sq. Meters	\$225.00	each	May 1/09	By-law 77/2009
Annual encroachment license after first year has past - signs more than 18.1 sq. Meters	\$337.00	each	May 1/09	By-law 77/2009
Every calendar year thereafter	n/a	per year	May 1/09	By-law 77/2009
Annual encroachment license late payment fee	\$13.00	each	May 1/09	By-law 77/2009
Application fee to construct and/or maintain an encroachment related to: one family & two family dwellings	\$75.00	each	May 1/09	By-law 77/2009
Application fee to construct and/or maintain an encroachment related to: other multiple-family and row housing	\$151.00	each	May 1/09	By-law 77/2009
Application fee to construct and/or maintain an encroachment related to: unusual or commercial nature pursuant to clause 4(1)(c) or (d) of encroachment by-law 692/74	\$225.00	each	May 1/09	By-law 77/2009
All other types of encroachment	\$75.00	each	May 1/09	By-law 77/2009
<b>General fees</b>				
Late payment or non-payment of fees	\$50.00	each	May 1/09	By-law 77/2009
Advertisement fee - equal per line fees charged for newspaper advertisements	n/a	each	May 1/09	By-law 77/2009
<b>Inspection fees</b>				
Inspections conducted - first hour - standard	\$111.00	per hour	May 1/09	By-law 77/2009
Inspections conducted - each additional hour - standard	\$89.00	per hour	May 1/09	By-law 77/2009
Inspection conducted - first hour - temporary shows	\$111.00	per hour	May 1/09	By-law 77/2009
Inspection conducted - each additional hour or part thereof - temporary shows	\$89.00	per hour	May 1/09	By-law 77/2009
Inspection conducted - first hour - relocation of building	\$111.00	per hour	May 1/09	By-law 77/2009
'Inspection conducted - each additional hour or part thereof - relocation of building	\$89.00	per hour	May 1/09	By-law 77/2009
Inspection conducted - first hour - work not ready	\$111.00	per hour	May 1/09	By-law 77/2009
'Inspection conducted - each additional hour or part thereof - work not ready	\$89.00	per hour	May 1/09	By-law 77/2009
Inspection conducted - first hour - incorrect information - insufficient information	\$111.00	per hour	May 1/09	By-law 77/2009
Inspection conducted - each additional hour or part thereof incorrect information - insufficient	\$89.00	per hour	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Inspection conducted - first hour - third and subsequent due to defects	\$111.00	per hour	May 1/09	By-law 77/2009
'Inspection conducted -each additional hour or part thereof- third and subsequent due to defects	\$89.00	per hour	May 1/09	By-law 77/2009
'Inspection conducted - first hour - occupancy - second and subsequent	\$111.00	per hour	May 1/09	By-law 77/2009
'Inspection conducted - each additional hour or part thereof- occupancy - second and subsequent	\$89.00	per hour	May 1/09	By-law 77/2009
'Inspection conducted - first hour no permit sought	\$111.00	per hour	May 1/09	By-law 77/2009
"Inspection conducted - after/before hours - minimum each inspector first 4 hours	\$389.00	per 4 hours	May 1/09	By-law 77/2009
"Inspection conducted - each additional hour or part thereof	\$111.00	per hour	May 1/09	By-law 77/2009
Life safety systems testing - each test normal office hours	\$555.00	each	May 1/09	By-law 77/2009
Life safety systems testing - out side office hours	\$999.00	each	May 1/09	By-law 77/2009
Life safety systems testing - both outside and during office hours - same test	\$1,554.00	each	May 1/09	By-law 77/2009
Extraordinary number of inspections - office hours - each hour or portion thereof	\$111.00	per hour	May 1/09	By-law 77/2009
Extraordinary number of inspections - minimum for each inspector - outside regular office hours	\$389.00	per hour	May 1/09	By-law 77/2009
Extraordinary number of inspections - each hour or portion thereof after four hours	\$111.00	per hour	May 1/09	By-law 77/2009
'Inspection reasonably required as part of a plan review by the Fire Paramedic Service	\$89.00	per hour	May 1/09	By-law 77/2009
Mobile home - inspection - first hour	\$111.00	per hour	May 1/09	By-law 77/2009
Mobile home - inspection - each additional hour	\$89.00	per hour	May 1/09	By-law 77/2009
<b>Addressing fees</b>				
Confirmation of and/or change in a street address: street address change	\$111.00	each	May 1/09	By-law 77/2009
Confirmation of and/or change in a street address: street address confirmation by letter	\$60.00	each	May 1/09	By-law 77/2009
<b>Plumbing fees</b>				
Certificate of plumbing inspection acceptance	\$28.00	each	May 1/09	By-law 77/2009
Plumbing drainage and vent piping - for 304.8 meters of portion thereof	\$161.00	each	May 1/09	By-law 77/2009
Plumbing interceptors	\$60.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Plumbing licences: 1 year annual fee - plumbing contractor's license "a"	\$215.00	each	May 1/09	By-law 77/2009
Plumbing licences: 1 year annual fee - plumbing contractor's license "b"	\$143.00	each	May 1/09	By-law 77/2009
Plumbing licences: 1 year annual fee - plumbing contractor's license "c"	\$143.00	each	May 1/09	By-law 77/2009
Plumbing licences: contractors examination fees	\$85.00	each	May 1/09	By-law 77/2009
Potable water system with water service pipe size of: 3/4 to 2 inch in size	\$40.00	each	May 1/09	By-law 77/2009
Potable water system with water service pipe size over 2 inch in size	\$68.00	each	May 1/09	By-law 77/2009
Potable water - H/C recirculation piping - repiping each suite	\$139.00	each	May 1/09	By-law 77/2009
Potable Water - H/C recirculation one floor	\$444.00	each	May 1/09	By-law 77/2009
Potable Water - H/C recirculation - each additional floor	\$56.00	each	May 1/09	By-law 77/2009
Residential renovations/repairs each additional fixture	\$7.00	each	May 1/09	By-law 77/2009
Residential renovations/repairs each additional outlet	\$7.00	each	May 1/09	By-law 77/2009
Residential renovations/repairs first 3 fixtures and/or drains	\$85.00	each	May 1/09	By-law 77/2009
Residential: minor repairs - without connections to fixtures of drains	\$85.00	each	May 1/09	By-law 77/2009
'Residential: single family of two-family dwelling new	\$176.00	each	May 1/09	By-law 77/2009
Commercial multi-unit residential plumbing - each additional unit	\$108.00	each	May 1/09	By-law 77/2009
Commercial multi-unit residential plumbing - first 3 units	\$431.00	each	May 1/09	By-law 77/2009
Plumbing licences: 3 year annual fee - plumbing contractor's license "c"	\$395.00	each	May 1/09	By-law 77/2009
Plumbing licences: 3 year annual fee - plumbing contractor's license "a"	\$602.00	each	May 1/09	By-law 77/2009
Plumbing licences: 3 year annual fee - plumbing contractor's license "b"	\$395.00	each	May 1/09	By-law 77/2009
Contractor license - late renewal fee	\$85.00	each	May 1/09	By-law 77/2009
Type 1 fixture - fixture installed	\$7.00	each	May 1/09	By-law 77/2009
Type 1 fixture - fixture outlet installed	\$18.00	each	May 1/09	By-law 77/2009
'Type 2 fixture - fixture installed	\$26.00	each	May 1/09	By-law 77/2009
'Type 2 fixture - fixture, outlet installed together	\$26.00	each	May 1/09	By-law 77/2009
Type 2 fixture - outlet installed	\$26.00	each	May 1/09	By-law 77/2009
Type 3 fixture - fixture installed	\$27.00	each	May 1/09	By-law 77/2009
Type 3 fixture - outlet installed	\$27.00	each	May 1/09	By-law 77/2009
Type 3 fixture - fixture and outlet installed together	\$27.00	each	May 1/09	By-law 77/2009
Minor repairs (renewal of each fixture trap or drain, etc.)	\$13.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
For first backflow prevention device with test cocks	\$68.00	each	May 1/09	By-law 77/2009
For each additional backflow prevention device with test cocks	\$23.00	each	May 1/09	By-law 77/2009
Plumbing fees - minimum charge for all permits	\$100.00	each	May 1/09	By-law 77/2009
<b>Plan review services</b>				
Fire paramedic services - removal, alteration or installation of storage tanks	\$88.00	per site	May 1/09	By-law 77/2009
Fire paramedic services - new construction, additions, renovations of buildings regulated under part 3 of the Manitoba building code	\$101.00	per building	May 1/09	By-law 77/2009
Fire paramedic services - new construction, additions, renovations permitting a change of occupancy for buildings regulated under part 9 of the Manitoba building code	\$88.00	per building	May 1/09	By-law 77/2009
Fire paramedic services - reexamination of plans due to revisions	\$56.00	each	May 1/09	By-law 77/2009
Fire paramedic services - temporary structures (other than tents)	\$88.00	per structure	May 1/09	By-law 77/2009
Fire paramedic services - tents, 84 m2 or more in area	\$46.00	per application	May 1/09	By-law 77/2009
Fire paramedic services - special events not using tents	\$46.00	per event	May 1/09	By-law 77/2009
Fire paramedic services - miscellaneous plan reviews	\$46.00	each	May 1/09	By-law 77/2009
Environmental health services - food handling establishments, day care centres, residential care homes, tattoo parlours	\$111.00	each	May 1/09	By-law 77/2009
Environmental health services - second hand stores, beauty salons, barber shops, massage parlors, incinerators, junkyards, pet shops, temporary structures	\$38.00	each	May 1/09	By-law 77/2009
Environmental health services - tents	\$20.00	per application	May 1/09	By-law 77/2009
Environmental health services - public swimming pools, water recreation facilities	\$220.00	each	May 1/09	By-law 77/2009
Environmental health services - public wading pools	\$75.00	each	May 1/09	By-law 77/2009
Building Code - meeting/ preliminary plan review (base fee)	\$120.00	each	May 1/09	By-law 77/2009
Plus				
Per person - each hour or portion thereof	\$100.00	per hour	May 1/09	By-law 77/2009
Charge for cancellation or missed meeting/preliminary plan review	\$120.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Plan Examination -spatial separation review	\$147.00	each	May 1/09	By-law 77/2009
<b>Mechanical fees</b>				
Declared value -mechanical work is \$100,000.00 or less - first \$10,000 or portion	\$133.00	each	May 1/09	By-law 77/2009
Declared value -mechanical work is \$100,000.00 or less -each additional \$ 10,000 or portion thereof	\$6.00	each	May 1/09	By-law 77/2009
Declared value -mechanical work is between \$100,000.00 -and- \$1,000,000.00 - first \$100,000.00	\$183.00	each	May 1/09	By-law 77/2009
Declared value -mechanical work is between \$100,000.00 -and- \$1,000,000.00 - each additional \$ 50,000.00	\$11.00	each	May 1/09	By-law 77/2009
Declared value -mechanical work is more than \$1,000,000.00 - first \$1,000,000.00	\$383.00	each	May 1/09	By-law 77/2009
Declared value -mechanical work is more than \$1,000,000.00 - each additional \$ 100,000.00	\$13.00	each	May 1/09	By-law 77/2009
Mechanical - fire pump installed	\$161.00	each	May 1/09	By-law 77/2009
Cooking equipment exhaust system	\$139.00	each	May 1/09	By-law 77/2009
Cooking equipment exhaust system - each additional system	\$83.00	each	May 1/09	By-law 77/2009
Mechanical contractors - late fee	\$85.00	each	May 1/09	By-law 77/2009
Mechanical license - m1 - 1 year	\$215.00	each	May 1/09	By-law 77/2009
Mechanical license - m1 - 3 year	\$602.00	each	May 1/09	By-law 77/2009
Mechanical license - m2 - 1 year	\$143.00	each	May 1/09	By-law 77/2009
Mechanical license - m2 - 3 year	\$395.00	each	May 1/09	By-law 77/2009
Mechanical license - m3 - 1 year	\$143.00	each	May 1/09	By-law 77/2009
Mechanical license -m3 - 3 years	\$395.00	each	May 1/09	By-law 77/2009
<b>Miscellaneous general fees</b>				
Public street name change	\$768.00	each	May 1/09	By-law 77/2009
Privately-owned street name designation / change	\$295.00	each	May 1/09	By-law 77/2009
Development application for variation / removal building restriction caveat	\$375.00	each	May 1/09	By-law 77/2009
Mobile home - development application approval	\$113.00	each	May 1/09	By-law 77/2009
Street address confirmation by letter	\$60.00	each	May 1/09	By-law 77/2009
Street address change	\$111.00	each	May 1/09	By-law 77/2009
Draft application fee	\$111.00	each	May 1/09	By-law 77/2009
Incorrect information: regarding name and address of applicant or contractor or location of proposed construction	\$111.00	each	May 1/09	By-law 77/2009
Written notification: if required re: additional information, plans, specifications, details, shop drawings or other information	\$25.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Occupancy permits</b>				
Building occupancy permit	\$287.00	each	May 1/09	By-law 77/2009
Interim building occupancy permit	\$180.00	each	May 1/09	
Condominium base building occupancy permit	\$287.00	each	May 1/09	By-law 77/2009
Condominium tenant occupancy permit - per suite	\$111.00	each	May 1/09	By-law 77/2009
All other occupancy permits	\$287.00	each	May 1/09	By-law 77/2009
Temporary building occupancy permit, ea. 12-months or portion thereof	\$180.00	each	May 1/09	By-law 77/2009
Temporary building occupancy permit, ea. 36-months or portion thereof	\$361.00	each	May 1/09	By-law 77/2009
Special events occupancy permit, each 3-month period	\$180.00	each	May 1/09	By-law 77/2009
Administrative and clerical - first hour	No charge			
Administrative and clerical -each additional 15 minutes	\$28.00	per 15 min	May 1/09	By-law 77/2009
Establish an occupant load and placard	\$162.00	each	May 1/09	By-law 77/2009
Occupant Load placard inspection - first hour (base fee covers)	no charge		May 1/09	By-law 77/2009
Occupant Load placard inspection - each additional hour	\$89.00	per hour	May 1/09	
Replacement occupancy permit or occupant load placard	\$111.00	each	May 1/09	By-law 77/2009
<b>Sign fees</b>				
Mobile sign permits: mobile advertising sign (per month)	\$56.00	per month	May 1/09	By-law 77/2009
Mobile sign permits: mobile poster sign (90 days)	\$139.00	each	May 1/09	By-law 77/2009
Sign Permit:				
Sign permit - freestanding 2.44 m or less	\$175.00	each	May 1/09	By-law 77/2009
Sign Permit - freestanding more than 2.44 m	\$200.00	each	May 1/09	By-law 77/2009
Sign Permit - mansard and roof	\$165.00	each	May 1/09	By-law 77/2009
Sign Permit - projecting	\$165.00	each	May 1/09	By-law 77/2009
Sign Permit - canopy	\$180.00	each	May 1/09	By-law 77/2009
Sign Permit - awning	\$180.00	each	May 1/09	By-law 77/2009
Sign Permit - other structural	\$165.00	each	May 1/09	By-law 77/2009
Sign Permit - any other	\$150.00	each	May 1/09	By-law 77/2009
Sign Permit - face replacement -first	\$100.00	each	May 1/09	By-law 77/2009
Sign Permit - face replacement - each additional	\$25.00	each	May 1/09	By-law 77/2009
<b>Subdivision fees</b>				
CA fees: certificate of consent	\$147.00	each	May 1/09	By-law 77/2009
Ca fees: certified copy of a certificate	\$53.00	each	May 1/09	By-law 77/2009
CA filing fees	\$395.00	each	May 1/09	By-law 77/2009
Condo fee	\$375.00	each	May 1/09	By-law 77/2009
Condo plan fee - each plan	\$53.00	each	May 1/09	By-law 77/2009



Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Condo plan fee - minimum condominium complex	\$147.00	each	May 1/09	By-law 77/2009
DAASP fee: mylar signing fee - each parcel created	\$53.00	each	May 1/09	By-law 77/2009
DAASP fee: mylar signing fee - minimum	\$147.00	each	May 1/09	By-law 77/2009
DAASP filing fee	\$455.00	each	May 1/09	By-law 77/2009
DAO, DAC or DAOC filing fee	\$827.00	each	May 1/09	By-law 77/2009
DAPS fee: mylar signing fee - each lot within plan	\$53.00	each	May 1/09	By-law 77/2009
DAPS fee: mylar signing fee - minimum lot within plan	\$147.00	each	May 1/09	By-law 77/2009
DAPS filing fee	\$545.00	each	May 1/09	By-law 77/2009
DAS fee	\$1,323.00	each	May 1/09	By-law 77/2009
DASSF fee	\$545.00	each	May 1/09	By-law 77/2009
DASZ fee	\$1,323.00	each	May 1/09	By-law 77/2009
Extension fees - dassf: fee for administrative re-approval of a plan of subdivision	\$320.00	each	May 1/09	By-law 77/2009
Extension fees - DASSF: fee for the extension of standing policy committee on property and development time period to complete DASSF	\$320.00	each	May 1/09	By-law 77/2009
Extension fees - DASSF: fee for time extension of the one year limitation for registration of plan of subdivision in the WLTO	\$200.00	each	May 1/09	By-law 77/2009
Extension fees - DAS/DASZ: fee for time extension of council for enactment of a by-law under a DAS/DASZ file	\$320.00	each	May 1/09	By-law 77/2009
Subdivision agreement	\$295.00	each	May 1/09	By-law 77/2009
Subdivision agreement amendments	\$626.00	each	May 1/09	By-law 77/2009
Mylar signing fees - for each lot within plan	\$53.00	each	May 1/09	By-law 77/2009
Mylar signing fees - minimum lot within plan	\$147.00	each	May 1/09	By-law 77/2009
Servicing agreement	\$588.00	each	May 1/09	By-law 77/2009
Servicing agreement amendments	\$626.00	each	May 1/09	By-law 77/2009
Development agreement	\$1,464.00	each	May 1/09	By-law 77/2009
Development agreement amendment	\$626.00			
Subdivision park plan review	\$300.00	each	May 1/09	By-law 77/2009
Subdivision land equivalencies	\$300.00	each	May 1/09	
Review service fee - spatial separation/party wall	\$147.00	each	May 1/09	By-law 77/2009
<b>Waterway fees</b>				
Record search: written requests to search regulated area records	\$44.00	each	May 1/09	By-law 77/2009
Waterway regulated: value work less than \$5,000 and/or base fee for over \$5,000	\$81.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Waterway regulated: base fee for value work over \$5,000	\$81.00	each	May 1/09	By-law 77/2009
Waterway regulated: value work more than \$5,000 - @1,000 - 1,000,000.01 and over	\$2.69	each	May 1/09	By-law 77/2009
Waterway regulated: value work more than \$5,000 - @1,000 - 500,000.00 -to- 1,000,000.00	\$3.02	each	May 1/09	By-law 77/2009
Waterway regulated: value work more than \$5,000 - @1,000 - up to 500,000.00	\$4.03	each	May 1/09	By-law 77/2009
Waterway- renewal of waterway permit	\$81.00	each	May 1/09	By-law 77/2009
<b>Zoning fees</b>				
DAZ extension fees: time extension approved by council	\$474.00	each	May 1/09	By-law 77/2009
DAZ filing fees: no servicing or development agreement required	\$1,301.00	each	May 1/09	By-law 77/2009
Zoning agreement amendments	\$1,146.00	each	May 1/09	By-law 77/2009
Site plan review	\$167.00	each		By-law 77/2009
Design review (zoning agreement)	\$167.00	each	May 1/09	
Site plan or design review - second and subsequent reviews	\$167.00	each	May 1/09	
Conditional use applications for sign approval only, per site	\$503.00	each	May 1/09	By-law 77/2009
Conditional use applications for single-family and two-family dwellings	\$375.00	each	May 1/09	By-law 77/2009
Conditional use applications -: other conditional uses	\$1,076.00	each	May 1/09	By-law 77/2009
Zoning agreement	\$295.00	each	May 1/09	By-law 77/2009
Development agreement	\$1,464.00	each	May 1/09	By-law 77/2009
Servicing agreement	\$588.00	each	May 1/09	By-law 77/2009
DPZ fee: excluding single-family and two family dwellings - additions or exterior alterations to existing buildings or site development	\$151.00	each	May 1/09	By-law 77/2009
DPZ fee: excluding single-family and two family dwellings - change of use	\$75.00	each	May 1/09	By-law 77/2009
DPZ fee: excluding single-family and two family dwellings - new construction/additions for accessory buildings	\$75.00	each	May 1/09	By-law 77/2009
DPZ fee: excluding single-family and two family dwellings - new site development	\$302.00	each	May 1/09	By-law 77/2009
DPZ fee: temporary events and uses	\$75.00	each	May 1/09	By-law 77/2009
DPZ fee: tents	\$14.00	each	May 1/09	By-law 77/2009
DPZ fee: home based business - development permit	\$165.00	each	May 1/09	By-law 77/2009
Historical Buildings Certificate	\$132.00	each	May 1/09	By-law 77/2009
Development permit - 1 and 2 family dwelling (base)	\$111.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Plus				
New - 180m2 or less	\$28.00	each	May 1/09	By-law 77/2009
New - more than 180m2	\$56.00	each	May 1/09	By-law 77/2009
Additions	\$28.00	each	May 1/09	By-law 77/2009
New accessory buildings	\$28.00	each	May 1/09	By-law 77/2009
Addition to accessory buildings	\$17.00	each	May 1/09	By-law 77/2009
Development permit - canopy	\$75.00		May 1/09	By-law 77/2009
Development permit - awnings	\$75.00	each	May 1/09	By-law 77/2009
Development permit - Free standing , mansard, projecting signs	\$80.00	each	May 1/09	By-law 77/2009
Development permit - Other structural, structural supported signs	\$80.00	each	May 1/09	By-law 77/2009
Development permit - awning and canopy signs	\$80.00	each	May 1/09	By-law 77/2009
Development permit - All other types of signs	\$40.00	each	May 1/09	By-law 77/2009
Development permit - sign face replacement	\$14.00	each	May 1/09	By-law 77/2009
Review service fee - spatial separation/party wall	\$147.00	each	May 1/09	By-law 77/2009
Parking / transportation plan review	\$167.00	each	May 1/09	By-law 77/2009
Alternative equivalent compliance approval	\$167.00	each	May 1/09	By-law 77/2009
Master plan - first review - E/I districts	\$1,000.00	each	May 1/09	By-law 77/2009
Master plan - second and subsequent reviews	\$750.00	each	May 1/09	By-law 77/2009
Temporary buildings: maintenance fee per month (excluding tents)	\$53.00	each	May 1/09	By-law 77/2009
Variance application fee - 1 or 2 family dwelling on one site	\$375.00	each	May 1/09	By-law 77/2009
Variance application fee - temporary use and/or density	\$1,076.00	each	May 1/09	By-law 77/2009
Variance application fee - any other type	\$746.00	each	May 1/09	By-law 77/2009
Variance application fee - multiple variance - same site	\$39.00	each	May 1/09	By-law 77/2009
Variance application fee - multiple variance - identical variance - multiple sites	\$39.00	each	May 1/09	By-law 77/2009
Variance application fee - other than 1 & 2 family dwellings - less than 7.62 cm, each lot	\$223.00	each	May 1/09	By-law 77/2009
Variance application fee - other than 1 & 2 family dwellings - more than 7.62 cm, each lot - within limit	\$503.00	each	May 1/09	By-law 77/2009
Variance application fee - vary maximum height in multi-residential	\$1,332.00	each	May 1/09	By-law 77/2009
Variance application fee - 1 & 2 family dwellings any other type - additional variances - same site	\$147.00	each	May 1/09	By-law 77/2009
Variance application fee - 1 & 2 family dwellings - less than 7.62 cm, each lot	\$111.00	each	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
"Variance application fee - 1 & 2 family dwellings - more than 7.62 cm, each lot - within limit	\$223.00	each	May 1/09	By-law 77/2009
"Variance application fee - other than 1 & 2 family dwellings - any other type	\$503.00	each	May 1/09	By-law 77/2009
Zoning memorandum fees: for single-family and two-family dwellings, per zoning lot	\$53.00	each	May 1/09	By-law 77/2009
Zoning memorandum fees: other building, per principal building	\$165.00	each	May 1/09	By-law 77/2009
Downtown development application - new building	\$564.00	each	May 1/09	By-law 77/2009
Downtown development application - signs only	\$111.00	each	May 1/09	By-law 77/2009
Downtown development application - all other development apps	\$225.00	each	May 1/09	By-law 77/2009
Provencher Blvd development application - new building	\$508.00	each	May 1/09	By-law 77/2009
Provencher Blvd development application - signs only	\$100.00	each	May 1/09	By-law 77/2009
Provencher Blvd development application - all other development apps	\$203.00	each	May 1/09	By-law 77/2009
Urban Design development application - new building	\$508.00	each	May 1/09	By-law 77/2009
Urban Design development application - signs only	\$100.00	each	May 1/09	By-law 77/2009
Urban Design development application - all other development apps	\$203.00	each	May 1/09	By-law 77/2009
Zoning letters: information letter - other info regarding specific property	\$113.00	each	May 1/09	By-law 77/2009
Zoning letters: information letter - existing zoning - specific property	\$53.00	each	May 1/09	By-law 77/2009
Zoning letters: letter outlining zoning and/or land use history	\$450.00	each	May 1/09	By-law 77/2009
Zoning letters: verifying existing land use	\$113.00	each	May 1/09	By-law 77/2009
Zoning letters: lot of record search	\$360.00	each	May 1/09	By-law 77/2009
Zoning Inspections (Part 2 - Part 8) - 1st hour	\$111.00	per hour	May 1/09	By-law 77/2009
Zoning Inspections (Part 2 to Part 8) - each additional hour	\$80.00	per hour	May 1/09	By-law 77/2009

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Fire and Injury Prevention</b>				
<b>Inspection fee (GST applicable)</b>				
Fireworks site inspection - less than 3 hours inspection time	\$200.00	each		BY-LAW 150/04
Fireworks site inspection - for each additional hour or part thereof	\$80.00	per hour		BY-LAW 150/04
Fireworks site inspection outside of regular office hours	\$80.00	per hour		BY-LAW 150/04
Residential care facility	\$156.00	each	Feb 1/09	BY-LAW 150/04
Elderly persons' housing	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Child care centre	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Personal care home	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Hospital	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Premises licensed by the Manitoba Liquor Control Commission	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Public or private school	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
University or college	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Arena	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Curling rink	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Community club	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Hotel or motel	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Restaurant (located in residential building)	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Second and subsequent re-inspection	\$75.00	each	Feb 1/09	BY-LAW 150/04
Third and subsequent re-inspection to check on compliance when fire crews have conducted initial inspection	\$100.00	each	Feb 1/09	BY-LAW 150/04
Post-fire inspection	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Inspection of a building when a response to a complain reveals the need for a full inspection	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
After normal business hours inspection	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
Requested inspection	\$90.00	per hour	Feb 1/09	BY-LAW 150/04
<b>Permit fees (GST not applicable)</b>				
Fireworks display permit - pyrotechnic special effects	\$150.00	each		BY-LAW 150/04
Fireworks display permit - high hazard	\$150.00	each		BY-LAW 150/04
Fireworks display permit - low hazard	\$0.00	each		BY-LAW 150/04
Small quantity fireworks distribution storage permit (annual fee)	\$25.00	each		BY-LAW 150/04
Fireworks distribution permit (annual fee)	\$100.00	each		BY-LAW 150/04
Dangerous quantity fireworks storage permit (annual fee)	\$200.00	each		BY-LAW 150/04
Residential back yard fire pit	\$0.00	each		BY-LAW 150/04
Open-air fire permit	\$75.00	each		BY-LAW 150/04
Permit cancellation fee	\$25.00	each		BY-LAW 150/04

<b>Service Name Fee Name and Description</b>	<b>2009</b>	<b>Units</b>	<b>2009 Effective Date</b>	<b>Authority</b>
<b>Miscellaneous fees (GST applicable)</b>				
Second and subsequent review of fire safety plan	\$100.00	each	Feb 1/09	BY-LAW 150/04
Emergency installation of smoke alarm	\$100.00	each	Feb 1/09	BY-LAW 150/04
Annual license fee for licensed service person	\$20.00	each	Feb 1/09	BY-LAW 150/04
Fine for unlicensed service person (discounted to \$300 for early payment)	\$500.00	each	Feb 1/09	BY-LAW 150/04
Public education services provided outside regular office hrs	\$80.00	per hour		BY-LAW 150/04
<b>Fire and Rescue Response</b>				
<b>Fire protection services (GST applicable)</b>				
Attendance fee: district chief and driver	\$220.00	per hour		Council
Attendance fee: pumper/ aerial ladder/rescue	\$880.00	per hour		Council
<b>Golf Services</b>				
<b>Green fees - Crescent</b>				
18 holes - adult	\$25.00	each	Jan 1/09	BY-LAW 108/05
18 holes - junior	\$15.00	each	Jan 1/09	BY-LAW 108/05
18 holes - senior	\$18.00	each	Jan 1/09	BY-LAW 108/05
9 holes - adult	\$14.00	each	Jan 1/09	BY-LAW 108/05
9 holes - junior	\$10.00	each	Jan 1/09	BY-LAW 108/05
9 holes - senior	\$11.00	each	Jan 1/09	BY-LAW 108/05
sunrise - adult/senior	\$11.00	each	Jan 1/09	BY-LAW 108/05
sunrise - junior	\$11.00	each	Jan 1/09	BY-LAW 108/05
<b>Green Fees - Harbourview</b>				
18 holes - adult	\$25.00	each	Jan 1/09	BY-LAW 108/05
18 holes - junior	\$15.00	each	Jan 1/09	BY-LAW 108/05
18 holes - senior	\$18.00	each	Jan 1/09	BY-LAW 108/05
9 holes - adult	\$14.00	each	Jan 1/09	BY-LAW 108/05
9 holes - junior	\$10.00	each	Jan 1/09	BY-LAW 108/05
9 holes - senior	\$11.00	each	Jan 1/09	BY-LAW 108/05
sunrise - adult/senior	\$11.00	each	Jan 1/09	BY-LAW 108/05
sunrise - junior	\$11.00	each	Jan 1/09	BY-LAW 108/05
<b>Green Fees - Kildonan &amp; Windsor</b>				
adult	\$30.00	each	Jan 1/09	BY-LAW 108/05
junior - weekdays	\$17.00	each	Jan 1/09	BY-LAW 108/05
junior - weekend after 2:30	\$17.00	each	Jan 1/09	BY-LAW 108/05
junior - weekend before 2:30	\$30.00	each	Jan 1/09	BY-LAW 108/05
senior - weekdays	\$22.00	each	Jan 1/09	BY-LAW 108/05

<b>Service Name Fee Name and Description</b>	<b>2009</b>	<b>Units</b>	<b>2009 Effective Date</b>	<b>Authority</b>
senior - weekend after 2:30	\$22.00	each	Jan 1/09	BY-LAW 108/05
senior - weekend before 2:30	\$30.00	each	Jan 1/09	BY-LAW 108/05
adult/senior - twilight	\$19.00	each	Jan 1/09	BY-LAW 108/05
junior - twilight	\$17.00	each	Jan 1/09	BY-LAW 108/05
adult/senior - sunrise (Windsor Park only)	\$15.00	each	Jan 1/09	BY-LAW 108/05
junior - sunrise (Windsor Park only)	\$15.00	each	Jan 1/09	BY-LAW 108/05
<b>Miscellaneous Services - Crescent</b>				
Auto cart rental per 9 holes	\$14.00	each	Jan 1/09	BY-LAW 108/05
Bag rental and single club (each)	\$4.00	each	Jan 1/09	BY-LAW 108/05
Pull cart rental per game - 9 hole	\$3.00	each		BY-LAW 108/05
Rental clubs 7 piece & bag per game - 9 holes	\$6.00	each		BY-LAW 108/05
<b>Miscellaneous Services - John Blumberg &amp; Harbourview</b>				
Locker rental daily 36" and 72"	\$3.50	per day		BY-LAW 108/05
Season locker 36"	\$15.00	per season		BY-LAW 108/05
Season locker 72"	\$30.00	per season		BY-LAW 108/05
User fee for private auto cart 18 holes	\$14.00	each	Jan 1/09	BY-LAW 108/05
User fee for private auto cart 9 holes	\$7.00	each	Jan 1/09	BY-LAW 108/05
<b>Miscellaneous Services - Kildonan and Windsor Park</b>				
Auto cart rental per 18 holes	\$28.00	each	Jan 1/09	BY-LAW 108/05
Auto cart rental per 9 holes (crescent drive)	\$14.00	each	Jan 1/09	BY-LAW 108/05
Pull cart rental per game - 18 hole	\$5.00	each		BY-LAW 108/05
Rental clubs 11 piece & bag per game	\$12.00	each	Jan 1/09	BY-LAW 108/05
Rental clubs 7 piece & bag per game - 18 holes	\$8.00	each	Jan 1/09	BY-LAW 108/05
<b>Land Drainage</b>				
<b>Lot grading</b>				
Deposit - commercial	\$1,500.00	each		By-law 7294/98
Deposit - residential	\$1,000.00	each		By-law 7294/98
Permit - commercial	\$300.00	each		By-law 7294/98
Permit - residential	\$150.00	each		By-law 7294/98
<b>Secondary Dyke Corridor Permit - Sections 6 &amp; 7</b>				
Permit fee	\$63.00	each		By-law 7600/2000
Renewal fee	\$25.00	each		By-law 7600/2000

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Libraries</b>				
GST not included, application varies				
<b>Library Services - non pickup of holds</b>	\$1.15	per item		Council Oct 1999
<b>Library Services - other charges</b>				
Photo copying & printing fee - copy card	\$0.15	per page		Council Mar 15/99
Photocopying - colour	\$0.75	per page		Council Mar 15/99
Photocopying fee - cash	\$0.15	per page		Council Mar 15/99
Video and DVD wear and tear fee/adult only	\$1.10	each		Council Mar 15/99
Membership - annual non-resident charge	\$129.00	per family	Mar 1/09	Council Mar 20/97
Membership - visitor / 3 months	\$50.00	each		Council Mar 20/97
Microform reader/printer copies	\$0.40	per copy	Mar 1/09	Council Mar 20/97
Processing fee - to replace lost/damaged items	\$5.00	per item		Council Mar 20/97
Membership card replacement	\$4.00	each		Council Nov 16/94
Collection agency fee	\$12.00	per account	Mar 1/09	Council Oct 18/00
<b>Library Services - overdue charges</b>				
Books, CDs, cassettes, DVDs, videos & paperbacks - adults maximum per item \$11.00	\$0.35	per day		Council Mar 20/97
Books, CDs, cassettes, DVD's, videos & paperbacks - children's & young adults \$ 4.50 max per item	\$0.15	per day		Council Mar 20/97
Magazines - adult- maximum \$7.00 per item	\$0.35	per day		Council Mar 20/97
Magazines - children's & young adults - maximum \$3.00 per item	\$0.15	per day		Council Mar 20/97
Cd-rom , and express bestsellers, book club kits - maximum \$18.00 per item	\$2.00	per day		Council Mar 20/97
<b>Library Services - replacement costs of items - list price unknown</b>				
Adult magazines	\$6.00	each		Council Mar 20/97
Adult paperbacks	\$11.00	each		Council Mar 20/97
Children's & young adult magazines	\$3.00	each		Council Mar 20/97
Adult basic education	\$7.00	each		Council Mar 23/88
Children's & young adult's paperbacks & board books	\$8.00	each	Mar 1/09	Council Mar 23/88
Kit	\$12.00	each		Council Mar 23/88
Video, cd-rom & DVD	\$50.00	each		Council Mar 23/88
Adult book	\$25.00	each		Council Nov 16/94
Cassette	\$12.00	each		Council Nov 16/94
Compact disc	\$22.00	each		Council Nov 16/94
Juvenile book	\$20.00	each	Mar 1/09	Council Nov 16/94
Talking book / daisy book	\$50.00	each		Council Nov 16/94



Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Library services - room and equipment rental - Carol Shields auditorium millennium</b>				
Room rental (3 consecutive hours)	\$247.00	each	Mar 1/09	Council Mar 20/97
Room rental (4 consecutive hours)	\$329.00	each	Mar 1/09	Council Mar 20/97
Room rental (5 consecutive hours)	\$411.00	each	Mar 1/09	Council Mar 20/97
Room rental (6 consecutive hours)	\$493.00	each	Mar 1/09	Council Jun 29/05
Room rental whole day (maximum)	\$550.00	each	Mar 1/09	Council Jun 29/05
<b>Library Services - room and equipment rental - millennium meeting room complex</b>				
Room rental (3 consecutive hours)	\$330.00	each	Mar 1/09	Council Jun 29/05
Room rental (4 consecutive hours)	\$440.00	each	Mar 1/09	Council Jun 29/05
Room rental (5 consecutive hours)	\$550.00	each	Mar 1/09	Council Jun 29/05
Room rental (6 consecutive hours)	\$660.00	each	Mar 1/09	Council Jun 29/05
Room rental whole day (maximum)	\$715.00	each	Mar 1/09	Council Jun 29/05
<b>Library services - room and equipment rental (incl. Anhang, buchwald, comp. Tr. )</b>				
Room rental (3 consecutive hours)	\$49.00	each	Mar 1/09	Council Jun 29/05
Room rental (4 consecutive hours)	\$66.00	each	Mar 1/09	Council Jun 29/05
Room rental (5 consecutive hours)	\$82.00	each	Mar 1/09	Council Jun 29/05
Room rental (6 consecutive hours)	\$99.00	each	Mar 1/09	Council Jun 29/05
Room rental maximum all day	\$110.00	each	Mar 1/09	Council Jun 29/05
<b>Library Services - sales</b>				
Catalogued books/videos/compact discs/ DVDs	\$2.50	per item		Council Jan 15/93
Uncatalogued books paperbacks/magazines/cassettes	\$0.50	per item		Council Jan 15/93
Books/videos/compact discs DVDs/videos/cassettes	\$5.00	per bag		Council Jan 15/93
Eco book bags	\$1.11	each		Director Jun 16/08
<b>Medical Response</b>				
GST not applicable				
<b>Emergency medical service</b>				
Basic rate	\$590.00	per trip	Feb 1/09	Council
City rate (city & provincial subsidized)	\$295.00	per trip	Feb 1/09	Council
Regional rate (provincial subsidized)	\$384.00	per trip	Feb 1/09	Council
<b>Interfacility transfer service</b>				
Basic rate	\$472.00	per trip	Feb 1/09	Council
City rate (city & provincial subsidized)	\$236.00	per trip	Feb 1/09	Council
Regional rate (provincial subsidized)	\$307.00	per trip	Feb 1/09	Council
<b>Treatment no transport service - basic care</b>				
Basic rate	\$238.00	per trip		Council
City rate (city & provincial subsidized)	\$119.00	per trip		Council
Regional rate (provincial subsidized)	\$155.00	per trip	Feb 1/09	Council
			Feb 1/09	
<b>Advanced life support surcharge</b>	\$155.00	per trip	Feb 1/09	Council
<b>Waiting time</b>				
Inside city limits	\$110.00	per hour	Jan 1/09	Council

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
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### Organizational Support Services - Finance

GST not applicable

<b>Administration Charge</b>				
NSF cheque or non-cashable fee	\$25.00	each		BY-LAW 6965/97
<b>Late payment charge</b>	1.50%	per month		CAO
<b>Block party</b>				
Liability insurance	\$133.00	each	Jan 1/09	BY-LAW 1481/77

### Parking Authority

GST included unless shown with an "\*" which means that GST must be added

#### Parking fee - Millennium Library

Monthly 12 hour reserved *	\$225.00	per month	Aug 1/09	Council
Monthly non reserved *	\$195.00	per month	Aug 1/09	Council
Monthly non reserved evenings *	\$75.00	per month	Aug 1/09	Council
Casual daily maximum	\$12.00	max per day	Aug 1/09	Council
Casual evening maximum	\$7.00	max per evening	Aug 1/09	Council
Casual each half hour	\$2.00	per 1/2 hour	Aug 1/09	Council
Casual lost ticket charge	\$20.00	per occurrence	Aug 1/09	Council

#### Parking fee - Civic Centre Car Park

Monthly 12 hour reserved *	\$190.00	per month	Aug 1/09	Council
Monthly 12 hour reserved - discounted *	\$180.00	per month	Aug 1/09	
Monthly non reserved *	\$140.00	per month	Aug 1/09	Council
Monthly non reserved - discounted *	\$130.00	per month	Aug 1/09	
Monthly non reserved evenings *	\$80.00	per month	Aug 1/09	Council
Casual daily maximum*	\$12.00	max per day	Aug 1/09	Council
Casual evening maximum	\$7.00	per evening	Aug 1/09	Council
Casual each half hour	\$2.00	per 1/2 hour	Aug 1/09	Council
Casual lost ticket charge	\$20.00	per occurrence	Aug 1/09	Council

#### Parking fee - Winnipeg Square Parking Garage

12 hour reserved monthly *	\$265.00	per month	Aug 1/09	Council
Monthly non reserved *	\$225.00	per month	Aug 1/09	Council
Monthly non reserved evenings *	\$95.00	per month	Aug 1/09	Council
Casual daily maximum	\$12.00	max per day	Aug 1/09	Council
Casual evening maximum	\$7.00	max per evening	Aug 1/09	Council
Casual each half hour	\$2.00	per 1/2 hour	Aug 1/09	Council
Casual lost ticket charge	\$20.00	per occurrence	Aug 1/09	Council

<b>Service Name Fee Name and Description</b>	<b>2009</b>	<b>Units</b>	<b>2009 Effective Date</b>	<b>Authority</b>
<b>Parking fee - Surface Lot, Urban</b>				
Monthly 12 hour reserved *	\$105.00	per month	Jun 1/09	Council
Monthly 12 hour reserved - discounted *	\$100.00	per month	Jun 1/09	
Monthly non reserved *	\$85.00	per month	Jun 1/09	Council
Monthly non reserved - discounted *	\$80.00	per month	Jun 1/09	
Casual daily maximum	\$8.00	per day	Jun 1/09	Council
Casual evening maximum	\$8.00	per day	Jun 1/09	Council
Casual each half hour	\$1.00	per 1/2 hour	Jun 1/09	Council
Casual lost ticket charge	\$8.00	per occurrence	Jun 1/09	Council
<b>Parking fee - surface lot, suburban</b>				
Monthly non reserved *	\$36.00	per month	Jun 1/09	Council
Monthly non reserved - discounted *	\$30.00	per month	Jun 1/09	
Monthly reserved *	\$83.00	per month	Jun 1/09	Council
Monthly reserved - discounted *	\$79.00	per month	Jun 1/09	
<b>Meter - on street event reserved</b>				
Reserved daily maximum *	\$30.00	max per day	Mar 1/09	Council
<b>Meter - on street monthly</b>				
Monthly meters 3 hr only *	\$70.00	per month	per day	Council
<b>Meter - on street daytime</b>				
Casual each hour	\$1.00	per hour		Council
Casual each hour, hospital zone	\$2.00	per hour		
<b>Residential Permit</b>				
Resident non reserved	\$25.00	annual		Council
Residential visitor *	\$0.00			Council
<b>Lien fee per vehicle</b>	\$60.00	per occurrence		Council
<b>Bailiff fee per vehicle</b>	actual cost	per occurrence		Council
<b>Administrative charge</b>	\$25.00	per occurrence		Council
<b>Abandoned vehicle</b>	\$200.00	per occurrence		Council
<b>Hooding Fees</b>				
Per meter per day for less than 72 hours*	\$28.57	per day	Apr 1/09	
Per meter per day for more than 72 hours*	\$25.00	per day	Apr 1/09	
Per meter per day for Saturday and Stats*	\$14.00	per day	Apr 1/09	

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Parks and Urban Forestry</b>				
(GST Applicable unless otherwise stated)				
<b>Athletic grounds - adult</b>				
Athletic grounds standard rate (effective January 1 of each year) - adult	\$23.00	per slot	Mar 1/09	BY-LAW 3219/82
<b>Athletic grounds - youth</b>				
Athletic grounds standard rate (effective January 1 of each year) - youth	\$9.75	per participant	Mar 1/09	BY-LAW 3219/82
<b>Miscellaneous rental services</b>				
Bandmobile (rate per use) - non-profit organization; additional \$500 refundable damage deposit required	\$700.00	per event	Mar 1/09	BY-LAW 3219/82
Bandmobile (rate per use) - profit organization; additional \$500 refundable damage deposit required	\$870.00	per hour	Mar 1/09	BY-LAW 3219/82
Park space booking & parking lot rental (per 4 hour block) - non-profit organization	\$51.00	per 4 hours	Mar 1/09	BY-LAW 3219/82
Park space booking & parking lot rental (per 4 hour block) - profit organization	\$102.00	per 4 hours	Mar 1/09	BY-LAW 3219/82
Picnic shelters (per 4 hour block) - non-profit org 1/2 picnic shelter with park space	\$88.00	per 4 hours	Mar 1/09	
Picnic shelters (per 4 hour block) - profit org 1/2 picnic shelter with park space	\$139.00	per 4 hours	Mar 1/09	
Portable bleachers - 2 small (25 seat) portable bleachers during regular working hours 7:30 a.m. - 4:00 p.m. Profit org	\$710.00	per day	Mar 1/09	
Portable bleachers - 2 small (25 seat) portable bleachers during regular working hours 7:30 a.m - 4:00 p.m. non-profit	\$360.00	per day	Mar 1/09	
Special events (more than 1,000 participants) - refundable damage deposit	\$1,000.00	per event		
Vehicle access - vehicle access across the department property by the property owner of private contractor includes a refundable damage deposit less inspection/administration cost of \$100.00 or 5% of damage deposit, whichever is greater. The damage deposit will be determined by a parks & open space representative calculated as \$15 per square meter of park area	\$15.00	per sq. m		BY-LAW 3219/82

<b>Service Name Fee Name and Description</b>	<b>2009</b>	<b>Units</b>	<b>2009 Effective Date</b>	<b>Authority</b>
Wedding pictures/ceremonies in park (per 2 hour block)	\$68.00	per 2 hours	Mar 1/09	
Wedding pictures/ceremonies in park (per hour)	\$37.00	per hour	Mar 1/09	BY-LAW 3219/82
<b>Parks and open space - administrative charges</b>				
Administration fee - park rentals	\$35.00	each	Mar 1/09	BY-LAW 3219/82
Equipment loan (where no rental or user fee is being charged)	\$35.00	each	Mar 1/09	BY-LAW 3219/82
Penalty charge - remedial weed/long grass control service charges for non-compliance	\$100.00	each		BY-LAW 1/2008
<b>Parks and open space - integrated pest management - weed control (GST does not apply)</b>				
Service charges hourly rate for work on private property: batwing mower	\$93.00	per hour	Mar 1/09	BY-LAW 1/2008
Service charges hourly rate for work on private property: rotary mowers	\$72.00	per hour	Mar 1/09	BY-LAW 1/2008
Service charges hourly rate for work on private property: utility work	\$72.00	per hour	Mar 1/09	BY-LAW 1/2008
<b>Rainbow stage</b>				
Rainbow stage - daily	\$960.00	per day	Mar 1/09	
Rainbow stage - per slot (max 4 hours)	\$590.00	per 4 hours	Mar 1/09	
<b>Record searches</b>				
Outstanding weed control charges	\$35.00	per property	Mar 1/09	BY-LAW 1/2008
<b>Parks and open space - administrative charges</b>				
Kildonan park reader board non-profit only (two week period)	\$60.00	per two weeks	Mar 1/09	
Kildonan park reader board non-profit only (one week period)	\$30.00	per one week	Mar 1/09	
Park space rental (daily, monthly, weekly, seasonal) non - profit - daily (24 hours)	\$100.00	per day	Mar 1/09	
Park space rental (daily, monthly, weekly, seasonal) - profit - daily (24 hours)	\$200.00	per day	Mar 1/09	
Park space rental (daily, monthly, weekly, seasonal) - non - profit - weekly (any consecutive 7 - 24 hour days)	\$350.00	per week	Mar 1/09	
Park space rental (daily, monthly, weekly, seasonal) - profit - weekly (any consecutive 7 - 24 hour days)	\$700.00	per week	Mar 1/09	
Park space rental (daily, monthly, weekly, seasonal) - non - profit - monthly (example: march 21 - April 21 - not to exceed 4 hours daily)	\$700.00	per month	Mar 1/09	

<b>Service Name Fee Name and Description</b>	<b>2009</b>	<b>Units</b>	<b>2009 Effective Date</b>	<b>Authority</b>
Park space rental (daily, monthly, weekly, seasonal) - profit - monthly (example: march 21 - April 21 - not to exceed 4 hours daily)	\$1,400.00	per month	Mar 1/09	
Park space rental (daily, monthly, weekly, seasonal) - non-profit - seasonal (may long weekend to October long weekend - not to exceed 4 hours daily)	\$1,750.00	seasonal	Mar 1/09	
Park space rental (daily, monthly, weekly, seasonal) - profit - seasonal (may long weekend to October long weekend - not to exceed 4 hours daily)	\$3,500.00	seasonal	Mar 1/09	
Athletic field - casual booking (3 hour block)	\$23.00	p/ 3 hour block	Mar 1/09	
Non-standard boulevard treatment permit fee	\$35.00	each	Mar 1/09	
<b>Police Response</b>				
GST applicable unless otherwise shown				
<b>Accident report copy</b>	\$15.24	per report	Jan 1/09	Council
<b>Criminal record search</b> (GST not applicable)	\$31.00	each	Jan 1/09	Council
<b>Criminal record transcript</b> (GST not applical)	\$33.00	each	Jan 1/09	Council
<b>Fingerprints</b>				
Fingerprints 1 or 2 sets	\$51.43	1 or 2 sets	Jan 1/09	Council
Fingerprints 3 or 4 sets	\$102.86	3 or 4 sets	Jan 1/09	Council
<b>Incident confirmations</b>				
Incident confirmations (1)	\$15.24	per search	Jan 1/09	Council
Incident confirmations (2)	\$20.00	2 searches	Jan 1/09	Council
Incident confirmations (3 - 4)	\$29.52	3 - 4 searches	Jan 1/09	Council
Incident confirmations (5 - 10)	\$49.38	5 - 10 searches	Jan 1/09	Council
Incident confirmations (11 - 15)	\$69.05	11 - 15 searches	Jan 1/09	Council
Incident confirmations (16 - 30)	\$88.86	16 - 30 searches	Jan 1/09	Council
<b>Insurance confirmation</b>	\$15.24	per search	Jan 1/09	Council
<b>Police interviews</b>	\$57.75	per hour	Jan 1/09	Council
<b>Special duty officers</b>				
Constable	\$78.70	per hour	Jan 1/09	Council
Patrol/detective sergeant	\$83.40	per hour	Jan 1/09	Council
Sergeant	\$87.60	per hour	Jan 1/09	Council
Staff sergeant	\$92.85	per hour		Council
<b>Vehicle rental with Officer</b>				
Cruiser Car, River Patrol Boat	\$26.00	per hour	Jan 1/09	Council

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Crime Prevention</b>				
<b>Alarm permit fee (GST not applicable)</b>				
Commercial permit	\$30.00	each		BY-LAW 4676/87
Residential permit	\$20.00	each		BY-LAW 4676/87
Permit renewal	\$20.00	each		BY-LAW 4676/87
<b>Traffic Safety &amp; Enforcement</b>				
<b>Police escort of oversized vehicles</b>				
Includes 2 officers and 2 vehicles	\$571.42	each		Council
<b>Recreation</b>				
GST not included, application varies				
<b>Community Development &amp; Recreation Services - admin fees</b>				
Administrative Fee Only	\$17.06	per item	Jan 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - canoe rentals</b>				
Canoe Rentals	\$5.31	per item	Jan 1/09	By-law 3219/82
Non-Res Canoe Rentals	\$6.37	per hour	Jan 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - ice rental (hourly)</b>				
Arena Ice - Adult Non-Prime	\$144.62	per hour	Sep 1/09	By-law 3219/82
Arena Ice - Adult Prime	\$190.41	per hour	Sep 1/09	By-law 3219/82
Arena Ice - Community Services	\$144.62	per hour	Sep 1/09	By-law 3219/82
Arena Ice - Last Evening Booking	\$106.19	per hour	Sep 1/09	By-law 3219/82
Arena Ice - Schools (no Joint Use)	\$144.62	per hour	Sep 1/09	By-law 3219/82
Arena Ice - Youth	\$144.62	per hour	Sep 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - ice rental summer</b>				
Arena - Summer Ice Rates	\$144.62	per hour	Sep 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - off season rental (no ice)</b>				
Arena - Off Season - Non-Profit - Daily	\$485.74	per hour	Jan 1/09	By-law 3219/82
Arena - Off Season - Non-Profit - Hourly	\$54.97	per hour	Jan 1/09	By-law 3219/82
Arena - Off Season - Non-Profit - Weekly	\$2,993.83	per hour	Jan 1/09	By-law 3219/82
Arena - Off Season - Profit - Daily	\$657.38	per hour	Jan 1/09	By-law 3219/82
Arena - Off Season - Profit - Hourly	\$76.09	per hour	Jan 1/09	By-law 3219/82
Arena - Off Season - Profit - Weekly	\$4,598.79	per hour	Jan 1/09	By-law 3219/82

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Community Development &amp; Recreation Services - room rentals</b>				
1/2 Auditorium - Non-Profit	\$31.46	per hour	Jan 1/09	By-law 3219/82
1/2 Auditorium - Profit	\$78.29	per hour	Jan 1/09	By-law 3219/82
1/2 Gymnasium - Small - Non-Profit	\$36.28	per hour	Jan 1/09	By-law 3219/82
1/2 Gymnasium - Small - Profit	\$78.29	per hour	Jan 1/09	By-law 3219/82
Aquatic Office Rental	\$55.95	per hour	Jan 1/09	By-law 3219/82
Auditorium - Non-Profit	\$62.90	per hour	Jan 1/09	By-law 3219/82
Auditorium - Profit	\$156.56	per hour	Jan 1/09	By-law 3219/82
Gymnasium - Small - Non-Profit	\$72.56	per hour	Jan 1/09	By-law 3219/82
Gymnasium - Small - Profit	\$156.56	per hour	Jan 1/09	By-law 3219/82
Meeting Room - Large - Non-Profit (2,001 - 3,000 sq ft)	\$42.91	per hour	Jan 1/09	By-law 3219/82
Meeting Room - Large - Profit (2,001 - 3,000 sq ft)	\$82.85	per hour	Jan 1/09	By-law 3219/82
Meeting Room - Medium - Non-Profit (1,001 - 2,000 sq ft)	\$21.54	per hour	Jan 1/09	By-law 3219/82
Meeting Room - Medium - Profit (1,001 - 2,000 sq ft)	\$41.49	per hour	Jan 1/09	By-law 3219/82
Meeting Room - Small - Non-Profit (1 - 1,000 sq ft)	\$8.82	per hour	Jan 1/09	By-law 3219/82
Meeting Room - Small - Profit (1 - 1,000 sq ft)	\$17.05	per hour	Jan 1/09	By-law 3219/82
Non-Res 1/2 Auditorium - Non-Profit	\$37.73	per hour	Jan 1/09	By-law 3219/82
Non-Res 1/2 Auditorium - Profit	\$93.94	per hour	Jan 1/09	By-law 3219/82
Non-Res 1/2 Gymnasium - Small - Non-Profit	\$43.53	per hour	Jan 1/09	By-law 3219/82
Non-Res 1/2 Gymnasium - Small - Profit	\$93.94	per hour	Jan 1/09	By-law 3219/82
Non-Res Auditorium - Non-Profit	\$75.48	per hour	Jan 1/09	By-law 3219/82
Non-Res Auditorium - Profit	\$187.87	per hour	Jan 1/09	By-law 3219/82
Non-Res Gymnasium - Small - Non-Profit	\$87.07	per hour	Jan 1/09	By-law 3219/82
Non-Res Gymnasium - Small - Profit	\$187.87	per hour	Jan 1/09	By-law 3219/82
Non-Res Meeting Room - Large - Non-Profit (2,001 - 3,000 sq ft)	\$51.50	per hour	Jan 1/09	By-law 3219/82
Non-Res Meeting Room - Large - Profit (2,001 - 3,000 sq ft)	\$99.42	per hour	Jan 1/09	By-law 3219/82
Non-Res Meeting Room - Medium - Profit (1,001 - 2,000 sq ft)	\$80.82	per hour	Jan 1/09	By-law 3219/82
Non-Res Meeting Room - Medium - Non-Profit (1,001 - 2,000 sq ft)	\$25.85	per hour	Jan 1/09	By-law 3219/82
Non-Res Meeting Room - Small - Non-Profit (1 - 1,000 sq ft)	\$10.59	per hour	Jan 1/09	By-law 3219/82
Non-Res Meeting Room - Small - Profit (1 - 1,000 sq ft)	\$20.47	per hour	Jan 1/09	By-law 3219/82



Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Community Development &amp; Recreation Services - swimming pool rental</b>				
50 Metre Whole Pool - Non-Profit	\$72.49	per hour	Jan 1/09	By-law 3219/82
50 Metre Whole Pool - Profit	\$146.31	per hour	Jan 1/09	By-law 3219/82
Aquatics - 1 lane - Non-Profit	\$12.37	per hour	Jan 1/09	By-law 3219/82
Aquatics - 1 lane - Profit	\$24.37	per hour	Jan 1/09	By-law 3219/82
Aquatics - 1/2 lane - Non-Profit	\$6.19	per hour	Jan 1/09	By-law 3219/82
Aquatics - 1/2 lane - Profit	\$12.16	per hour	Jan 1/09	By-law 3219/82
Aquatics - 3 lanes - Non-Profit	\$37.10	per hour	Jan 1/09	By-law 3219/82
Aquatics - 3 Lanes - Profit	\$73.12	per hour	Jan 1/09	By-law 3219/82
Aquatics - 6 lanes - Non-Profit	\$74.18	per hour	Jan 1/09	By-law 3219/82
Aquatics - 6 lanes - Profit	\$146.23	per hour	Jan 1/09	By-law 3219/82
Aquatics - 8 lanes - Non-Profit	\$98.92	per hour	Jan 1/09	By-law 3219/82
Aquatics - 8 lanes - Profit	\$194.98	per hour	Jan 1/09	By-law 3219/82
Aquatics - Medium Pool - Non-Profit	\$102.01	per hour	Jan 1/09	By-law 3219/82
Aquatics - Medium Pool - Profit	\$203.92	per hour	Jan 1/09	By-law 3219/82
Aquatics - Shared Competitive Use	\$26.64	per hour	Jan 1/09	By-law 3219/82
Aquatics - Small Pool - Non-Profit	\$41.59	per hour	Jan 1/09	By-law 3219/82
Aquatics - Small Pool - Profit	\$81.35	per hour	Jan 1/09	By-law 3219/82
Non-Res 50 Metre Whole Pool - Non-Profit	\$86.99	per hour	Jan 1/09	By-law 3219/82
Non-Res 50 Metre Whole Pool - Profit	\$175.57	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 1 lane - Non-Profit	\$14.84	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 1 lane - Profit	\$29.25	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 1/2 lane - Non-Profit	\$7.43	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 1/2 lane - Profit	\$14.59	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 3 lanes - Non-Profit	\$44.51	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 3 lanes - Profit	\$87.74	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 6 lanes - Non-Profit	\$89.02	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 6 lanes - Profit	\$175.48	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 8 lanes - Non-Profit	\$118.71	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - 8 lanes - Profit	\$233.98	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - Medium Pool - Non-Profit	\$122.41	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - Medium Pool - Profit	\$244.71	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - Shared Competitive Use	\$31.97	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - Small Pool - Non-Profit	\$49.91	per hour	Jan 1/09	By-law 3219/82
Non-Res Aquatics - Small Pool - Profit	\$97.62	per hour	Jan 1/09	By-law 3219/82
Non-Res Outdoor Pools - Non-Profit	\$48.06	per hour	Jan 1/09	By-law 3219/82
Non-Res Outdoor Pools - Profit	\$99.83	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Kiddie Pool - Non-Profit	\$59.35	per hour	Jan 1/09	By-law 3219/82

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Non-Res Pan Am - Kiddie Pool - Profit	\$116.98	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Main Tank - Non-Profit	\$234.14	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Main Tank - Profit	\$357.91	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Middle Tank - Non-Profit	\$178.06	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Middle Tank - Profit	\$350.96	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Shallow Tank - Non-Profit	\$59.35	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Shallow Tank - Profit	\$116.98	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Training Tank - Non-Profit	\$237.41	per hour	Jan 1/09	By-law 3219/82
Non-Res Pan Am - Training Tank - Profit	\$467.95	per hour	Jan 1/09	By-law 3219/82
Non-Res St. James Assiniboia - Non-Profit	\$76.29	per hour	Jan 1/09	By-law 3219/82
Non-Res St. James Assiniboia - Profit	\$152.52	per hour	Jan 1/09	By-law 3219/82
Non-Res Table Rentals	\$4.90	per hour	Jan 1/09	By-law 3219/82
Outdoor Pools - 1 lane - Non-Profit	\$40.05	per hour	Jan 1/09	By-law 3219/82
Outdoor Pools - 1 lane - Profit	\$83.19	per hour	Jan 1/09	By-law 3219/82
Pan Am - Kiddie Pool - Non-Profit	\$49.46	per hour	Jan 1/09	By-law 3219/82
Pan Am - Kiddie Pool - Profit	\$97.49	per hour	Jan 1/09	By-law 3219/82
Pan Am - Main Tank - Non-Profit	\$195.12	per hour	Jan 1/09	By-law 3219/82
Pan Am - Main Tank - Profit	\$391.51	per hour	Jan 1/09	By-law 3219/82
Pan Am - Middle Tank - Non-Profit	\$148.38	per hour	Jan 1/09	By-law 3219/82
Pan Am - Middle Tank - Profit	\$292.47	per hour	Jan 1/09	By-law 3219/82
Pan Am - Shallow Tank - Non-Profit	\$49.46	per hour	Jan 1/09	By-law 3219/82
Pan Am - Shallow Tank - Profit	\$97.49	per hour	Jan 1/09	By-law 3219/82
Pan Am - Training Tank - Non-Profit	\$197.84	per hour	Jan 1/09	By-law 3219/82
Pan Am - Training Tank - Profit	\$389.95	per hour	Jan 1/09	By-law 3219/82
St. James Assiniboia - Non-Profit	\$63.58	per hour	Jan 1/09	By-law 3219/82
St. James Assiniboia - Profit	\$127.10	per hour	Jan 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - table rentals</b>				
Table Rentals	\$4.08	per hour	Jan 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - swimming pools - sponsored instructional programs</b>				
Adult	\$6.28	per 1/2 hour	Jan 1/09	By-law 3219/82
Individual instruction - adult	\$26.19	per 1/2 hour	Jan 1/09	By-law 3219/82
Mini-classes	\$5.78	per 1/2 hour	Jan 1/09	By-law 3219/82
Pre-school	\$5.78	per 1/2 hour	Jan 1/09	By-law 3219/82
Semi-individual instruction - child	\$11.88	per 1/2 hour	Jan 1/09	By-law 3219/82
Individual instruction - child	\$24.71	per 1/2 hour	Jan 1/09	By-law 3219/82
Semi-individual instruction - adult	\$12.59	per 1/2 hour	Jan 1/09	By-law 3219/82

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
Senior (participation in regularly scheduled instructional program)	\$4.83	per 1/2 hour	Jan 1/09	By-law 3219/82
Small craft - adult	\$7.77	per 1/2 hour	Jan 1/09	By-law 3219/82
Small craft - child	\$6.81	per 1/2 hour	Jan 1/09	By-law 3219/82
Child	\$4.56	per 1/2 hour	Jan 1/09	By-law 3219/82
Youth	\$4.83	per 1/2 hour	Jan 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - swimming pools (indoor) - private swimming instructor</b>				
Registration fee: monthly **changed to sessional	\$156.58	per month	Jan 1/09	By-law 3219/82
Registration fee: Sept. 1 - June 30	\$415.06	per season	Jan 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - swimming pools - general admission</b>				
Single admission - adult - non-prime time	\$4.02	each	Sep 1/09	By-law 3219/82
Single admission - adult - prime time	\$5.19	each	Sep 1/09	By-law 3219/82
Single admission - child	\$2.28	each	Sep 1/09	By-law 3219/82
Single admission - family	\$10.24	each	Sep 1/09	By-law 3219/82
Single admission - youth	\$3.56	each	Sep 1/09	By-law 3219/82
Swim pass (10 visits) - adult	\$45.66	each	Sep 1/09	By-law 3219/82
Swim pass (10 visits) - child	\$20.11	each	Sep 1/09	By-law 3219/82
Swim pass (10 visits) - family	\$91.83	each	Sep 1/09	By-law 3219/82
Swim pass (10 visits) - youth	\$31.40	each	Sep 1/09	By-law 3219/82
Swim pass (20 visits) - adult	\$81.26	each	Sep 1/09	By-law 3219/82
Swim pass (20 visits) - child	\$35.91	each	Sep 1/09	By-law 3219/82
Swim pass (20 visits) - family	\$162.31	each	Sep 1/09	By-law 3219/82
Swim pass (20 visits) - youth	\$58.48	each	Sep 1/09	By-law 3219/82
Swim pass (30 visits) - adult	\$106.81	each	Sep 1/09	By-law 3219/82
Swim pass (30 visits) - child	\$47.09	each	Sep 1/09	By-law 3219/82
Swim pass (30 visits) - family	\$213.31	each	Sep 1/09	By-law 3219/82
Swim pass (30 visits) - youth	\$72.33	each	Sep 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - swimming pools (outdoor) - general admission</b>				
Swim pass (monthly) - child	\$13.68	each	Sep 1/09	By-law 3219/82
Swim pass (monthly) - youth	\$27.32	each	Sep 1/09	By-law 3219/82
<b>Community Development &amp; Recreation Services - swimming pools (indoor) - other charges</b>				
Locker rentals monthly	\$8.89	each	Sep 1/09	By-law 3219/82
Locker rentals (3 months)	\$23.55	each	Sep 1/09	By-law 3219/82
Checking of valuables fee does not change	\$0.25	each		By-law 3219/82

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Roadway Construction &amp; Maintenance</b>				
GST application varies				
<b>Application/permits (GST application varies)</b>				
Administrative fee on cut permits taken after the fact	\$250.00	each	Jan 1/09	BY-LAW 1481/77
Boulevard cuts (min. 4 sq.m.) proposed fee	\$34.00	per sq. m.	Jan 1/09	BY-LAW 1481/77
Curb cut restoration (min. 3 lin. M.)	\$61.00	per lin. M.	Jan 1/09	BY-LAW 1481/77
Cut permit fee	\$130.00	each	Jan 1/09	BY-LAW 1481/77
Graded cuts	\$45.00	per sq. m.	Jan 1/09	BY-LAW 1481/77
Insurance fee	\$13.00	each	Jan 1/09	BY-LAW 49/2008
Latent sinkage (min. 4 sq. M.)	\$6.75	per sq. m.	Jan 1/09	BY-LAW 1481/77
Pavement cut restoration (min. 2 sq. M.)	\$226.00	per sq. m.	Jan 1/09	BY-LAW 1481/77
Pole cuts	\$10.00	per hole	Jan 1/09	BY-LAW 1481/77
Private approach permit	\$102.00	each	Jan 1/09	BY-LAW 49/2008
Sidewalk cut restoration (min.3 sq. M.)	\$143.00	per sq. m.	Jan 1/09	BY-LAW 1481/77
<b>Applications (GST applicable)</b>				
Administrative fee for private approach	\$25.00	each	Jan 1/09	BY-LAW 6546/95
<b>Damage deposit (GST not applicable)</b>				
Multiple family, commercial, industrial \$500.00 min., \$10,000.00 max.	\$500.00	each		BY-LAW 1481/77
Single family dwelling	\$300.00	each		BY-LAW 1481/77
<b>Licenses (GST not applicable)</b>				
Paving, excavating and landscaping licenses (new)	\$150.00	each	Jan 1/09	BY-LAW 1481/77
Paving, excavating and landscaping licenses (renewal)	\$75.00	each	Jan 1/09	BY-LAW 1481/77
<b>Street permits (GST applicable)</b>				
Administration fee for the use of street permits	\$25.00	each	Jan 1/09	BY-LAW 1481/77
Administration fee for service application	\$35.00	each	Jan 1/09	

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Transportation Planning &amp; Traffic Management</b>				
GST applicable unless otherwise stated				
<b>Applications</b>				
Private approach application - conforming (industrial/commercial)	\$266.00	each	Jan 1/09	BY-LAW 6546/95
Private approach application - non-conforming (industrial/commercial)	\$675.00	each	Jan 1/09	BY-LAW 49/2008
Private approach application - non-conforming (residential)	\$136.00	each	Jan 1/09	BY-LAW 49/2008
<b>Block party</b>				
Permit fee and an additional fee to cover the cost of liability insurance \$130.00 (2008), \$133 (2009) (with applicant responsible for \$2500 deductible)	\$46.00	each	Jan 1/09	BY-LAW 1481/77
<b>Church signs (GST not applicable)</b>				
Per location - two (2) signs - actual costs	Actual Costs	per location	Jan 1/09	
<b>Contractor's license (GST not applicable)</b>				
Private approach contractor's license - initial	\$150.00	each	Jan 1/09	BY-LAW 49/2008
Private approach contractor's license - renewal	\$75.00	each	Jan 1/09	BY-LAW 49/2008
<b>Loading zones (GST not applicable)</b>				
Commercial loading zones/sign - actual costs	Actual Costs	each	Jan 1/09	BY-LAW 1481/77
<b>Miscellaneous items</b>				
Manual of temporary traffic control in work areas on city streets	\$19.70	each	Jan 1/09	BY-LAW 1481/77
Traffic and pedestrian counts	\$75.00	hour	Jan 1/09	BY-LAW 1481/77
<b>Move permits</b>				
Overdimension (single trip or annual)	\$45.00	each	Jan 1/09	BY-LAW 1573/77
Overweight (annual)	\$290.00	each	Jan 1/09	BY-LAW 1573/77
Overweight (single trip 52,166 to 50,999 kg)	\$74.00	each	Jan 1/09	BY-LAW 1573/77
Overweight (single trip over 60,000 kg)	\$130.00	each	Jan 1/09	BY-LAW 1573/77
Overweight (single trip to 52,165 kg)	\$45.00	each	Jan 1/09	BY-LAW 1573/77
Rmd/tbt (annual)	\$290.00	each	Jan 1/09	BY-LAW 1573/77
Special mobile machine (annual)	\$290.00	each	Jan 1/09	BY-LAW 1573/77
Special mobile machine (single trip)	\$45.00	each	Jan 1/09	BY-LAW 1573/77

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Newspaper vending boxes</b>				
Newspaper vending boxes - application	\$35.00	each	Jan 1/09	BY-LAW 1573/77
Newspaper vending boxes - renewal	\$27.00	each	Jan 1/09	BY-LAW 1573/77
<b>Record searches</b>				
Traffic signal timing search	\$119.00	each	Jan 1/09	BY-LAW 1481/77
Private approach approval search	\$116.00	each	Jan 1/09	BY-LAW 1481/77
<b>Street permits</b>				
Boulevard rental fee	\$3.80	per sq. m/mth	Jan 1/09	BY-LAW 1481/77
Crossing permit (renewal/extension)	\$60.00	each	Jan 1/09	BY-LAW 1481/77
Street rental fee	\$13.00	per sq. m/mth	Jan 1/09	BY-LAW 1481/77
Temporary street closures for entertainment purposes (all other organizations) plus actual costs	\$150.00	each	Jan 1/09	BY-LAW 1481/77
Temporary street closures for entertainment purposes (non-profit and charitable organizations) plus 50% actual cost of work up to a maximum of \$1,500)	\$150.00	each	Jan 1/09	BY-LAW 1481/77
Use of street permit - type a (including renewal/extension)	\$46.00	each	Jan 1/09	BY-LAW 1481/77
Use of street permit - type b (including renewal/extension)	\$63.00	each	Jan 1/09	BY-LAW 1481/77
Use of street permit - type c (including renewal/extension)	\$180.00	each	Jan 1/09	BY-LAW 1481/77
Use of street permit - type d (annual)	\$500.00	each	Jan 1/09	BY-LAW 1481/77
<b>Administrative charges</b>				
Administration fee for services permit	\$35.00	each	Jan 1/09	
Administration fee for move permit	\$25.00	each	Jan 1/09	
<b>Underground structures fee</b>				
Provision of current underground utility information and approval process	\$130.00	per hour	Jan 1/09	

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Solid Waste Collection and Disposal</b>				
<b>Carrier permit</b>				
Appeals non-refundable	\$50.00	each		By-law 6001/92
Permit fee for handling and disposal of biomedical waste sharps (every two years)	\$50.00	each		By-law 6001/92
<b>Tipping Fees</b>				
Collection and disposal of bulky wastes	\$20.00	per pickup		By-law 1340/76
Collection and disposal of special wastes				By-law 1340/76
Residential - small vehicle -less than 1 tonne	\$5.00	per load		By-law 1340/76
City residential	\$22.50	per tonne		By-law 1340/76
Commercial/industrial haulers	\$33.50	per tonne		By-law 1340/76
Outside municipality fees	\$33.50	per tonne		By-law 1340/76
Surcharge for load not covered or secured	\$50.00	per load		By-law 1340/76
Small commercial garbage collection	\$3.50	per cubic meter of container capacity		By-law 1340/76
Registered charitable organizations > 70% waste reduction	\$8.38	per tonne		By-law 1340/76
<b>Late Payment Charge</b>				
Late payment charge after 3 months	\$25.00	each		By-law 1340/76
<b>Interest</b>				
Interest on arrears (per annum) - percent	12.00%	per year		By-law 1340/76

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Transit</b>				
<b>Full Fares</b>				
Cash	\$2.30	each	Jan 1/09	Council
Tickets (10)	\$20.00	10 tickets	Jan 1/09	Council
Weekday pass	\$17.90	each	Jan 1/09	Council
7 day superpass	\$20.00	each	Jan 1/09	Council
Monthly pass	\$72.80	each	Jan 1/09	Council
<b>Reduced Fares - high school student/children (age 6-16)</b>				
Cash	\$1.80	each	Jan 1/09	Council
Tickets (10)	\$13.80	10 tickets	Jan 1/09	Council
7 day superpass	\$13.80	each	Jan 1/09	Council
Monthly pass	\$49.20	each	Jan 1/09	Council
<b>Seniors Fares</b>				
Cash	\$1.80	each	Jan 1/09	Council
Tickets (10)	\$10.00	10 tickets	Jan 1/09	Council
7 day superpass	\$10.00	each	Jan 1/09	Council
Monthly pass	\$36.40	each	Jan 1/09	Council
<b>Post Secondary Fare</b>				
Monthly pass	\$58.30	each	Jan 1/09	Council
<b>Handi transit fares</b>				
Cash	\$2.30	each	Jan 1/09	Council
Monthly pass	\$72.80	each	Jan 1/09	Council
Ticket	\$2.00	each	Jan 1/09	Council
<b>Charter bus rates (GST applicable)</b>				
Regularly-scheduled, recurring services, chartered by school divisions, and employers for the transport of students and employees	\$80.00	per bus hour	Sep 1/09	Council
Non-recurring charter services, excluding senior citizen groups during restricted times	\$100.00	per bus hour	Sep 1/09	Council
Non-recurring charter services for senior citizen groups, restricted to weekday travel between 9:00 a.m. and 3:00 p.m.	\$80.00	per bus hour	Sep 1/09	Council
<b>Conventions</b>				
Convention delegate bus pass for up to 7 days duration	\$5.15	each	Apr 1/09	Council
<b>Photo ID (includes GST and PST)</b>				
Seniors, high school students	\$3.10	each	Apr 1/09	Council



Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Wastewater</b>				
<b>Sewer service rate</b>	\$5.26	per 100 cubic ft.		By-law 7070/97
<b>Record search fee (GST applicable)</b>				
Environmental record search not including account histories (per address)	\$80.00	each		By-law 7070/97
Record search account history only (per account) up to 5 most recent years	\$67.00	each	Jan 1/09	By-law 7070/97
Record search account history only (per account) every additional years	\$70.00	each	Jan 1/09	By-law 7070/97
<b>Account balance (GST applicable)</b>				
Property account balance confirmation for law firms	\$10.00	each		By-law 7070/97
<b>Services permit-application for new sewer connection or re-use of existing sewer connection</b>				
Other than single family residential	\$150.00	each	Jan 1/09	By-law 7070/97
Single family residential	\$31.00	each		By-law 7070/97
<b>Inspection permit for sewer connection or abandonment of sewer connection</b>				
Single family residential	\$60.00	each	Jan 1/09	By-law 7070/97
Other than single family residential	\$125.00	each		By-law 7070/97
Extra charge for after regular working hours including weekends and holidays	\$167.00	each		By-law 7070/97
Re-inspection during regular working hours	\$31.00	each		By-law 7070/97
<b>Sewer contractor's license</b>				
Initial year or part thereof	\$300.00	each		By-law 7070/97
Annual renewal	\$176.00	each		By-law 7070/97
<b>Abandonment of sewer connection fee</b>	\$1,250.00	each		By-law 7070/97
<b>Off center sewers equalization rate</b>	\$91.00	per metre		By-law 7070/97
<b>Land drainage discharge license</b>				
License fee	\$150.00	each	Jan 1/09	By-law 7070/97
Annual renewal fee	\$90.00	each	Jan 1/09	By-law 7070/97
<b>Meter test fee (GST applicable)</b>				
16mm and 19mm meters (metric equivalent of 5/8" and 3/4")	\$79.00	each		By-law 7070/97
25mm and larger (metric equivalent of 1")	\$200.00	each		By-law 7070/97

<b>Service Name Fee Name and Description</b>	<b>2009</b>	<b>Units</b>	<b>2009 Effective Date</b>	<b>Authority</b>
<b>Sewer adjustment fee (GST applicable)</b>				
Annual renewal and inspection fee	\$145.00	each		By-law 7070/97
Initial application fee - non-refundable	\$200.00	each		By-law 7070/97
<b>Overstrength wastewater discharge license</b>				
License fee	\$130.00	each		By-law 7070/97
Annual fee	\$70.00	each		By-law 7070/97
<b>Overstrength wastewater surcharge rates</b>				
Total suspended solids surcharge rate (in excess of 350mg/l for seweraged wastewater)	\$0.73	per kilogram		By-law 7070/97
Total suspended solids surcharge rate (in excess of 5,500mg/l for hauled wastewater)	\$0.73	per kilogram		By-law 7070/97
Biochemical oxygen demand surcharge rate (in excess of 300 mg/l for seweraged wastewater)	\$1.12	per kilogram		By-law 7070/97
Biochemical oxygen demand surcharge rate (in excess of 2,400 mg/l for hauled wastewater)	\$1.12	per kilogram		By-law 7070/97
<b>Private wastewater disposal system permit</b>				
Inspecting fee - extra charge for after regular working hours including weekends and holidays	\$94.00	each		By-law 7070/97
Commercial holding tank	\$125.00	each		By-law 7070/97
Re-inspection during regular working hours	\$31.00	each		By-law 7070/97
Single family dwelling	\$150.00	each	Jan 1/09	By-law 7070/97
<b>Appeals - Non-refundable deposit</b>	\$250.00	each	Jan 1/09	By-law 7070/97
<b>Wastewater discharge license</b>				
Annual renewal fee	\$70.00	each		By-law 7070/97
License fee	\$125.00	each	Jan 1/09	By-law 7070/97
<b>Wastewater disposal vehicle</b>				
License fee	\$125.00	each	Jan 1/09	By-law 7070/97
Annual renewal fee	\$70.00	each		By-law 7070/97
<b>Disposal fee - per load</b>	\$2.51	KL		By-law 7070/97
<b>Private meters quarterly charge</b>	\$9.20	per quarter	Jan 1/09	By-law 7070/97
<b>Interest on overdue account arrears</b>	1.50%	per month		By-law 7070/97

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Water</b>				
<b>Water service rate</b>				
Block 1 quarterly consumption	\$3.55	100 cubic ft.	Jan 1/09	By-law 504/73
Block 2 quarterly consumption	\$3.07	100 cubic ft.	Jan 1/09	By-law 504/73
Block 3 quarterly consumption	\$2.59	100 cubic ft.	Jan 1/09	By-law 504/73
<b>Fixed Quarterly Charge</b>				
5/8" meter	\$13.75	per quarter		By-law 504/73
3/4" meter	\$14.80	per quarter		By-law 504/73
1" meter	\$17.70	per quarter		By-law 504/73
1 1/2" meter	\$21.45	per quarter		By-law 504/73
2" meter	\$31.80	per quarter		By-law 504/73
3" meter	\$109.45	per quarter		By-law 504/73
4" meter	\$139.25	per quarter		By-law 504/73
6" meter	\$207.60	per quarter		By-law 504/73
8" meter	\$285.70	per quarter		By-law 504/73
10" meter	\$363.80	per quarter		By-law 504/73
<b>Sold at standpipe</b>	\$9.75	per 1,000 gallons	Jan 1/09	By-law 504/73
<b>Permit fee</b>				
New water services - combined domestic fire service industrial	\$127.00	each		By-law 504/73
New water services - sprinkler service	\$127.00	each		By-law 504/73
New/renewed/repaired water services - single domestic	\$60.00	each	Jan 1/09	By-law 504/73
Extra charge for after regular working hours including weekends and holidays	\$167.00	each	Jan 1/09	By-law 504/73
Reinspection during regular working hours	\$31.00	each	Jan 1/09	By-law 504/73
<b>Application for new water service connection or re-use of existing water connector</b>				
Other than single family residential	\$150.00	each	Jan 1/09	By-law 504/73
Single family residential	\$31.00	each	Jan 1/09	By-law 504/73
<b>Contractor's license</b>				
License for installation of water services initial fee	\$300.00	each		By-law 504/73
License for installation of water services annual renewal	\$176.00	each		By-law 504/73
<b>Contractor - control of watermain fee</b>				
Request by contractor to turn off a watermain	\$110.00	each		By-law 504/73
<b>Multiple metering fee</b>	\$95.00	each	Jan 1/09	By-law 504/73

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Meters damaged by frost or lost (GST applicable)</b>				
Meters damaged by frost 1"-2" (actual meter cost plus overhead & handling & installation cost of)	\$89.00	each		By-law 504/73
Meters damaged by frost 3"-10" (actual meter cost plus overhead & handling & installation cost of)	\$132.00	each		By-law 504/73
Meters damaged by frost 3/4'	\$184.00	each		By-law 504/73
Meters damaged by frost 5/8'	\$146.00	each		By-law 504/73
<b>Meter rental (when used with hydrant, add monthly rental as shown) (GST applicable)</b>				
Rental water meters 5/8"	\$60.00	per month	Jan 1/09	By-law 504/73
Rental water meters 3/4"	\$60.00	per month	Jan 1/09	By-law 504/73
Rental water meters 1 1/2"	\$100.00	per month		By-law 504/73
Rental water meters 1"	\$100.00	per month		By-law 504/73
Rental water meters 2"	\$100.00	per month		By-law 504/73
Rental water meters 3"	\$150.00	per month		By-law 504/73
<b>Meter test fee (GST applicable)</b>				
16mm and 19mm meters (metric equivalent of 5/8" and 3/4")	\$79.00	each		By-law 504/73
25mm and larger (metric equivalent of 1")	\$200.00	each		By-law 504/73
<b>Thawing water services</b>				
Property zoned other than residential - each additional half hour or portion thereof	\$41.00	per 1/2 hour		By-law 504/73
Property zoned other than residential - first hour or portion thereof	\$86.00	per hour		By-law 504/73
Property zoned residential (total)	\$100.00	total cost		By-law 504/73
<b>Backflow Tester Licenses</b>				
Annual renewal of a cross connection and backflow prevention testers license	\$20.00	each		By-law 504/73
<b>Backflow preventer with lockable box ++ (GST &amp; PST applicable)</b>				
Per week	\$175.00	each		By-law 504/73
Per month	\$500.00	each		By-law 504/73
<b>Use of fire hydrants (GST applicable excluding deposit)</b>				
Deposit for use of water - final billing on actual water used	\$100.00	each		By-law 504/73
Per hydrant for 30 days - final billing on actual water used	\$200.00	first month		By-law 504/73
Per hydrant for each month after the 1st month - final billing on actual water used	\$56.00	additional month		By-law 504/73
<b>Hydrant rental fee (GST applicable)</b>	\$169.00	per year		By-law 504/73

Service Name Fee Name and Description	2009	Units	2009 Effective Date	Authority
<b>Appointment fee (GST applicable)</b>				
Field (meters) first appointment	No charge			By-law 504/73
Second and each additional appointment	\$90.00	each		By-law 504/73
First appointment meter inspection	No charge			By-law 504/73
Second and each additional appointment	\$20.00	each		By-law 504/73
<b>Off-centre watermains equalization rate</b>	\$69.00	per meter		By-law 504/73
<b>Hoseline temporary water service</b>				
Hoseline rental, installation & removal	\$410.00	each	Jan 1/09	By-law 504/73
<b>Leak testing (GST applicable)</b>				
Leak testing - testing only	\$545.00	per test	Jan 1/09	By-law 504/73
Obtain clearance and test	\$650.00	per test	Jan 1/09	By-law 504/73
<b>Tank rental</b>				
Water tank rental - includes cost of water	\$175.00	1st day	Jan 1/09	By-law 504/73
Water tank rental - each additional day	\$20.00	each	Jan 1/09	By-law 504/73
Water tank rental - additional tank refills (includes pick up and drop off)	\$175.00	each	Jan 1/09	By-law 504/73
<b>Abandonment of water services</b>				
Abandonment of water connection deposit	\$1,250.00	each	Jan 1/09	By-law 504/73
<b>Record search fee (GST applicable)</b>				
Environmental record search not including account histories (per address)	\$80.00	each		By-law 504/73
Record search account history only (per account) up to 5 most recent years	\$67.00	each		By-law 504/73
Record search account history only (per account) every additional years	\$70.00	each		By-law 504/73
<b>Account balance (GST applicable)</b>				
Property account balance confirmation for law firms	\$10.00	each		By-law 504/73
<b>Keyguard deposit</b>				
Deposit fee for key access to stand pipes	\$215.00	per key		By-law 504/73
<b>Non payment turn off/turn on fee</b>	\$100.00	each		By-law 504/73
<b>Interest on overdue account arrears</b>	1.50%	per month		By-law 504/73



# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

The operations are accounted for on the accrual basis except for vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

**2. Status of the Waterworks System**

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

**3. Accounts Receivable**

	<u>2009</u>	<u>2008</u>
Water billings and other	\$ 21,008	\$ 17,626
Allowance for doubtful accounts	<u>(469)</u>	<u>(301)</u>
	<u>\$ 20,539</u>	<u>\$ 17,325</u>

**4. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2009 effective interest rate was 0.2% (2008 - 1.5%).

**5. Tangible Capital Assets**

	Net Book Value	
	<u>2009</u>	<u>2008</u>
Land	\$ 1,824	\$ 1,824
Buildings	3,738	3,838
Machinery and equipment	1,200	1,172
Computer	12,876	5,012
Underground networks	473,944	457,476
Water pumping stations and reservoirs	338,795	64,755
Assets under construction	<u>1,016</u>	<u>254,099</u>
	<u>\$ 833,393</u>	<u>\$ 788,176</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2009, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2009 were \$44 thousand (2008 - \$15 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$13.4 million in 2009 (2008 - \$3.7 million) and were capitalized at their fair value at the time of receipt.

**6. Deferred Charges**

	<u>2009</u>	<u>2008</u>
Deferred debenture discount	\$ 2,497	\$ 2,589



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Information systems	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

**2. Status of the Sewage Disposal System**

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

**3. Accounts Receivable**

	<u>2009</u>	<u>2008</u>
Sewer billings and other	\$ 30,472	\$ 26,635
Allowance for doubtful accounts	-	(60)
	<u>\$ 30,472</u>	<u>\$ 26,575</u>

**4. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2009 effective interest rate was 0.2% (2008 - 1.5%).

**5. Tangible Capital Assets**

	Net Book Value	
	<u>2009</u>	<u>2008</u>
Land	\$ 1,441	\$ 1,451
Buildings	324	334
Equipment	240	219
Information technology	181	190
Underground networks	522,967	488,585
Sewage treatment plants and lift stations	246,036	234,656
Assets under construction	9,658	29,287
	<u>\$ 780,847</u>	<u>\$ 754,722</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2009 and 2008, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2009 were \$206 thousand (2008 - \$237 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totaled \$18.6 million in 2009 (2008 - \$4.1 million) and were capitalized at their fair value at the time of receipt.

**6. Accounts Payable and Accrued Liabilities**

	<u>2009</u>	<u>2008</u>
Trade accounts payable	\$ 2,927	\$ 2,865
Accrued debenture interest	2,849	2,926
Other accrued liabilities	564	508
	<u>\$ 6,340</u>	<u>\$ 6,299</u>

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

3. *Accounts Receivable*

	<u>2008</u>	<u>2007</u>
Water billings and other	\$ 17,626	\$ 16,412
Allowance for doubtful accounts	(301)	(291)
	<u>\$ 17,325</u>	<u>\$ 16,121</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2008 effective interest rate was 1.5% (2007 - 4.2%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,824	\$ 1,824
Buildings	3,838	3,938
Machinery and equipment	1,172	1,156
Computer	5,012	5,833
Underground networks	457,476	453,700
Water pumping stations and reservoirs	64,755	66,623
Assets under construction	254,099	182,233
	<u>\$ 788,176</u>	<u>\$ 715,307</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2008, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2008 were \$15 thousand (2007 - \$26 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$3.7 million in 2008 (2007 - \$5.3 million) and were capitalized at their fair value at the time of receipt.

6. *Deferred Charges*

	<u>2008</u>	<u>2007</u>
Deferred debenture discount	\$ 2,589	\$ -

7. *Accounts Payable and Accrued Liabilities*

	<u>2008</u>	<u>2007</u>
Trade accounts payable	\$ 10,010	\$ 16,932
Accrued debenture interest	4,769	2,391
Other accrued liabilities	1,437	1,170
Deferred revenue and other	317	263
	<u>\$ 16,533</u>	<u>\$ 20,756</u>

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

3. *Accounts Receivable*

	<u>2008</u>	<u>2007</u>
Sewer billings and other	\$ 26,635	\$ 34,701
Allowance for doubtful accounts	(60)	(60)
	<u>\$ 26,575</u>	<u>\$ 34,641</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2008 effective interest rate was 1.5% (2007 - 4.2%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,451	\$ 1,451
Buildings	334	344
Equipment	219	238
Information technology	190	-
Underground networks	488,585	482,275
Sewage treatment plants and lift stations	234,656	171,534
Assets under construction	29,287	69,688
	<u>\$ 754,722</u>	<u>\$ 725,530</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2008 and 2007, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2008 were \$237 thousand (2007 - \$179 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$4.1 million in 2008 (2007 - \$7.6 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2008</u>	<u>2007</u>
Accrued debenture interest	\$ 2,926	\$ 2,948
Trade accounts payable	2,865	10,459
Other accrued liabilities	508	425
	<u>\$ 6,299</u>	<u>\$ 13,832</u>

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

3. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Water billings and other	\$ 16,412	\$ 14,181
Allowance for doubtful accounts	(291)	(234)
	<u>\$ 16,121</u>	<u>\$ 13,947</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,824	\$ 1,821
Buildings	3,938	4,041
Machinery and equipment	1,156	979
Computer	5,833	4,998
Underground networks	453,700	449,640
Water pumping stations and reservoirs	66,623	59,907
Assets under construction	182,233	100,658
	<u>\$ 715,307</u>	<u>\$ 622,044</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were \$26 thousand (2006 - \$35 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$5.3 million in 2007 (2006 - \$0.6 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 16,932	\$ 8,182
Accrued debenture interest	2,391	2,391
Other accrued liabilities	1,170	893
Deferred revenue and other	263	249
	<u>\$ 20,756</u>	<u>\$ 11,715</u>



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The 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 with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

3. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Sewer billings and other	\$ 34,701	\$ 23,650
Allowance for doubtful accounts	<u>(60)</u>	<u>(67)</u>
	<u>\$ 34,641</u>	<u>\$ 23,583</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,451	\$ 1,451
Buildings	344	354
Equipment	238	-
Underground networks	482,275	483,998
Sewage treatment plants and lift stations	171,534	156,700
Assets under construction	<u>69,688</u>	<u>43,190</u>
	<u>\$ 725,530</u>	<u>\$ 685,693</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were \$179 thousand (2006 - \$218 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$7.6 million in 2007 (2006 - \$0.4 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 10,459	\$ 5,746
Accrued debenture interest	2,948	2,968
Other accrued liabilities	<u>425</u>	<u>254</u>
	<u>\$ 13,832</u>	<u>\$ 8,968</u>

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

#### c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

1. *Summary of Significant Accounting Policies (continued)*

d) **Shoal Lake Agreement**

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

e) **Water Main Renewal Reserve**

On February 18, 1981, Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

f) **Aqueduct Rehabilitation Reserve**

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in 2007.

g) **Water Treatment Reserve**

On December 17, 1993, Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2006 water rates include a provision of 40.63 cents (2005 - 39.40 cents) per 100 cubic feet of water consumption billed for water treatment. In 2006, \$10.1 million (2005 - \$10.1 million) was transferred to the Water Treatment Reserve.

2. *Status of the Waterworks System*

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

3. *Accounts Receivable*

	<u>2006</u>	<u>2005</u>
Water billings and other	\$ 14,181	\$ 15,392
Allowance for doubtful accounts	<u>(234)</u>	<u>(185)</u>
	<u>\$ 13,947</u>	<u>\$ 15,207</u>

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

#### a) 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 any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

#### c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

1. *Summary of Significant Accounting Policies (continued)*

d) **Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve)**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal and the Wastewater Sewer Renewal Reserves for the renewal and rehabilitation of combined and wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Reserves in accordance with the needs at that time.

During the 2006 capital budget process Council allocated the frontage levy to the repair and replacement of streets and sidewalks. Frontage levy revenue was replaced with funding from the Federal Gas Tax Revenue Reserve for the renewal and rehabilitation of sewers in accordance with the capital program requirements.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

The Director of the Water and Waste Department is the Fund Manager.

e) **Environmental Projects Reserve**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2006 sewer rate includes a provision of 31.3 cents (2005 - 55 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2006, \$8.5 million (2005 - \$13.5 million) was transferred to the Environmental Projects Reserve.

2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. *Accounts Receivable*

	<u>2006</u>	<u>2005</u>
Sewer billings and other	\$ 23,650	\$ 17,894
Allowance for doubtful accounts	(67)	(149)
	<u>\$ 23,583</u>	<u>\$ 17,745</u>

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### **Basis of accounting**

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### **a) Capital assets**

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded which may not coincide with when the assets are actually put into service.

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### **b) Shoal Lake Agreement**

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

1. *Summary of Significant Accounting Policies (continued)*

c) **Watermain Renewal Reserve**

On February 18, 1981, Council adopted a motion that a reserve to fund the renewal of watermains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Watermain Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

d) **Aqueduct Rehabilitation Reserve**

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The 2005 water rates include a provision of 0 cents (2004 - 0 cents) per 100 cubic feet of water consumption billed for aqueduct rehabilitation. In 2005 and 2004, funds were not transferred to the Reserve. Prior to 1996, funds were appropriated in the Waterworks System Fund for the aqueduct rehabilitation project.

e) **Water Treatment Reserve**

On December 17, 1993, Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2005 water rates include a provision of 39.4 cents (2004 - 47.25 cents) per 100 cubic feet of water consumption billed for water treatment. In 2005, \$10.1 million (2004 - \$11.2 million) was transferred to the Water Treatment Reserve.

2. *Status of the Waterworks System*

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

3. *Accounts Receivable*

	<u>2005</u>	<u>2004</u>
Water billings and other	\$ 15,392	\$ 14,097
Allowance for doubtful accounts	(185)	(200)
	<u>\$ 15,207</u>	<u>\$ 13,897</u>

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

### 1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

#### a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded, which may not coincide with when the assets are actually put into service.

Commencing in 1998, when debt is retired, the underlying asset purchased with that debt will continue to be amortized over the asset's remaining useful life using the straight-line method of amortization.

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### b) Wastewater Sewer Renewal Reserve

On May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve for the renewal and rehabilitation of wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Wastewater Sewer Renewal Reserve and the Combined Sewer Renewal Reserve in accordance with the needs at that time. In 2005, \$1.0 million (2004 - \$0.4 million) of the frontage levy revenue was transferred to the Wastewater Sewer Renewal Reserve, the remaining revenue for the year was transferred to the Combined Sewer Renewal Reserve.

1. *Summary of Significant Accounting Policies (continued)*

c) **Environmental Projects Reserve**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2005 sewer rate includes a provision of 55 cents (2004 - 55 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2005, \$13.5 million (2004 - \$12.1 million) was transferred to the Environmental Projects Reserve.

2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Accounts Receivable*

	<u>2005</u>	<u>2004</u>
Sewer billings and other	\$ 17,894	\$ 16,072
Province of Manitoba	-	3,800
Allowance for doubtful accounts	(149)	(214)
	<u>\$ 17,745</u>	<u>\$ 19,658</u>

5. *Capital Assets*

	<u>2005</u>	<u>2004</u>
Buildings and plants	\$ 259,876	\$ 255,703
Other structures	48,366	45,533
Work in progress	38,830	27,243
Equipment	4,979	3,580
Undistributed capital assets	1,367	1,367
Land	564	564
	<u>353,982</u>	<u>333,990</u>
Work in progress funding	(25,075)	(27,243)
Contributions in aid of construction	(71,998)	(63,593)
Accumulated amortization	(169,446)	(161,788)
	<u>\$ 87,463</u>	<u>\$ 81,366</u>



**Deloitte**

# A New Model for the City of Winnipeg's Utility Services

Proof of Concept

Final Report

October 15, 2008

Audit . Tax . Consulting . Financial Advisory .

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## Executive Summary

The City of Winnipeg (the "City") provides a broad range of utility-related services to residents and businesses in Winnipeg through the City's Water and Waste Department. The services that are financially independent through utility rates with no reliance on property taxes and other sources of general revenue include water and wastewater services. There are utility rates for solid waste disposal (landfill operations and recycling) services but they also rely on property taxes for revenue. These services are referred to by the City as "utilities" because of their utility rate revenue base and the high cost and long life infrastructure required to provide these services; however, they are governed and controlled like any other service provided by the City.

As part of the City's ongoing approach to exploring new ways to deliver public infrastructure and related services to provide greater value for money to its constituents, Deloitte was retained in 2007 to study new approaches to delivering certain infrastructure projects for a range of Departments.

Some of the City's largest upcoming projects are found within the Water and Waste Department's capital budget including the remaining two wastewater treatment upgrade projects – the North End Water Pollution Control Centre (NEWPCC) and South End Water Pollution Control Centre (SEWPCC) estimated to have a combined capital cost of approximately \$600 million. Deloitte studied the SEWPCC and recommended that a design-build-finance-operate model involving a private sector partner be used to reduce the City's exposure to cost overrun, delays and other project risks as well as to reduce the cost of the project on a lifecycle basis. The study triggered a consideration of the broader context of the City's wastewater capital plan (given the larger pending NEWPCC project) and broader objectives for the City's utility services.

Governments worldwide have examined alternative forms of governance and private sector involvement in the provision of utility services to:

- Accelerate infrastructure investment;
- Ensure that utility rates cover the full cost of providing the services;
- Improve capital and operating cost efficiency (i.e. minimize cost to ratepayers);
- Reduce exposure to project risk (e.g. capital cost overrun risk);
- Enhance transparency and accountability; and
- Enable technical and management innovation.

The above objectives mirror many of the objectives the City has for the provision of utility services derived from the various challenges and opportunities currently facing the Water and Waste Department. The basic question addressed by this report is: is there a different model that the City could use for the provision of utility-related services to better address the City's objectives?

The model which showed the most promise was found to be a Municipal Corporate Utility that utilizes an arms-length approach to governance while retaining full City ownership. The model also contemplates the involvement of the private sector as a Strategic Partner<sup>1</sup> to mitigate risks associated with the NEWPCC and SEWPCC upgrade projects. The utilization of the Strategic Partner approach will bring innovation and additional skills to other potential "new business" pursuits of the Municipal Corporate Utility such as geothermal energy capture and landfill gas utilization. This model, named in this report as a "Utility Partnership" for ease of reference, addresses the City's objectives as follows:

<sup>1</sup> The term "Strategic Partner" is used to describe a private sector company selected through a competitive procurement process that would possess the expertise and resources necessary to deliver specific infrastructure project(s) under a long-term performance based contract as well as be available to support the pursuit and development of related new business of the Municipal Corporate Utility.

1. The Utility Partnership would be better equipped through its governance structure to keep ahead of ever increasing regulatory requirements and service level expectations that protect public health and stewardship of the environment. Furthermore, there is an opportunity to enhance the accountability for wastewater effluent quality through the performance based contractual arrangement with the Strategic Partner. This would reduce the inherent conflicts of the current system where one level of government (Federal or Provincial) regulates another level of government (municipal). This would be achieved by the City passing through regulatory compliance requirements to the Strategic Partner.
2. Involvement of a Strategic Partner under a performance based long-term contract would significantly reduce the City's exposure to risks related to cost overrun, delay of project completion, scope creep, asset maintenance, etc. (together referred to as "project risks") on pending wastewater treatment plant upgrades.
3. Procurement of the Strategic Partner by the Municipal Corporate Utility (rather than the City) would reduce risks related to procurement schedule slippage, not attracting a sufficient number of bidders, lack of political commitment, etc. (together referred to as "procurement risks") because of the business-to-business nature of the procurement.
4. The combination of rate regulation by the Public Utilities Board (the "PUB") and long term provision of wastewater treatment services by the Strategic Partner would contribute to improved financial sustainability and cost-transparency of the utility services.
5. The Municipal Corporate Utility would legitimize and ensure the segregation of the Water and Waste Department from the City through appropriate authority and control over its assets, rates and plans. Discretionary transfers out of utility accounts by the City would no longer occur and property taxes will no longer be at risk of being used to support utility functions.
6. The Utility Partnership may be able to access potential public-private partnership (P3) specific federal grant programs while preserving access to traditional grant programs.
7. The Utility Partnership would have an improved ability to attract and retain specialized utility and other professional staff (indirectly, through its Strategic Partner, and directly through the Corporation's own human resource policies).
8. The Utility Partnership would be better equipped to conclude utility service agreements with other municipalities in a "business-like" manner that protects the City and ratepayers from undue risk.
9. Innovative thinking and methods would be incorporated into the provision of utility related lines of business. Other lines of business such as the commercial and residential use of geothermal energy capture and utilization of biogas for heating and /or power generation could be added as the Municipal Corporate Utility matures. The Municipal Corporate Utility could then be at the forefront of the City's effort to reduce its carbon emission footprint. New lines of utility-like services may evolve in the future, and the Municipal Corporate Utility would be well placed to deliver them.

Several stakeholders were consulted to identify issues, concerns and ideas to enhance the Utility Partnership concept. The Utility Partnership concept was explored with the Province, the PUB, the Water and Waste Department and both relevant civic employees unions CUPE and WAPSO. The City has pledged further consultation with these stakeholders to ensure their input throughout the project development.

Based on the challenges and opportunities identified for the Water and Waste Department and the City, on the input of key stakeholders, and on a strategic assessment of relevant delivery models including the status quo, it is recommended that:

- The WWD undergo an organization transformation to become a Municipal Corporate Utility (the "Corporation");

- A Project Team including appropriate city staff and external legal, technical and business advisors be established to guide the development of a business plan for the Corporation and support the procurement of the Strategic Partner;
- An Advisory Panel comprised of potential future board members of the Corporation be established to guide the work of the Project Team; and
- The planning stage for the Strategic Partner procurement begin immediately so that the first market facing stage of the procurement process (the Request For Expressions of Interest) can be launched before the end of the 2008 calendar year so that the December 2012 SEWPCC deadline can be met. This would require City Council to approve the initiation of the Strategic Partner procurement process, with the ultimate decision on the Strategic Partner being made by the Board of Directors of the Corporation.



# 1.0 Introduction

## Background

The City is exploring new ways to deliver public infrastructure and related services to provide the citizens of Winnipeg with value for money. In the context of utility services, value for money means the provision of utility services in a manner that meets all necessary regulatory and service level requirements, particularly protection of public health and stewardship of the environment, at the least cost to rate payers over the life of the infrastructure.

In 2007/2008, the City of Winnipeg conducted an analysis of delivery models for a planned upgrade/expansion of the South End Water Pollution Control Centre (SEWPCC) – one of three large wastewater water treatment plants owned by the City and managed and operated by the City's Water and Waste Department. The analysis examined Traditional, Design-Build, Design-Build-Operate (DBO), and Design-Build-Finance-Operate (DBFO) delivery models for the \$212 million project<sup>2</sup>.

The analysis undertaken by Deloitte concluded that DBFO, a Public-Private Partnership (P3) model, was the preferred delivery option based on an assessment of the relative risks of the delivery models, relative value for money to the City, and the expressed interest of the market of service providers. Procurement risk was identified as the most significant concern (there is a history in Canada of aborted municipal water/wastewater P3s due to interest group pressure and lack of political commitment to the procurement model). Procurement risk refers to all risks that impact the success of the procurement of a Strategic Partner such as schedule slippage, not attracting a sufficient number of bidders and political interference.

The exercise triggered a consideration of the broader context of the City's wastewater capital plan (e.g. the pending larger North End Water Pollution Control Centre (NEWPCC) expansion/upgrade project) and broader objectives for the City's utility services. It was recognized that P3s might be one of the elements in achieving these goals, but that there were potentially other forms of partnerships and governance that might assist the City in achieving its objectives.

This report summarizes the challenges, opportunities and related objectives for its current and future utility services, and examines a number of different approaches to achieving them including a recommendation to adopt a Municipal Corporate Utility model for certain existing services provided by the Water and Waste Department as well as consideration of a Strategic Partner for certain major capital projects and utility services.

## Scope of Work

The work program for this assessment included:

- Identify challenges and opportunities relevant to utility services provided by the City's Water and Waste Department;
- Review best practices in municipalities across Canada and other jurisdictions in the areas of partnerships and governance relevant to this assignment;
- Develop the concept for a water and wastewater utility partnership based on identified challenges and opportunities through a review of concept options and strategic assessment;
- Evolve the concept through preliminary investigations in key areas, and discussion with key stakeholders; and
- Based on the evolved concept, determine what the City requires to make a decision to proceed, and develop a detailed action plan to fill any information gaps for decision-making purposes.

<sup>2</sup> SEWPCC Upgrading/Expansion Preliminary Design Report, Stantec

This approach was determined to be the most efficient and practical way to converge on the concept to be carried forward. The actual business case for a utility partnership would be completed as a subsequent assignment to meet the "specification" determined from the above work program.

A Working Group comprising of the Chief Administrative Officer (CAO), Chief Financial Officer (CFO), and a number of City Corporate staff was organized to support our work and provide guidance particularly with respect to the identification of challenges and opportunities facing the City with respect to utility services, and related objectives to be addressed by partnership and governance options.

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## 2.0 Water and Wastewater Service Delivery Models

There is significant diversity in the types of delivery models used to provide water and wastewater systems and services in North America. They are publicly owned and privately owned; some are a combination of both. They are operated by all levels of government – local, regional, state or provincial, and national. Some have private sector involvement in operations and capital investment responsibility through permanent or fixed duration contractual arrangements. They are governed by elected officials, appointed officials, independent authorities and corporate boards.

Two key public policy issues in the water and wastewater sector are forms of governance and private sector involvement. The policy objectives that government typically promotes through alternate forms of governance and private sector involvement include:

- Accelerate infrastructure investment;
- Ensure that utility rates cover the full cost of providing the services;
- Improve capital and operating cost efficiency (i.e. minimize cost to ratepayers);
- Reduce exposure to project risk (e.g. capital cost overrun risk);
- Enhance transparency and accountability; and
- Enable technical and management innovation.

### Governance

Forms of governance include public utility governance (following public sector governance models) and private utility governance (following private sector corporate governance models). There is also a hybrid – a corporatized government-owned utility model also referred to in Canada as a Municipal Corporate Utility. The governance of a Municipal Corporate Utility seeks to mimic private sector corporate governance while retaining public ownership. In this way, it seeks to simultaneously obtain the advantages of public and private sector involvement.

In Canada, public utility governance can be found in three common service delivery models for water and wastewater systems. These are Municipal Department, Municipal Utility and Utility Commission. Moving across this spectrum there is an increasing level of financial and decision making independence with the Utility Commission having the highest level of independence within a public governance setting. We consider the City's Water and Waste Department (WWD) to be an example of a Municipal Utility although some of its service lines that are tax supported could be considered Municipal Departments. Examples of the Utility Commission model can be found in Ontario, Alberta and Nova Scotia although they are not predominant. The Utility Commissions in these provinces have a range of different characteristics based on the commission related legislation of the particular province. The one common characteristic of these Utility Commissions is that their board of directors/commissioners has some political representation. Utility Commissions are usually formed to manage the interests of multiple municipalities that own and operate a common infrastructure system or utility service. In Ontario, they are a result of electrical distribution deregulation, and in that case they have the characteristics of both a Utility Commission and a Municipal Corporate Utility.

Aside from small systems, there are very few examples of private utility governance for municipal-scale water and wastewater systems in Canada. One of the largest water systems under a private utility service delivery model is in White Rock, BC where 20,000 residents in the City of White Rock, and certain adjacent areas in the City of Surrey, including the Semiahmoo First Nation are served by a system owned and operated by EPCOR Utility Services.

Examples of the Municipal Corporate Utility model can be found in Alberta and Ontario although it is even less predominant than the Utility Commission model. EPCOR Utility Services, owned by the City of Edmonton, supplies, owns and operates the City's water system and provides services to several

other municipalities in Alberta and other provinces. Examples that cover both water and wastewater services include Aquatera and Utilities Kingston. Detailed descriptions of these examples are provided in Appendix A.

#### Private Sector Involvement

Private sector involvement in water and wastewater can range from a public utility outsourcing a narrow range of services or functions to a private sector service provider to a fully private utility as in the case of White Rock. A variety of other alternatives that generally fall between these two options are commonly referred to as P3 delivery models. They include long-term operation and maintenance (O&M) contracts, design-build-operate (DBO) contracts and design-build-finance-operate (DBFO) contracts. The DBFO contract provides the greatest level of risk transfer away from government as the private sector service provider is responsible for making initial and ongoing capital investments under a contract structure that compensates based on performance of the service provided.

Later in this report we use the term Strategic Partner to describe an arrangement where a private sector partner, under a P3 type delivery model, is contractually obligated at the government's request to apply its resources and expertise to develop new or expanded services.

In Canada, there are several examples of private sector involvement in the delivery of water and wastewater services particularly in Alberta and Ontario although they are not predominant. However, the involvement of the private sector and number of companies providing water and wastewater services is rapidly growing on a global basis.

#### Winnipeg's Current Service Delivery Model for Water and Waste

The City's Water and Waste Department (the "WWD") is responsible for providing a wide range of services to the public including water, wastewater, land drainage and flood control, solid waste collection, solid waste disposal and recycling and waste minimization. Water and wastewater services have been organized as financially independent units with no reliance on property taxes and other sources of general revenue of the City. Solid waste disposal and recycling and waste minimization services are also organized as a financially independent unit although it still relies somewhat on property taxes for its revenue base. Since these services are either entirely or mostly reliant on utility rates and charges, they are considered "utilities" in the financial statements of the City. Land drainage and flood control and solid waste collection are tax-supported services, although land drainage and flood control is primarily funded by the Wastewater Utility.

WWD Services	2008		2008 FTE	Form of Organization
	Expenditure Budget	Revenue Budget		
Water	80.5 M	93.6 M	446.12	Municipal Water Utility
Wastewater	99.9 M	131.9 M	395.96	Municipal Wastewater Utility
Solid Waste Disposal	9.9 M	9.7 M	36.97	Municipal Solid Waste Disposal Utility
Recycling and Waste Minimization	10.0 M	9.5 M (from solid waste disposal)	18.74	
Solid Waste Collection	16.4 M	2.4 M (from solid waste disposal)	18.66	Tax supported unit (Municipal Department)
Land Drainage and Flood Control	13.7 M	13.7 M (from wastewater)	20.64	Tax supported unit (Municipal Department)

Aside from Solid Waste Collection and Recycling and Waste Minimization, most services are provided directly by Department Staff. Solid Waste Collection and Recycling was contracted out to private collection companies some time ago with the WWD responsible for customer service and contract administration.

Most major capital projects undertaken by the WWD so far have been delivered under Traditional (design-bid-build) methods. The new water treatment plant is being delivered under a construction management approach which in essence is a complex series of managed smaller design-bid-build contracts.

The WWD has its own support functions of customer service, information technology, human resources and finance. These support functions are shared by all of the WWD's service lines.

The WWD like all other City Departments is governed by City Council, with primary control exercised through the annual budgeting process including rate setting for the "utility" services. The WWD reports administratively to the Chief Administrative Officer (CAO) and politically to the Standing Policy Committee on Infrastructure Renewal and Public Works.

### 3.0 Challenges and Opportunities

Finding innovative and effective ways to address the infrastructure and related service needs is one of the most important challenges and opportunities facing the City. The WWD is particularly challenged with a forecast capital budget of \$1.1 billion<sup>3</sup> to undertake necessary capital investments over the next 6 years. The following section provides a compilation of current and future challenges and opportunities facing the WWD primarily as result of these significant planned capital investments but also a desire to build on the success of the WWD. The challenges and opportunities form the basis of the City's objectives against which different delivery models were assessed. The following nine objectives were identified by the project team with input from the Working Group:

1. Ensure utility service levels and regulatory requirements are met to protect public health and stewardship of the environment

The WWD has a good track record in terms of providing services in a manner that protects public health and stewardship of the environment. Regulatory requirements and service level expectations will continue to increase.

The challenge is to ensure that City has the means to keep ahead of these ever increasing requirements and expectations.

2. Reduce risk on pending major wastewater treatment plant upgrades (SEWPCC and NEWPCC)

Approximately 80% of the forecast capital budget for WWD relates to wastewater services. Both the SEWPCC and NEWPCC require significant upgrades (approximately \$600 million in total) to meet the anticipated conditions of an Environment Act License that has been issued by Manitoba Conservation requiring year round effluent disinfection and effluent limits for nitrogen and phosphorous. For the SEWPCC, Manitoba and Conservation requires compliance by December 31, 2012. The completion date for the NEWPCC is 2 years thereafter.

The recent cost-overruns and completion delays experienced on the WEWPCC upgrade and the new water treatment plant (still under construction) highlights the significant risks faced by the City on its major capital projects. These projects were undertaken with traditional delivery methods (design-bid-build and construction management).

The challenge is to reduce the City's exposure to cost overrun and completion delay risk for the SEWPCC and NEWPCC.

3. Preserve and enhance the City's ability to undertake P3 procurements for all asset types

The City has recently launched a P3 procurement process for the Disraeli bridge project with the release of a Request for Qualifications to the bidding community. The project will be built under a DBFM (design-build-finance-maintain) delivery model to reduce the City's exposure to risk and obtain better value for money compared to traditional project delivery models.

The analysis undertaken by Deloitte concluded that DBFO was the preferred delivery model for the SEWPCC; however, the report also cautioned the City with respect to procurement risk if this delivery model is to be implemented, given the history in Canada of aborted municipal water/wastewater P3s due to interest group pressure and lack of political commitment to the procurement model. A failure of P3 procurement of SEWPCC could negatively impact the procurement of the Disraeli Bridge and other future procurements undertaken by the City.

<sup>3</sup> Preliminary 2008 Operating Budget

There is an opportunity for the City to mitigate P3 procurement risks for water/wastewater infrastructure and enhance the City's reputation as a leader in municipal P3 procurement.

**4. Ensure that utility services are cost-effective and financially sustainable**

The WWD has adopted a user pay and full cost pricing approach for its utility services with plans to adopt a similar approach for land drainage and flood control services. This represents a best practice approach to ensuring a financially sustainable services assuming that full cost rates are accepted by the governing body. Jurisdictions that do not adopt this best practice generally have significant deferred maintenance issues and a backlog of capital investment.

In Manitoba, with the exception of the City of Winnipeg, all municipal water and sewer utilities are required to go before the Public Utilities Board (the "PUB") for rate setting approval. Instead, the WWD goes through an annual budgeting process including rate setting for the "utility" services with City Council.

There is an opportunity to consider PUB regulation to enhance the cost effectiveness and financial sustainability of certain WWD's services. We found through consultations with the PUB that the cost of PUB regulation is likely immaterial.

**5. Preserve and enhance the water and waste department's independence from City's financial accounts and its ability to manage its assets**

The establishment of separate water, wastewater, and solid waste disposal utility services from a financial perspective was intended to ensure the financial independence of utility services. However, the City has in the past made discretionary transfers out of the utility accounts. Likewise, property taxes are still at risk of being used to support utility functions.

There is an opportunity to enhance the level of financial independence and/or apply it to other utility like services.

**6. Preserve and enhance access to senior government grants**

Federal and provincial government grant programs may be an important source of future capital for the WWD. One of the more significant grant commitments under the Canada-Manitoba Infrastructure Program announced in April 2005 was \$42 million from the federal government and \$25 million from the provincial government for the Winnipeg Wastewater Treatment System covering the upgrades at WEWPC and SEWPC. A new Canada-Manitoba infrastructure funding agreement utilizing the Building Canada Fund was announced in September 2008. The Building Canada plan of the federal government encourages the development and use of P3 best practices by requiring that P3s be given consideration.

There may be an opportunity to improve access to new federal grant programs. Care must be taken in any change in service delivery model to ensure continued access to existing provincial and federal grant programs.

**7. Improve ability to attract and retain specialized utility and other professional staff**

The WWD is one of the largest departments in the City with over 900 employees. Many of these employees have a high degree of technical training and those in treatment plant operation positions hold required operator certifications. The demographics of the WWD workforce plus a nation-wide shortage of professional staff in the water and wastewater sector is creating a human resource challenge for the WWD.

There is an opportunity to improve the ability to attract and retain specialized utility and other professional staff.

**8. Serve other municipalities with utility services through businesslike arrangements that protect City and ratepayers from undue risk**

There is an opportunity to potentially leverage the WWD's asset base (current and future) to serve other municipalities. In the past, the WWD has considered a couple of opportunities to provide wastewater services outside of the City of Winnipeg but to date no such arrangements exist.

Service delivery models should be considered in terms of their ability to pursue and capture opportunities to leverage the City's asset base.

**9. Incorporate innovative thinking and methods into the provision of utility-related lines of business**

There is a growing global trend related to energy conservation and replacement of non-renewable energy sources with green (renewable) energy sources. The Province of Manitoba has made several related commitments under the Western Climate Initiative and the City has its own "green agenda". The utility services currently provided by WWD present significant opportunities for innovation related to developing green energy sources.

Initially, the City's sustainability objectives could be built into the water and wastewater operations. There is an opportunity to design facilities and processes to expand heat capture and other innovations. Landfill gas utilization is another similar immediate opportunity. Such initiatives could form the foundation for the City's green agenda. In the long-term, opportunities may arise to develop new utility-related lines of business such as geothermal capture to reduce the City's overall carbon emission footprint.

The City currently has a limited ability in terms of human resources and capital to consider and develop new utility-related lines of business particularly those related to green energy.



## 4.0 Delivery Model Assessment

The full range of delivery models available to the City was discussed in detail with the Working Group and based on these discussions the following combination of governance and private sector involvement models were conceived and selected for assessment against the challenges and opportunities facing the WWD. The models assessed were:

- **Status Quo** – Municipal Utility with extension of this model to Land Drainage and Flood Control.
- **Status Quo plus P3** – Same as previous model except with DBFO delivery model employed for the SEWPCC and NEWPCC upgrade projects through two separate P3 procurements.
- **Municipal Corporate Utility** – Creation of a Corporation encompassing all services currently provided by WWD with the City as the sole shareholder. The Corporation would be governed by an independent board of directors with relevant experience. The staff would be employees of the Corporation under a collective agreement separate from the City. The Corporation would have a commercial approach to operations.
- **Municipal Corporate Utility plus Strategic Partner** – Same as previous model except with a single private sector partner responsible for wastewater treatment plant upgrades and operation and available to support the pursuit and development of new utility related lines of business. The Corporate Utility will have an opportunity to supply plant operations services to the Strategic Partner as an alternative to the operations being undertaken solely by the Strategic Partner, provided the services supplied by the Corporation are competitive. A competitive procurement process is used to select the Strategic Partner.

Other Strategic Partners could be selected for other new lines of utility-like services such as geothermal energy capture and other green energy sources.

A Utility Commission model was not explicitly considered further as there is no legislation in the Province of Manitoba that allows municipal government to establish a commission.

The results of the analysis indicate that the Municipal Corporate Utility plus Strategic Partner is the best model to address the challenges and opportunities facing the WWD. The assessment of this delivery model against the Status Quo model is summarized in the table below.

Challenge and Opportunity	Assessment of Status Quo	Assessment of Municipal Corporate Utility plus Strategic Partner
1. Regulatory Requirements and Service levels	Nothing to suggest that current regulatory requirements and services levels are not being met  Inherent conflict in one level of government regulating another level of government	Better equipped in terms of resources and governance structure to keep ahead of increasing regulatory requirements and service level expectations  Effluent quality risk transferred to private partner  Reduction of the inherent conflict in current regulatory regime if effluent quality is made the responsibility of the Strategic Partner, including pass-through of any related fines
2. Treatment plant project risks	Traditional design-bid-build procurement methods expose the City to high level of cost overrun	Project risk (overrun, delay, etc) assumed by Strategic Partner. Performance based contract designed to

	and delay risk	ensure transfer of risk to Strategic Partner "sticks"
3. Mitigation of procurement risk	Traditional procurement of wastewater projects - no risk of impacting the City's reputation for P3 procurement (e.g. Disraeli)	Strategic Partner procurement risk mitigated with business to business procurement - no Council involvement or potential for political interference
4. Financial sustainability	Council control over rates has potential to erode financial sustainability  Potential value identified for DBFO approach not realized	Rate regulation by PUB would contribute to financial sustainability of the utility  Strategic Partner arrangement can be used to improve financial sustainability of certain assets (e.g. wastewater treatment plants)
5. Independence from the City	Although financially segregated, the WWD is not truly financially independent - Council control over rates and capital budgets, City has transferred funds from utility accounts to subsidize annual civic operating budgets	Corporation ensures the segregation of the WWD from the City through appropriate authority and control over its assets, rates and plans
6. Access to grants	Access to traditional grants not impaired  Potential P3 specific grants would not be accessible	Access to traditional grants not likely impaired as long as City is sole owner  Potential P3 specific grants may be accessible depending on nature of Strategic Partnership arrangement
7. Attract and retain staff	Reportedly having problems attracting and retaining human resources - problems will increase in future	Improved ability to attract and retain staff through improved training, flexibility and career path for staff  A "qualified" Strategic Partner in terms of expertise and scale of operations would give the Corporation access to a greater pool of human resources
8. Expand outside City	Government to government nature of negotiations introduces risk of political pressure to provide services without profit or below cost	Corporation would not entertain non-profitable or commercially unreasonable service expansions
9. New utility related lines of business	Additional expertise and capital required for new utility-related lines of business. Likely difficult to attract human resources in a municipal government setting.	An organization with a focus on growing new lines of utility-like businesses would be better positioned to attract human resources required for new areas of business  Strategic Partner(s) could be used to bring relevant expertise and capital to the table

Based on the above assessment and follow up discussion with the Working Group, a decision was taken to develop a full description of the Municipal Corporate Utility plus Strategic Partner delivery model to be used in consultation with key stakeholders.

## 5.0 Stakeholder Consultation

Key stakeholders relevant to the services provided by the WWD were identified and consulted with to identify issues, concerns and ideas to enhance the Municipal Corporate Utility plus Strategic Partner delivery model. In our consultations we adopted the term "Utility Partnership" for the Municipal Corporate Utility plus Strategic Partner delivery model. The following section summarizes who we consulted with.

### Water and Waste Department

The WWD Department was the first group to be consulted. The department head and a key senior manager were involved in the consultations.

### Public Utilities Board

We consulted with the Secretary and Executive Director of PUB.

It was noted that the City of Winnipeg is the only municipality in Manitoba that does not use the PUB to regulate rates for municipal utility services. There are two systems managed by the Manitoba Water Services Board that are also exempted.

### Province of Manitoba

An initial meeting was held with the Clerk of the Executive Council and Cabinet Secretary as well as the Secretary of the Community Economic Development Committee of Cabinet. The purpose of the meeting was primarily to identify the key stakeholders within government to consult with and also obtain feedback on the Utility Partnership concept.

Subsequent meetings were held with senior officials from the Intergovernmental Affairs, Finance and Treasury Board.

### CUPE and WAFSO

The two relevant unions for the WWD were consulted with. The City pledged to continue with an open dialogue on the initiative.

### Market Sounding

A detailed market sounding was undertaken for the SEWPCC delivery model assessment in January 2008 with five leading water/wastewater DBO/DBFO service providers - American Water, CH2M Hill OMI, EPCOR Water Services, Suez Environment, and Veolia Water. The results of the market sounding directly apply to the Strategic Partnership aspect of the Utility Partnership.

The key findings of the market sounding were:

- The SEWPCC project is of sufficient size to attract the attention of these service providers;
- The amended permit's target date of December 31, 2012 for effluent quality could be achieved through a DBO or DBFO if the procurement begins in 2008;
- The "upgrade" nature of the project is manageable through appropriate risk allocation, private partners will take risk on the portion of the existing structures that they are able to inspect; and
- The biggest risk in the eyes of the service provider community is the procurement risk, which must be mitigated through a strong City project champion and commitment of the City to follow through with a project award if it commences a procurement process.

The scope of the arrangement contemplated under the Utility Partnership is at least as large as the SEWPCC given that it includes SEWPCC and NEWPCC. We therefore expect significant market interest in the Strategic Partner procurement.

There may be an even greater market response to a Strategic Partner procurement managed by the Municipal Corporate Utility (i.e., business-to-business procurement) and the procurement can be made even more successful with an experienced board of directors.

## 6.0 Recommended Utility Partnership

Based on the feedback obtained through stakeholder consultations, further input from the Working Group and research into comparable service delivery models in other countries (See Appendix B - Examples of Utility Partnership), the Utility Partnership concept was further refined. This section provides a detailed description of the Utility Partnership concept that represents the most current thinking as to how the final Utility Partnership model would look and feel if approved by City Council and the Minister.

### Description of the Utility Partnership Concept

The WWD would undergo a two stream transformation to create a new water and wastewater utility company equipped to meet the challenges and opportunities facing the City today and well into future.

- Stream 1 involves creating a Municipal Corporate Utility (the "Corporation") that is focused on providing water and wastewater services to its customer base which may include communities outside City boundaries. All other WWD services such as land drainage and flood control and solid waste would also be considered to move to the Corporation.
- Stream 2 involves entering into a long-term agreement with a Strategic Partner that will provide wholesale wastewater treatment services at performance levels specified by the Corporation. Essentially, the operations and upgrade of the treatment plants (NEWPCC and SEWPCC) will become the responsibility of the Strategic Partner for a 20 to 30 year period. The Corporate Utility will have an opportunity to supply plant operations services to the Strategic Partner as an alternative to the operations being undertaken solely by the Strategic Partner, provided the services supplied by the Corporation are competitive.

Stream 1 and Stream 2 would be implemented simultaneously with the goal of having the Corporation and its Strategic Partner in place within 18 months from the decision to proceed with the concept. For the Strategic Partner aspect, this would leave sufficient time to meet the December 31, 2012 deadline for the SEWPCC upgrade assuming the procurement process begins before the end of 2008.

#### *The key characteristics of the Corporation:*

- An independent board of directors comprised of members with relevant experience.
- The Corporation's relationship with the City of Winnipeg defined by a shareholder agreement.
- Assets and liabilities to be assigned or transferred to the Corporation in return for shares. The selection of assignment or transfer approach will be dependent on a number of factors including accounting treatment for the City and Corporation, implications for access to capital and ease of process.
- Decision making falls to the board and CEO of the Corporation.
- Water and wastewater rate regulation by the PUB.
- Mandate to seek new utility-like business outside of and within the City of Winnipeg. Wastewater service expansion would require the involvement of the Strategic Partner whereas other services lines would not.
- Potential dividends and franchise fees provide return to the City (particular for new services or services provided outside of City of limits).
- Unionized City employees would transfer to the Corporation (potential for new collective agreement more catered to a corporate environment and beneficial to employees).
- Senior management employees for the new Corporation would be selected by the board of directors.

- Initial Scope of operations:
  - Full water services – collection, treatment and distribution of treated water;
  - Upstream wastewater services – collection and conveyance of wastewater to treatment plants, source control;
  - Management of the contract with the strategic partner for operations of the wastewater treatment plants;
  - Land drainage and flood control; and
  - Customer service – meter reading, billing and revenue collection.
- Other services to be considered for initial scope of operations:
  - Solid waste disposal;
  - Solid waste collection; and
  - Recycling and waste minimization.

These services are currently tax supported and therefore mechanisms to move them to a financially independent position need to be found before including them in the initial scope of operations.

*The key characteristics of the Strategic Partnership:*

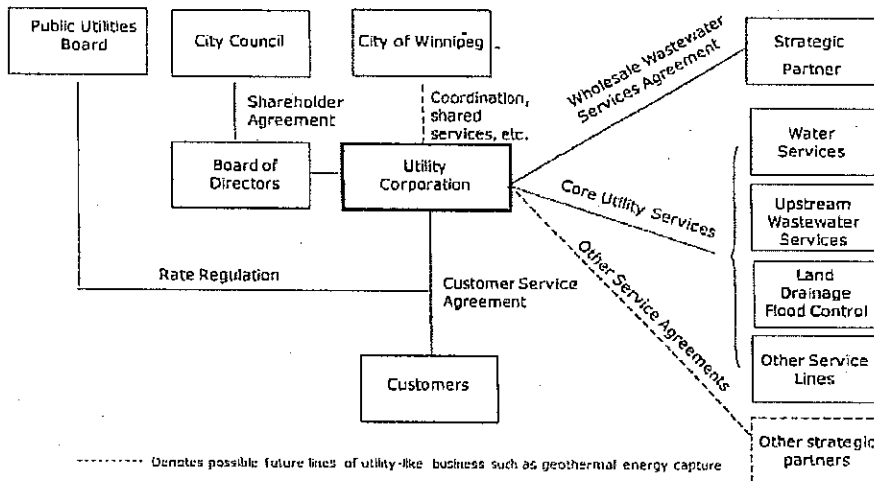
- Strategic Partner Identified through a competitive process based on:
  - Skills and expertise in capital project management and wastewater operations;
  - Access to capital; and
  - Cost of service (rate bid by Strategic Partner for wastewater treatment).
- Strategic Partner responsible for:
  - the design, construction and financing of the upgrades of the SEWPCC and NEWPCC to meet Province of Manitoba requirements;
  - the operation and maintenance of all wastewater treatment plants (SEWPCC, NEWPCC, WEWPCC) and outfalls; and
  - Management of bio-solids produced by the plants.
- Treatment plants remain under ownership of the Corporation – operational control over the plants returns to the Corporation at the end of the agreement (20 to 30 years).
- Strategic Partner may be required to take on existing City wastewater treatment plant employees who transfer to the Corporation for minimum period of time at compensation and benefits at least equal to the Corporation.
- As an alternative, the Corporation could supply treatment plant operations services (e.g. labour, expertise) to the Strategic Partner under a services contract that preserves the desired transfer of project risks to the Strategic Partner.
- Corporation responsible for conveyance of wastewater to the treatment plants within set volume and quality parameters.
- Strategic Partner receives a performance payment from the Corporation that is based on volume of wastewater treated and a capital recovery/replacement amount.
- Strategic Partner and Corporation jointly pursue new wastewater business outside the City of Winnipeg.
- Performance based contract with Strategic Partner subject to board approval. Key features of the contract would include:
  - Defined minimum service standards;
  - Influent / effluent quality parameters;
  - Performance security;
  - Right to set-off payments (list of penalties/abatements) if service levels not met;
  - Step-in rights for the Corporation;
  - Termination provisions;

- o Hand-back requirements to ensure the wastewater treatment plant infrastructure returns to the Corporation control in good condition at the end of the contract; and
  - o Pass through of any regulatory fines received by the City / Corporation to the Strategic Partner.
- Other strategic partners may be found if other utility-like lines of business are pursued such as geothermal energy capture and other green energy sources.

*Requirements of the City:*

- Facilitate the establishment of the Corporation and initiate the procurement of a Strategic Partner (select board, select consultant to manage procurement, etc.) with the Corporation making the final decision on the selection of the Strategic Partner.
- Assignment or transference of water and wastewater assets and liabilities to Corporation.
- Monitor performance of Corporation with formal annual reporting process;
  - o Financial performance; and
  - o Operational performance.
- Commitment to apply for relevant grants from senior levels of government on behalf of the Corporation (for any grants not available directly to the Corporation).
- Coordination related to:
  - o System expansions (new development / densification); and
  - o Maintenance, road closures, etc.
- Make certain back-office services available to the Corporation (if required) on fee for service basis (legal, IT, finance, etc).

The diagram below indicates the basic organizational construct of the Utility Partnership.



## 7.0 Next Steps

We provide the following information to help the City develop a realistic timeline for the establishment of the Corporation for the City's water, wastewater, and land drainage and flood control services.

### Experience from Elsewhere

**Aquatera** - From filing of the initial letter of intent to with the Minister of Municipal Affairs to achieving full operation of the municipal corporation took approximately 1½ years. The negotiation on governance structure, operating principles etc. between the three municipal stakeholders consumed the greatest amount of time and resources. We note that Winnipeg does not face the multi-shareholder issue.

**EPCOR** - EPCOR was the first utility service in Canada to use the municipally controlled corporation model. Much of the legislation regarding municipally controlled corporations contained in the Municipal Government Act and Regulations were created to facilitate the creation of EPCOR. The creation of EPCOR took approximately 1½ years to complete.

### Key Activities – Establishing the Corporation

There would be two key phases of activity for the establishment of the Corporation – first the development of a business plan, followed by implementation.

The first step in the development of a business plan for the Corporation would be the establishment of a project team that will be responsible for managing the development of the business plan. Supporting the project team would be consultants and in-house staff responsible for developing certain components of the business plan. Also supporting the business plan could be an advisory panel comprised of future board members of the Corporation.

The project team would need to investigate and conclude on the following key aspects of the business plan before moving to implementation:

#### Governance

The structure of the Board of Directors of the Corporation would need to be determined. This would include the number of directors, and the composition of the board especially in terms of whether the board will include elected officials of the City of Winnipeg. Considerations would include:

- Corporation's need for business expertise on the Board;
- Council's comfort level with (and/or desire for) truly "arms-length" operation of the Corporation; and
- Possible Provincial requirements.

Once a decision is made on governance, the board members need to be identified and ideally available to the project team as an advisory panel during the business plan and implementation phase.

#### Legal

A review of the legal requirement to create the Corporation should be conducted to identify the documents or other instruments that would be required. The following documents / instruments should be considered:

- Asset Assignment / Transfer Agreement;
- Shareholders' agreement;
- Franchise Agreement;
- Utility Bylaw; and
- Incorporation Documents.

These documents could be developed in parallel with the development of the business plan.



At some point during the formation of the Corporation, it will likely require legal counsel independent of the City.

#### Service Agreements

An inventory of all the services the Water and Waste Department receives from the City needs to be compiled to determine which components/functions will move into Corporation, and what Corporation may need to do to acquire support services previously provided by the City.

Service level agreements need to be developed for services that the Corporation will continue to receive from the City.

A similar exercise must be done for any services that are contracted out by City such as solid waste collection. The contractual arrangements may require revision to reflect separation of the Corporation from the City.

#### Organizational Design

The organization of the existing Water and Waste Department needs to be reconsidered in terms of the broader mandate of Corporation and the implications of a Strategic Partner approach to the wastewater treatment services division.

#### Human Resources

Creation of the Corporation will require the transfer of staff from City. To give Corporation the flexibility to meet its objectives, a bargaining unit separate from City would ideally be created. Investigation of the ability and process for transitioning union staff to the Corporation and a new bargaining unit is required.

Consideration of the process for transitioning management staff is also required. Job profiles will need to be developed for new positions or new roles of management staff.

Implications of a Strategic Partner approach to the wastewater treatment services division need to be considered, which may vary depending on the role of the Corporation and/or its staff in treatment plant operations services.

#### Financial

The Water and Waste Department of the City of Winnipeg is treated as a separate entity from a financial reporting perspective with separate financial statements for Water and Wastewater. We understand that Land Drainage and Flood Control and Solid Waste services are not reported in the same manner as Water and Wastewater. Financial statements may need to be constructed for these services, and it may also be necessary to develop a utility-type revenue model and fee structures for these services. Land Drainage and Flood Control may be particularly challenging in this regard, and may require development of parallel City policies/by-laws to allow the City to collect drainage charges and/or property taxes in a manner that supports the operation of drainage services as a utility.

Other financial matters that need further investigation include:

- Access to capital;
- Access to grants;
- Tax implications; and
- Accounting implications.

#### Technical and Engineering

There could be a wide range of technical/engineering issues that need to be considered including the condition of the asset base, performance requirements and service standards, and expandability to serve surrounding municipalities, etc.

Also, some work would be required with respect to the implications of a Strategic Partner approach to wastewater treatment, to help inform some of the activities noted below under "Key Activities – Procuring a Strategic Partner".

#### Asset Assignment or Transference

The options of asset assignment or transference need to be fully explored from a legal, financial, and philosophical perspective.

#### Key Activities – Procuring a Strategic Partner

The Strategic Partner procurement could be undertaken primarily on a separate but parallel timeline to the development of business plan and Implementation of the Corporation. As noted in the previous section, there are implications of the Strategic Partnership approach for Corporation that need to be understood before certain key points in the procurement process such as the RFP stage.

The Strategic Partner procurement would be very similar to the process currently underway for the Disraeli Bridge and would include the following key steps:

- Planning stage (4 to 6 months):
  - Define scope of project;
  - Develop deal structure and payment mechanism;
  - Assemble technical data; and
  - Prepare Corporate Utility Benchmark (public sector comparator).
- Request for Expressions of Interest stage (2 months potentially in parallel with the previous step):
  - Prepare RFI;
  - Review responses; and
  - Refine findings from planning stage.
- Request for Qualifications stage (2 to 3 months):
  - Prepare RFQ document; and
  - Evaluate responses.
- Request for Proposals stage (6 to 8 months):
  - Prepare RFP document;
  - Prepare Draft Project Agreement;
  - Evaluate responses; and
  - Negotiate.

The timeline from the start of the planning stage to conclusion of negotiations is expected to be no less than 12 months and if managed effectively, no greater than 18 months.

## 8.0 Recommendations

Based on the challenges and opportunities identified for the WWD and the City, on the input of key stakeholders, and on a strategic assessment of relevant delivery models including the status quo, it is recommended that:

- The WWD undergo an organization transformation to become a Municipal Corporate Utility (the "Corporation");
- A Project Team including appropriate city staff and external legal, technical and business advisors be established to guide the development of a business plan for the Corporation and support the procurement of the Strategic Partner;
- An Advisory Panel comprised of potential future board members of the Corporation be established to guide the work of the Project Team; and
- The planning stage for the Strategic Partner procurement begin immediately so that the first market facing stage of the procurement process (the RFEI) can be launched before the end of the 2008 calendar year so that the December 2012 SEWPCC deadline can be met. This would require City Council to approve the initiation of the Strategic Partner procurement process, with the ultimate decision on the Strategic Partner to be made by the Board of Directors of the Corporation.

## Appendix A – Examples of Municipal Corporate Utility Model

#### Example 1 - Aquatera Utilities

Aquatera Utilities is a Municipal Corporate Utility providing water, wastewater, and solid waste services to the City of Grande Prairie, Town of Sexsmith, Hamlet of Clairmont, Town of Wedgewood, and some areas of the County of Grande Prairie. Aquatera was formed in 2003 by the City of Grande Prairie, County of Grande Prairie, and Town of Sexsmith.

The Aquatera Corporation arose from the City of Grande Prairie's desire to create a stand alone utility that could meet water, wastewater and solid waste service needs while providing a return to the municipality. Grande Prairie County and the Town of Sexsmith interest in the corporation arose from their need to obtain water to service regional growth.

In the late 1990's an annexation application by the City and rewriting of the Inter-municipal Development Plan between the City and the County brought servicing issues to the fore. Conflicts arose over increased use of ground water.

- **Organizational Structure and Decision-Making** - Aquatera is a corporate entity comprised of three shareholders, the City of Grande Prairie, Grande Prairie County and the Town of Sexsmith. Shareholder capital is based upon assets contributed to the corporation by each of the shareholders. The City of Grande Prairie has contributed the bulk of assets to Aquatera, and is the majority shareholder of the corporation.

Aquatera's shareholders have entrusted the corporation to a seven member Board of Directors. The structure of the Board has 5 members appointed by the City of Grande Prairie and 1 member from each of the County and Town. Aquatera's Board has three public at large members and four politically appointed members. The three public at large members were appointed as part of the 5 members appointed by the City of Grande Prairie. Grande Prairie wanted the majority of its appointed Board Members to be driven purely from a "business perspective". The four political members of the Board include the Mayor of Grande Prairie, a selected City Councillor, the Reeve of the County, and the Mayor of the Town. The Mayor of the City of Grande Prairie is the Chair of the Board of Directors.

Aquatera is still highly reliant upon the City of Grande Prairie municipal administration for various support functions. Corporate services such as finance, human resources etc., are provided through the City on an "understanding basis"—service level agreements have not been created between Aquatera and the City administration that would define service levels that are to be met by the civic administration.

From Aquatera's perspective the establishment of separate support services at the outset of incorporation could have been advantageous particularly for finance and human resource functions. Aquatera will likely consider support service level agreements in the near term with a longer term objective of creating its own support around key strategic support areas.

- **Human Resources** - Aquatera is part of the same bargaining unit as the City of Grande Prairie. This is because at the time Aquatera was created it was not legally possible to create a separate bargaining unit, as was desired (it is now possible, based on a recent court decision regarding Enmax). A separate bargaining unit would buffer Aquatera from labour actions that may in the City's collective agreement. Further, a separate bargaining unit would allow Aquatera to set compensation schemes that are appropriate to its circumstances and financial abilities.
- **Initial Asset Transfers** - When Aquatera was created various assets were transferred to the new corporation including, assets and chattels, water diversion rights, public utility lands, and operating licenses and approvals. It should be noted that easements for utility lines were not transferred to Aquatera but remain with their respective municipalities.
- **Future Asset Contributions** - Each municipality has the ability to finance and construct water, wastewater and solid waste management capital assets and transfer them to Aquatera for additional share capital. This provision permits Aquatera to pursue capital

priorities while allowing municipalities to create infrastructure that it requires to serve community growth. Furthermore municipalities may recoup the cost associated with asset construction through additional dividends received from the additional share capital created with the asset transfer.

- **Rate Setting** - Aquatera has established a single postage stamp style rate (i.e. customers are charged the same rate regardless of differences in their actual cost of service) for water services. The single rate approach does result in some cross subsidization between customer classes however the centralized nature of the service area diminishes wide variation that might otherwise exist between customer groups. Wastewater services that are established by Aquatera are unique for each municipality served.

Each municipality has the ability to establish rates and pay to Aquatera the difference between municipal rates and that required by Aquatera to meet full cost and profit requirements. This provision permits Aquatera to stay whole, while allowing municipalities to create conditions that are either favourable to existing municipal customers or that provide incentives toward future community growth.

- **Access to Capital** - Currently Aquatera maintains a banking arrangement with a national bank. Open five-year loans are obtained from the bank for the construction capital requirements. At the end of the five-year period any outstanding loans are refinanced.

Aquatera had considered creating its own bond offering to be used to construct its capital requirements, but its immediate capital financing requirements were less than the minimum bond issue threshold of \$60M.

Aquatera has established a corporate guideline of a 1 to 1 debt to equity ratio. This coupled with not having contributed assets valued on the company's financial statements is a conservative operational approach that is attractive to any loan agency. The approach however, constrains Aquatera's financing capacity, and could lead to future issues when major capital additions may be required.

It should be noted that debt held by Aquatera is solely that of the corporation and no guarantees have been given by shareholders.

- **Access to Grants** - Aquatera is able to access Alberta Infrastructure & Transportation grants through its municipal partners under the Alberta Municipal Water / Wastewater Partnership (AMWWP) Program. Grants are used to pursue capital improvements for each shareholder / municipal partner.
- **Return on Capital** - When Aquatera was initially created, it elected to establish a two-year dividend holiday. This holiday allowed Aquatera to gather financial momentum. Aquatera has subsequently established a 5% dividend (return on equity) commitment to its shareholders. This dividend is not overly burdensome yet sufficiently attractive to encourage subsequent financial investment from the municipal shareholders.
- **Franchise Agreement** - A franchise agreement was negotiated between Aquatera and each municipality served. The franchise agreement sets out the terms for the corporate operation within the municipality. Aquatera pays to the municipality a franchise fee in lieu of taxes for the right to use municipal rights of way and easements.
- **Tax Status** - Aquatera has received a municipal tax status from Canada Customs and Revenue Agency. This tax status results in Aquatera receiving a rebate on GST and allows utility revenue to be exempt from corporate income tax.
- **Timing and Effort Required for Corporate Transformation** - From filing of the initial letter of Intent to with the Minister of Municipal Affairs to achieving full operation of the municipal corporation took approximately 1½ years. The negotiation on governance structure, operating principles etc. between the three municipal stakeholders consumed the greatest amount of time and resources.

The Province has been very supportive of the creation of Aquatera, in particular the Ministry of Municipal Affairs. Municipal Affairs funding was made available through an Exploration and subsequently an Implementation Grant. The Exploration Grant in the amount of \$50,000 funded the conceptual feasibility study and a facilitator to guide the three municipal Councils to agreement on the governance structure and operation principles of the municipally controlled corporation.

The implementation grant in the amount of \$175,000 on a 75/25% cost-shared basis helped to offset the costs of implementing the Corporation and finalizing the detailed agreements among the shareholders / municipalities.

It is estimated that concept exploration and implementation cost approximately \$450,000 including \$225,000 in provincial grant support outlined above.

The creation of Aquatera has permitted needed utility services to be provided to each municipality without political interference that might otherwise exist if the service was provided as a municipal department. The corporation has a number of unique agreements with municipalities / shareholders that permit each municipality to control service rates and construct growth related infrastructure without negatively impacting Aquatera. During the creation of Aquatera grant and no-cost assets were transferred at no value into the corporation. The selection of a conservative debt to equity ratio and undervaluing no-cost assets may act as a future constraint on debt capital that can be raised by Aquatera.

#### Example 2 - EPCOR Water Services

EPCOR Water Services Inc. ("EPCOR Water") is incorporated under the Business Corporations Act and has all of the powers and rights of a typical business corporation in the private sector. EPCOR Water Services Inc. ("EWSI") delivers water services to the City of Edmonton, and is wholly owned by the City of Edmonton through EPCOR Utilities Inc. ("EPCOR"). EWSI and EPCOR are involved in business outside of the City of Edmonton; however this discussion is focused on the provision of water services to the City - which is done through a Municipal Corporate Utility model.

EPCOR was created as a business opportunity for the City of Edmonton. Initially EPCOR consisted of power related services with water and wastewater services later added to the range of services provided by EPCOR.

- **Governance** - EPCOR is a 2,400 person organization that has its own 13 member Board of Directors with no board members having an interest in the shareholder, i.e., no City employees or elected officials. The management of EPCOR Utilities Inc. and all of its subsidiaries are subject to powers vested in the Board of Directors of EPCOR Utilities Inc.
- **Organization** - EWSI has three main service offerings: retail water sales (treatment and distribution of potable water and related services to its customers in Edmonton), wholesale water sales (supply of potable water to communities surrounding Edmonton), and commercial services (a range of water and wastewater services sold to municipal and industrial clients primarily in Alberta and B.C.).

EWSI receives a number of services from other divisions of EPCOR and the City for its retail water sales business only. EWSI receives from EPCOR: corporate services (financial, legal, HR, IT, etc.); communication services; billing, collection, call centre and meter reading services. EWSI receives from the City: road resurfacing; water service connections and cathodic protection; and vehicle maintenance.

EPCOR also provides various services to the City of Edmonton including utility billing for drainage and solid waste management.

Services between the various subsidiaries of EPCOR and between EPCOR and the City are framed by service level agreements.

- **Rate Setting** – EWSI aims to operate on a full cost recovery basis while maximizing returns on its equity.

Based on the City's performance based rates bylaw (in effect until March 31, 2007), annual water rate increases for Edmonton customers are limited to inflation less 0.5% plus non-routine adjustments. Operations of Commercial Services (unregulated business) are funded by payments earned through the various contracts it has with its clients.

The Retail Water Sales and Wholesale Water Sales units are referred to as the "regulated" business because the rates they charge are regulated by the City and Alberta Energy and Utilities Board (AEUB) respectively. Commercial Services are self-regulating because they operate in a competitive market.

- **Human Resources** – There are seven bargaining units in EWSI. The collective agreements of the City of Edmonton were originally grand fathered during the creation of EPCOR. EPCOR has since negotiated various parts of the agreements to meet its operating needs and capacities.
- **Initial Asset Transfers** – When EPCOR was created various assets were transferred from the City of Edmonton to the new corporation including, assets and chattels, water diversion rights, public utility lands, and operating licenses and approvals. Though no cost assets (grant assets and developer assets) were transferred along with equity assets, EPCOR does not reflect the no-cost assets on its balance sheet.
- **Access to Capital** – EPCOR has various means to obtaining capital and has established a subsidiary that has a primary function of raising and investing capital. One of the more unique methods that EPCOR has used in raising capital is the sale of preferred shares on the open market. These preferred shares provide a return to investors but do not relinquish control of the corporation from the City—preferred share hold no voting rights.
- **Access to Grants** – EPCOR has not as yet, called upon the City to relinquish grants for capital construction. Currently all grants received by the City are used for other infrastructure needs.
- **Franchise Agreement** – A franchise agreement has been established between EPCOR and the City of Edmonton that provides a return for the City for use of the City's rights of ways etc.
- **Tax Status** – EPCOR has received a municipal tax status from Canada Customs and Revenue Agency that applies to services provided on regulated water services. EPCOR's commercial water services are subject to all applicable taxes.
- **Timing and Effort Required for Corporate Transformation** – EPCOR was the first utility service to use the municipally controlled corporation model. Much of the legislation regarding municipally controlled corporations contained in the Municipal Government Act and Regulations were created to facilitate the creation of EPCOR. The timeframe for the creation of EPCOR took approximately 1½ years to complete. The cost of transformation is unknown.

The creation of EPCOR has resulted in significant returns to the City of Edmonton. EPCOR provides a large number of services beyond City and provincial boundaries that would otherwise not be possible had the municipal controlled corporate structure been adopted. EPCOR staff have a very high level of morale and the private enterprise model is able to provide performance incentives based upon company growth and returns.



### Example 3 - Utilities Kingston

Utilities Kingston ("UK") was incorporated in 2000 to manage, operate and maintain the assets of the City of Kingston's five utilities. Kingston Electricity Distribution Limited ("KEDL") holds the assets of the former Hydro Electric Utility Commission, UK holds the assets of the Fibre Optic utility and the City holds the water, wastewater assets and natural gas assets. All these services and assets were housed within a utility department of the City prior to the establishment of UK and KEDL.

UK was created in response to Bill 35 which required the City to move the electricity distribution business into corporation and the City's desire to capitalize on the competitive advantage of utility convergence (one call, one crew, one bill)

- **Governance** - UK has no political representation on its board. The board is comprised of 5 members: the City CAO, the CEO and VP of UK, and two citizens - one with a legal background in the utility business and the other a business agent of the union.
- **Organization** - UK has 5 main service offerings: electrical distribution, gas distribution, water and wastewater services and fibre optic. UK also has a water heater rental business as well as provides water services to a least one community outside of the City limits.  
  
UK receives a number of services from the City including IT support, legal and some back office finance services. Services between UK and the City are framed by service level agreements.
- **Rate Setting** - water and sewer rates are approved by the City when UK presents its annual budget. Currently, rates have been approved for the next 3 years. UK also posts a 10 year rate forecast on its website. Rates have more than doubled for sewer and increased by approximately 60% for water to meet the needs of a significant capital improvement program.
- **Human Resources** - All unionized employees at UK are members of IBEW. City employees switch from CUPE to IBEW when they transferred to UK. Some changes were made to the IBEW collective agreement with the establishment of UK including pay rates that depend not only on years of service but level of certification.
- **Asset Transfers** - The City holds the water and wastewater assets - no transfer. Some concern over the years by the City in terms of the level of debt that is attributed to UK.
- **Access to Capital** - UK's capital is from rates and debentures issued by the City.
- **Access to Grants** - The City holds the water and sewer assets so there is no issue with access to grants.
- **Service Agreement** - A service agreement between the City and UK gives UK the right and responsibility to manage, operate and maintain the water and sewer systems.
- **Shareholder Agreement** - A shareholder agreement specifies the City as the sole shareholder of UK and requires Council approval of annual budget and rates. Council approval is also required for any material business decisions (e.g. develop new service offering).
- **Tax Status** - Rates charged by UK are GST exempt through the City's involvement as receiver of rate revenue. Some of UK's services (such as water services to other municipalities) are subject to all applicable taxes including corporate tax. UK does not pay PILT on water and sewer assets.
- **Timing and Effort Required for Corporate Transformation** - TBD

The creation of UK has allowed for significantly more flexibility in decision making. It allowed UK to address the water and wastewater infrastructure gap issues in a much more robust manner than would have been possible under the municipal department model. UK staff have

a very high level of morale and are highly service oriented. The business arrangements made with municipalities outside of the City limits would not have been possible under the municipal department model.

## Appendix B – Examples of Utility Partnerships

## Examples of a Corporate Utility entering into arrangement with a Strategic Partner for multiple wastewater treatment plants

### 1. Northern Ireland Water, Project Omega

#### Sponsor:

- Northern Ireland Water (NI Water), a government owned corporation. NI Water supplies 625 million litres of clean water a day for 1.7 million people and treats 134 million m3 of wastewater each year.

#### Background:

- Historic under-investment in Northern Ireland's water and sewerage services resulted in the need for a £1.1 billion capital investment program in order to comply with European Union legislation. A PPP programme was implemented to accelerate the upgrades – Project Alpha focused on water treatment while Project Omega focused on wastewater treatment and sludge disposal.

#### Project:

- Project Omega is principally comprised of the construction of a new, state-of-the-art wastewater treatment plant at Donaghadee and a second sludge incinerator – rated at 24,000t per year – in Belfast, the project is intended to form a sustainable wastewater strategy to meet the Province's needs for the next 25 years.
- The project also includes upgrading six existing wastewater plants, refurbishing a number of sludge facilities and constructing three pumping stations and associated transfer pipelines.
- Upon completion, the private sector partner will be responsible for 20% of Northern Ireland's wastewater treatment and 100% of the region's sludge disposal.

#### PPP Type:

- Design, Build, Finance, and Operate (DBFO) model, with the consortium financing and operating the facilities over a 25 year period.
- The payment mechanism is a Unitary Charge based on the following:
  - Wastewater volume at each facility, less performance deductions; and
  - Tonnage of total dry solids of sludge disposed of, less performance deductions.

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## Examples of a Corporate Utility entering into arrangement with a Strategic Partner for multiple wastewater treatment plants

### Contractor:

- Glen Water, a Joint Venture Corporation. The Glen Water consortium is comprised of a number of organizations, namely:
  - RWE Thames Water PLC<sup>[1]</sup> (JV partner)
  - Laing O'Rourke Portfolio Projects Ltd (JV partner)
  - Thames Water Services Ltd
  - Laing Utilities Limited
  - Laing O'Rourke Holdings Ltd
  - Dawson WAM
  - BSG Civil Engineering
  - Williams Industrial Services Ltd
  - Hyder Consulting (UK) Ltd

### Value:

- £122 million contract (CAD \$277 million)<sup>[2]</sup>

### VFM:

- Savings of 17% were achieved from NI Water's initial estimates. This value was credited to strong competition throughout the bid process and a high degree of contractor innovation facilitated by the performance output approach of PPPs.

[1] RWE Thames Water PLC subsequently sold its equity interest to Veolia Water UK

[2] GBP/CAN exchange rate was 0.44 in March 2007 when the PPP contract was awarded.

## Examples of a Corporate Utility entering into arrangement with a Strategic Partner for multiple wastewater treatment plants

### 2. Scottish Water, Various Projects

#### Background:

- Scottish Water is a government-owned corporation created in 2002 from the merger of the three former regional water authorities. The organisation is the fourth largest water and sewerage operator in the UK with revenue of £1 billion. It provides services to 5 million domestic customers and 130,000 businesses. It operates within a regulatory framework involving the Drinking Water Quality Regulator, the Water Industry Commission for Scotland, Waterwatch Scotland and the Scottish Environment Protection Agency.
- Scottish Water, and its predecessor organizations, has entered into several PPPs to provide wastewater treatment. Three examples follow that illustrate cases involving both existing and new assets being bundled into a single PPP contract.

#### Aberdeen Wastewater Project

##### Sponsor:

- North of Scotland Water Authority

##### Project:

- The project involved detailed design and construction of three new wastewater treatment works and a major refurbishment of one existing works, on a fast-track basis. The plants serve a population of 526,000 people. The scheme incorporated the provision of a regional sludge treatment centre for sewage sludges within the Grampian and other regions of northern Scotland.

##### PPP Type:

- DBFO model, with the consortium financing and operating the facilities over a 30 year period.

##### Contractor:

- Earth Tech, in a construction joint venture with Balfour Beatty Construction Ltd.

##### Value:

- £65 million construction value (CAD \$155 million<sup>[1]</sup>)

##### Timeline:

- June 1998 - Project start date
- April 2002 - Project completion

[1] GBP/CAN exchange rate was 0.419 in June 1998 when the PPP contract was awarded

## Examples of a Corporate Utility entering into arrangement with a Strategic Partner for multiple wastewater treatment plants

### Tay Wastewater Project

#### Sponsor:

- North of Scotland Water Authority

#### Project:

- The project primarily enabled interception of foul flows from 41 outfalls previously discharging into the Tay Estuary and lower Angus coast. This was undertaken by the design and construction of a series of new collection pumping stations and transmission pumping mains together with a new wastewater and sludge treatment plant at Hatton (Hatton WTP) situated between Arbroath and Carnoustie. Increased storm storage facilities and improved storm screening plant will be provided at the pumping stations together new or extended outfalls to ensure discharge below Mean Low Water Spring sea level. The final effluent from the Hatton WTP flows through a new long-sea outfall whose discharge point is located 1.6 km offshore.
- The Concessionaire disposes of all sludge arising from the treatment processes and up to 1,000 tonnes dry solids of sludges per annum that North of Scotland Water Authority may elect to import. Disposal will primarily be to agricultural land in accordance with present legislative requirements.

#### PPP Type:

- DBFO model, with the consortium financing and operating the facilities over a 30 year period.

#### Contractor:

- Catchment (Tay) Ltd. a special purpose company owned indirectly by IWL, United Utilities and Morrison Construction Ltd. The consortium members included Caledonia Water, a subsidiary of United Utilities, which will perform the operations and maintenance.

#### Value:

£100 million capital value (CAD \$235 million[1])

#### Timeline:

- December 1999 - Concession agreement signed
- 2001 - Project completion

[1] GBP/CAN exchange rate was 0.425 in December 1999 when the PPP concession agreement was signed.

## Examples of a Corporate Utility entering into arrangement with a Strategic Partner for multiple wastewater treatment plants

### Glasgow Sewage Treatment Project

Sponsor:

- West of Scotland Water Authority

Project:

- The project covers three sludge treatment works and waste water treatment centres at Meadowhead, Stevenston and Inverclyde. The existing works at Meadowhead and Stevenston were upgraded to deal with secondary treatment, while a new waste water and sludge treatment works was built for Inverclyde.

PPP Type:

- DBFO model, with the consortium financing and operating the facilities over a 30 year period.

Contractor:

- Ayr Environmental Services Ltd.

Value:

- £65 million capital value (CAD \$143 million<sup>[1]</sup>)

Timeline:

- January 1998 - PPP announced
  - October 2000 - Financial close
  - October 2002 - Start of operations
- [1] GBP/CAN exchange rate: 0.456



### Examples of a Corporate Utility entering into arrangement with a Strategic Partner for multiple wastewater treatment plants

#### 3. Water/Wastewater Governance in Australia

- Australia reorganized its water governance in 2006, moving towards a system of government-owned corporations (statutory corporations). Though policy differs from state to state, these corporations are typically either bulk water and wastewater treatment businesses or retail water businesses.
- The procurement policies of these corporations vary state to state; however, consideration of PPPs is common. For example, the Barwon Wastewater Treatment project, described below, has proceeded utilizing a D8FO model. In addition, Melbourne Water is currently procuring a \$3.1 billion water treatment plant in conjunction with the Department of Sustainability and Environment.

#### Barwon Water Biosolids Management Project

##### Sponsor:

- Barwon Region Water Corporation, a State of Victoria statutory corporation

##### Project:

- The treatment and beneficial use of biosolids from the Black Rock Sewage Treatment Plant and Barwon Water's other water reclamation plants. The project involves providing the following services:
  - accepting delivery of input materials;
  - processing input materials;
  - Storing input and output materials;
  - providing measuring equipment;
  - beneficial use of output materials in line with Environmental Protection Authority requirements;
  - complaints handling; and
  - monthly performance reporting.

##### PP Type:

- Plenary Environment will design, build, finance and operate the facility. The contract will be for a 20-year period post commissioning, which is expected in mid-2009.

##### Value:

- AUS\$77.6 million



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**Agenda – Council – July 22, 2009**

**Report – Executive Policy Committee – July 15, 2009**

**Item No. 1                      City of Winnipeg Municipal Utility  
   eFile GL-5.6.1**

**EXECUTIVE POLICY COMMITTEE RECOMMENDATION:**

On July 15, 2009, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1.     That an arm's length 100% city-owned utility corporation that the City cannot sell in whole or in part and ensures the protection of public health and the environment, be established.
2.     That the Province of Manitoba be requested to pass a regulation under section 212 of The City of Winnipeg Charter to establish the corporation.
3.     That City Council continues to have control over the Utility capital program, similar to the Manitoba Hydro capital governance model.
4.     That the Chief Administrative Officer be authorized to enter into an asset management agreement with the utility corporation.
5.     That City Council, by resolution, directs the utility corporation to seek Public Utility Board rate approval.
6.     That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Agenda – Council – July 22, 2009**

**Report – Executive Policy Committee – July 15, 2009**

**DECISION MAKING HISTORY:**

**EXECUTIVE POLICY COMMITTEE RECOMMENDATION:**

On July 15, 2009, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

Further on July 15, 2009, the Executive Policy Committee received submissions regarding the proposed City of Winnipeg Municipal Utility from the following:

- Councillor Gerbasi, Fort Rouge-East Fort Garry Ward

Further on July 15, 2009, the Executive Policy Committee received submissions in opposition to the proposed City of Winnipeg Municipal Utility from the following:

- Derwyn Davies
- Carolyn Garlich, Council of Women of Winnipeg  
and the Provincial Council of Women of Manitoba
- Jesse Hajer, Canadian Centre for Policy Alternatives – Manitoba.
- Mike Davidson, President, Canadian Union of Public Employees (CUPE) Local 500
- Diana Ludwick.
- Dr. Mary LeMaitre, Development and Peace
- Barry Hammond
- David Goodwin, Wolseley Residents Association  
and the Social Planning Council of Winnipeg
- Tom Simms
- Paul Hesse, Sierra Club of Canada (Winnipeg Branch)
- Alanna Makinson

# ADMINISTRATIVE REPORT

**ISSUE: CITY OF WINNIPEG MUNICIPAL UTILITY**

**Critical Path: Executive Policy Committee - Council**

## AUTHORIZATION

Author	Department Head	CFO	CAO
M. Geer B. Gray H. Hunter	B. MacBride	M. Ruta	G. Laubenstein

## RECOMMENDATIONS

The Public Service recommends that Council approve the following:

1. Establish an arm's length 100% city-owned utility corporation that the City cannot sell in whole or in part and ensures the protection of public health and the environment.
2. City Council requests the Province to pass a regulation under section 212 of The City Charter to establish the corporation.
3. City Council continues to have control over the Utility capital program, similar to the Manitoba Hydro capital governance model.
4. City Council authorizes the Chief Administrative Officer to enter into an asset management agreement with the utility corporation.
5. City Council, by resolution, directs the utility corporation to seek Public Utility Board rate approval.
6. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

## IMPLICATIONS OF THE RECOMMENDATIONS

The implications of this recommendation, to the City are:

1. Using a corporate model for delivery of Utility services will enable the City to maintain and enhance water and waste services to protect public health and environmental stewardship as well as the additional benefits which include:
  - Positioning the Utility for future opportunities such as expansion into new services inside and outside of Winnipeg.
  - More flexibility in dealing with general business issues. Public Sector governance is restrictive leading to less flexibility in dealing with business issues.
  - Board Governance will typically incorporate a wider span of skill sets, from a variety of public and private industries, potentially leading to greater innovation and more objective decision making.
  - The proposed governance process would not be open to risk of influence by political agendas, but rather based on what will achieve best value for money for the utility in protecting human health and the environment.
  - Improved ability to strengthen management of over \$1 billion in required upgrades and aid in meeting and maintaining environmental standards on time and on budget.
  - Enhanced transparency and protection of taxpayers through improved rate setting process and reaffirming City Council's September 24, 2008 decision to discontinue transfer of funds from the Utility.
  - Financial sustainability of the utility services as future rate increases will be directly tied to water and waste services.
  - Improved ability to focus solely on the long term sustainability of the municipal utility, respond quickly and make good business decisions faster.
  - Reduced operating and capital costs.
  - Generation of new revenue streams by seeking out opportunities to provide new utility services in Winnipeg and elsewhere, with benefits flowing back to ratepayers.
  - Encourage growth and innovation, resulting in an improved ability to attract and retain specialized utility, professional and technical staff and provide them with a challenging and rewarding work environment.
2. The Utility will realize financial benefits in the long term through business growth as it seeks out opportunities for work outside of the City. Where such retained earning are realized the Utility will be able to reinvest in enhanced services to Winnipeggers.
3. In the short term, operational changes that benefit utility staff, management and citizens will be realized as soon as the utility is established.
4. The arm's length nature of the organization will allow increased accountability but Council involvement in the day to day operation of the utility will be minimal.

5. Any future utility service agreements in the Capital Region or elsewhere would be the responsibility of the Utility and its Board to negotiate and conclude.
6. Future Strategic Partnership negotiations and agreements will be the responsibility of the Utility and its Board to conclude.
7. The Water and Waste utility assets will remain wholly owned by the City of Winnipeg.
8. Staff will be offered the opportunity to move to the new utility corporation. This transition will be managed in accordance with the respective collective bargaining agreements.
9. Decision to establish a 100% city-owned Utility Corporation will enhance private sector interest in the strategic partnership model and reduce cost to the City as the private partner will not have to include costs for the risks inherent in dealing directly with a public body.



## HISTORY

The City of Winnipeg, in April 2008, engaged Deloitte & Touche LLP (Deloitte) through RFP 222-2007 to investigate the concept of utilizing a Utility Corporation to provide utility services to the citizens of Winnipeg.

In November 2008, the recommendations provided in the Deloitte's Proof of Concept report were presented to Council for their consideration. Following their consideration, Council instructed the Public Service to explore the concept of a City-owned utility as an arm's length business model to operate City owned utilities and report back to Council with a business plan outlining what the utility would look like, how it would operate, and what legislative authorities are required to establish the utility.

The Public Service established a project team to carry out the research necessary to establish what benefits that a City owned Municipal Corporate Utility would deliver and develop a business plan. This report, and the attached business plan, presents the recommendations developed by the project team in consultation with the City's internal departments and independent advisors engaged to provide project specific advice relating to the financial and legal aspects of the project.

# FINANCIAL IMPACT

## Financial Impact Statement

Date:

June 24, 2009

Project Name:

First Year of Program

2009

CITY OF WINNIPEG MUNICIPAL UTILITY

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Capital</b>					
Capital Expenditures Required	\$ 500	\$ 2,500	\$ -	\$ -	\$ -
Less: Existing Budgeted Costs	500	2,500	-	-	-
Additional Capital Budget Required	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Funding Sources:</b>					
Debt - Internal	\$ -	\$ -	\$ -	\$ -	\$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Additional Capital Budget Required	<u>\$ -</u>				
Total Additional Debt Required	<u>\$ -</u>				
<b>Current Expenditures/Revenues</b>					
Direct Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Comments:</b> Transition/start-up costs to be funded from existing capital budget.					

original signed by Maira Geer CA  
Department Controller

## CONSULTATION

In preparing this Report there was consultation with:

Corporate Finance Department  
Water & Waste Department  
Corporate Support Services

## SUBMITTED BY

Department: Corporate Finance

Division:

Prepared by: Moira Geer CA., Bryan R. Gray LL.B., Henry S. Hunter P.Eng.

Date: June 26, 2009

File No.



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# Municipal Utility Business Plan

2010-2015

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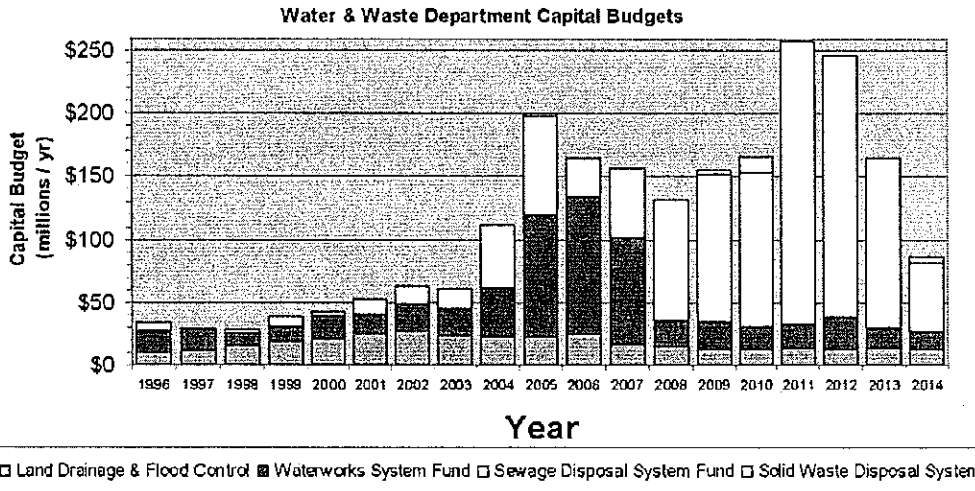
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## 1. Executive Summary

On November 19<sup>th</sup>, 2008, City of Winnipeg ("City") Council provided the Public Service with a mandate to explore the concept of a City-owned Utility as an arm's length business model to operate City-owned utilities and report back to Council with a business plan outlining what the utility would look like and how it would operate, and what legislative authorities are required to establish the utility. In parallel, the Public Service was also directed by City Council to conduct a procurement process to secure a Strategic Partner to help deliver the wastewater capital projects.

The Water and Waste Department (the "Department") has an unprecedented capital program – while continuing to re-invest in existing infrastructure, the operations are expanding through construction and operation of a new water treatment plant and expanding wastewater operations to comply with new environmental license requirements. This trend is shown below in the capital budget comparison from 1996 to 2014.



In addition, resource requirements for the planning, design and execution of capital projects and operation and maintenance of new plants are increasing as the new facilities come online.

In light of these unprecedented challenges, the Public Service conducted the tasks delegated by City Council to explore a new management model that:

- o Meets the challenges of the \$1 billion accelerated capital program that will protect taxpayers and provide greater accountability and transparency; and
- o Positions Winnipeg's utility services to move quickly to seize opportunities that will provide benefit to both citizens and the environment.

#### **Recommendations**

The research and analysis has shown that establishment of a 100% City-owned, arm's length Municipal Utility (the "Utility") will provide benefits over the existing department model. Therefore, the Public Service recommends the following:

- o Establish an arm's length 100% City-owned Utility corporation that the City cannot sell, in whole or in part, and which ensures ongoing protection of public health and the environment.
- o City Council request the Province to pass a regulation under section 212 of the City of Winnipeg Charter Act (the "Charter") to establish the Municipal Utility.
- o City Council continue to have control over the Utility capital program, similar to Manitoba Hydro's capital governance model.
- o City Council authorize the Chief Administrative Officer ("CAO") to enter into an asset management agreement with the Utility.
- o City Council, by resolution, direct the Utility to seek rate approval by the Public Utilities Board ("PUB").
- o City Council authorize Officers of the City to do all things necessary to implement the intent of the foregoing.

#### **Current State and Challenges**

The Water and Waste Department of the City currently provides a broad range of utility services to residents and businesses in Winnipeg, including water and wastewater services, solid waste collection and disposal, recycling, and land drainage and flood control. As evidenced by the significant and unprecedented increase in the capital program, a Municipal Utility model will address the existing and future challenges as well as benefit from future opportunities. Challenges include:

- o Projects related to the City's water treatment plant resulted in significant cost overruns that were fully borne by the City.
- o Rates for water and sewer services have increased nearly 50% over the past five years.
- o Population growth in the south regions of the City is increasing capacity requirements.



- The Manitoba Environment Act requires the City to make upgrades to the City's wastewater treatment plants, which are estimated to cost \$650 million, to meet nutrient and bio-solid removal standards mandated by the Province by the fixed dates of December 2012 and December 2014.
- Demographics of the current workforce and the labour force in general will create a human resource challenge. Based on years of service, 28% of the workforce is eligible to retire within four years.

Water and waste operations are unique when compared to other City departments given the dedicated revenue stream and long term nature of its significant capital projects. The arm's length Utility model will provide flexibility not possible in the current City department structure and allow the Utility to tailor its business processes and decision making to fit its needs. As such, the City needs to seek new and improved ways to manage its utility infrastructure and service delivery.

#### **Benefits of a Municipal Utility Model**

The benefits of moving to a Municipal Utility model include:

- Positioning the Utility for future opportunities such as expansion into new services within and outside Winnipeg.
- Positioning the Utility to have more flexibility in dealing with general business issues than is provided under public sector governance.
- Board governance will incorporate a wider span of skill sets, from a variety of public and private industries, which leads to greater innovative and more objective decision-making.
- Governance process that will not be driven by political timelines or agendas, but rather based on what will achieve best value for money for the Utility in protecting human health and the environment.
- Improved ability to strengthen management of over \$1 billion in required upgrades and aid in meeting and maintaining environmental standards on time and on budget.
- Enhanced transparency of rate setting process and reaffirmation of City Council's September 24, 2008 decision to discontinue transfer of funds from the Utility.
- Financial sustainability of the utility services as future rate increases will be directly tied to water and waste services.
- Improved ability to focus solely on the long term sustainability of the Utility, respond quickly and make good business decisions faster.
- Reduced operating and capital costs.

- o Generation of new revenue streams by providing new utility services in Winnipeg and elsewhere with benefits flowing back to ratepayers.
- o Encourage growth and innovation, resulting in an improved ability to attract and retain specialized utility, professional and technical staff and provide them with a challenging and rewarding work environment.

#### Concept Overview

The plan is to establish a wholly owned arm's length Municipal Utility that would serve as an asset manager. The Utility will deliver water and waste services on behalf of the City under an Asset Management Agreement and will receive compensation from the City for the cost of providing the services that the City would have otherwise incurred to deliver the services itself. The cost of providing these services is expected to decrease under the asset management model with net benefit to Winnipeggers. The City will retain ownership of all current Department assets that will be managed by the Utility.

The Utility will be accountable to the City through its governance framework. The Utility will be governed by an independent Board appointed by City Council. City Council would not be involved in the day-to-day operations but would continue to give final approval to the Utility annual business plan and capital budget. The Utility will enter into a strategic partnership to source specialized private sector expertise and allow for risk sharing with the private sector in order to deliver major sewage treatment construction projects.

Under the asset management model, the City will retain rate setting authority, at least for the transition and start-up period. The Utility will also look for opportunities to enhance its rate setting openness and transparency. The rate setting process will benefit through the participation of the Utility's Board, whose members will possess appropriate business and industry expertise. When suitable statutory amendments are achieved, the option of having the independent and provincially appointed Public Utilities Board provide review and approval of utility rates will be implemented.

#### Business Model

**Services.** The Utility will maintain and enhance the water and waste services currently provided by the Department to the citizens of Winnipeg today.

**Infrastructure.** The Utility will gain access to the City's assets through the Asset Management Agreement with the City.

**Organizational Design and Skill Requirements.** The Utility will build upon the Department's existing organizational structure, adding new positions and responsibilities that reflect new regulatory and business development functions.

The City desires a smooth transfer of staff and will work with the Canadian Union of Public Employees ("CUPE") and the Winnipeg Association of Public Service Officers ("WAPSO") to develop employee transition agreements to outline the specific terms and

conditions under which the transition from the City to the Utility will occur. A joint labour-management committee will be established to negotiate and oversee the transition.

**Strategic Partner.** The procurement of a strategic partner is currently underway to potentially access global resources, capacity and experience that it can draw on to construct required capital projects and help optimize sewage treatment operations and maintenance as a whole.

**Requirements for Services from the City.** To deliver core water and waste services, the Utility requires information technology, human resources, finance and customer contact support services. Generally, the current means of providing support services will continue in the Utility model, resulting in the City continuing to provide some services to the Utility and the Utility providing some services with its own internal resources. The provision of these services will be formalized through service level agreements ("SLA's").

**Financial Implications**

In the short term, the Utility model, including the strategic partnership, can realize financial benefits primarily due to operating and capital cost savings. As well, the Utility model provides the benefit of net incremental revenue. While over time the financial improvements are expected to grow, the impact in the first five years is demonstrated below.

	2009	2010	2011	2012	2013	2014
<b>Expenditure adjustments resulting from new model</b>						
One-time transition costs	\$ 500	\$ 2,500	\$ -	\$ -	\$ -	\$ -
Costs to have rates reviewed by PUB	-	-	-	1,000	1,000	1,000
Savings in operating costs / synergies associated with Utility model	-	(862)	(1,319)	(1,360)	(1,387)	(1,471)
Savings from strategic partnerships – financing costs	-	(253)	(623)	(1,336)	(2,325)	(3,317)
Savings from strategic partnerships – operations	-	-	-	-	(720)	(720)
Other	458	(90)	(213)	(352)	(513)	(557)
<b>Expenditure adjustments - Subtotal</b>	<b>958</b>	<b>1,295</b>	<b>(2,154)</b>	<b>(2,048)</b>	<b>(3,945)</b>	<b>(5,065)</b>
<b>Incremental revenue resulting from new model</b>						
Incremental revenue – wholesale services to capital region	-	(45)	(230)	(496)	(771)	(1,060)
<b>Available improvements – new model: Dollar costs (savings)</b>	<b>\$ 958</b>	<b>\$ 1,250</b>	<b>\$(2,384)</b>	<b>\$(2,544)</b>	<b>\$(4,716)</b>	<b>\$(6,124)</b>

### **Implementation Plan**

An initial implementation plan to establish the Utility has been developed and broken into three time horizons:

- o **The next 90 days** – next steps to complete the development of the implementation plan and lay the foundation for the Utility to be created.
- o **Between three months and one year** – pass regulation and complementary statutory amendments; establish the Utility, its management and Board; and begin operations to provide asset management services to the City and explore growth strategies.
- o **Beyond one year** – growth strategy implementation and lay the foundation to transition rate setting from City Council to PUB, when suitable additional statutory amendments are achieved.

### **Risk Assessment**

The Utility will have a comprehensive, coordinated and sustainable risk management process that will enable it to proactively and efficiently manage business risks. As an asset management business, the Utility will in some cases manage risks on behalf of the City. Risks and strategies to mitigate these risks have been identified for both ongoing operations and the transition to the Utility. With regards to the transition, the Utility will monitor and mitigate risks associated with the legal and regulatory environment; employee buy-in; public acceptance; financial benefit; and preparedness for the transition. Strong planning, ongoing discussions with regulators, and open and transparent communications will be essential to the success of the Utility.

### **Conclusion**

The Public Service recommends the establishment of a 100% City-owned, arm's length Municipal Utility that the City cannot sell in whole or in part. This will benefit citizens, ratepayers, and employees by making service more accountable and transparent, and ensuring the long term sustainability of the Utility.

## 2. Concept Overview, Goals, and Value Proposition

### 2.1 Background

The City of Winnipeg's (the "City's") Water and Waste Department (the "Department") currently provides a broad range of utility services to residents and businesses in Winnipeg, including services fully funded by utility rates such as water and wastewater services and services funded either fully or partially by property taxes and other sources of general revenue such as solid waste collection and disposal, recycling, and land drainage and flood control.

The Department is of a significant size, with over 930 budgeted full-time equivalent employees and a 2009 budget of \$240 million, including operating expenses and reserves. In addition, some of the City's largest upcoming capital projects are within the Water and Waste Department, required to meet strict new public health or environmental regulations. These required upgrades, at the South End Water Pollution Control Center ("SEWPCC") and the North End Water Pollution Control Center ("NEWPCC"), are estimated to have a capital cost in excess of \$650 million in addition to the ongoing annual capital costs.

The Department has faced and continues to face a number of key challenges, including:

- Projects related to the City's water treatment plant resulted in significant cost overruns that were fully borne by the City.
- Rates for water and sewer services have increased nearly 50% over the past five years.
- Population growth in the south regions of the City is increasing capacity requirements.
- The Manitoba Environment Act requires the City to make upgrades to the City's wastewater treatment plants to meet nutrient and bio-solid removal standards mandated by the Province by the fixed dates of December 2012 and December 2014.
- Demographics of the current workforce and the labour force in general will create a human resource challenge. Based on years of service, 28% of the workforce is eligible to retire within four years.

In November 2008, City Council passed a resolution aimed at exploring better ways to manage, upgrade and make the delivery of water and waste services more publicly accountable. This has resulted in the exploration of a new utility management model, where the City will maintain full ownership and control. This model also contemplates the involvement of the private sector as a Strategic Partner to bring innovation and risk management skills to the sewage treatment plant upgrade projects and to bring experience to the design and construction of wastewater treatment facilities.

## **2.2 Concept Overview**

The vision for the new utility management model (the "Utility") is to be an entity owned solely by the City but operated at arm's length from the City. The Utility would be governed by an independent Board appointed by City Council. City Council would not be involved in the day-to-day operations but would continue to provide final approval to the Utility's annual business plan and capital budget. On behalf of the City, the Utility would provide the same services that the Department provides today. Over time, the Utility will generate new revenue streams by seeking out new service delivery opportunities.

The Utility would provide services to the City under an Asset Management Agreement and the Utility would enter into a strategic partnership to source specialized private sector expertise and allow for risk sharing with the private sector in order to deliver major sewage treatment construction projects. The Utility will deliver water and waste services on behalf of the City under an Asset Management Agreement and will receive compensation from the City for the cost of providing the services that the City would have otherwise incurred to deliver the services itself. The cost of providing these services is expected to decrease under the asset management model with a net benefit to Winnipeggers.

The City would retain all assets directly rather than have indirect ownership through the wholly owned City Utility.

Under the asset management model, the City will retain its water and sewer rate setting authority, at least for the transition and start-up period. The Utility will also look for opportunities to enhance its rate setting openness and transparency. The rate setting process will benefit through the participation of the Utility's Board, whose members will possess appropriate business and industry expertise. When suitable statutory amendments are achieved, the option of having the independent and provincially appointed Public Utilities Board provide review and approval of utility rates will be implemented.

An additional statutory amendment is proposed to mitigate risk related to establishing the asset management model. This amendment would provide the Utility and its employees the ability to discharge duties currently imposed on the City and employees and provide the Utility and employees with the same protections for things like entry onto private property and disruption in utility service that the City and City employees currently enjoy.

## **2.3 Value Proposition**

The key goals of the Water and Waste Department include:

- To improve the state of the environment and to improve public health.
- To exceed customer's needs and expectations.
- To increase the efficiency and effectiveness of our services.
- To implement best practices throughout the department.
- To maintain a high quality working environment for staff.

- o To improve information management in the Department.

The new model would build upon and enhance current departmental goals and service quality, providing the following benefits:

- o **Meet, or exceed, utility service levels and regulatory requirements to protect public health and stewardship of the environment.** The City does not have the resources or capacity to project manage the delivery of the high value and short schedule projects to meet the strict new environmental requirements. The Utility model will increase the likelihood of successfully sourcing specialized expertise from the private sector to ensure all regulatory, construction, design and budget requirements are met.
- o **Excellent, responsive service provision.** By having a service provider solely focused on utility service, rather than being one part of the many departments and operations of the City, the Utility will be better positioned to respond quickly and make better decisions regarding operations and service delivery.
- o **Cost-effective and financially sustainable utility services.** Revenues will be used to improve services and re-invest in water and waste infrastructure. A capital program will be submitted for ratification by City Council. An Asset Management Agreement will outline the financial relationship between the City and the Utility.
- o **Enhanced transparency of the rate setting process.** Future increases will be fully justified through a more transparent rate setting process by City Council, given the inclusion of the Utility's Board. When suitable statutory amendments are achieved, the option of having the independent and provincially appointed Public Utilities Board provide review and approval of utility rates will be implemented.
- o **High quality working environment for staff.** Many of the water and waste employees have a high degree of technical training and hold required operator certifications. Demographics of the current workforce and the labour force in general will create a human resource challenge. The Utility model provides additional flexibility to attract and retain specialized utility and other staff with enhanced career opportunities through business growth.
- o **Reduced risk on pending major wastewater treatment plant upgrades.** The dollar value and the complexity of the upgrades required to Winnipeg's north and south end sewage treatment plants is significant. The new arm's length management model would facilitate risk sharing/transfer with any potential private sector partner should such an agreement be approved.
- o **Incorporation of innovative thinking and methods into the provision of utility-related lines of business.** The Utility will establish a goal of becoming a leader in innovation. Utility service opportunities in Winnipeg and elsewhere will be sought out in order both to create jobs within the operation and to flow benefits back to the City for the benefit of Winnipeggers.

Water and waste operations are unique when compared to other City departments given the dedicated revenue stream and the long term nature of its significant capital projects. The arm's length Utility model will provide flexibility not possible in the current City department structure and allow the Utility to tailor its business processes and decision making to fit its needs. It is anticipated that the new Utility model will reduce overall operating and capital costs over time, and generate new revenue streams in the future that will offer more substantial financial benefits.

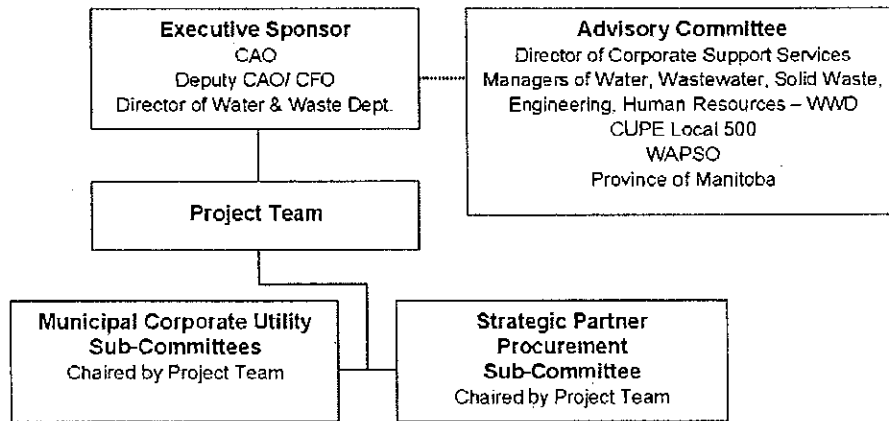


### 3. Project Approach

On November 19<sup>th</sup>, 2008, City Council provided the Public Service with a mandate to explore the concept of a City-owned utility responsible for water and waste services and report back to Council with a business plan outlining what the utility would look like and how it would operate. In parallel, the Public Service was also directed by City Council to conduct a procurement process to secure a Strategic Partner to carry out upgrades at the South End and North End wastewater treatment plants.

The project structure is illustrated in the following diagram and described in the paragraphs that follow.

**Project Structure**



The preparation of this business plan document was facilitated by the Project Team. The Project Team reported to an Executive Sponsor Group that included the City's Chief Administrative Officer ("CAO"), the Deputy CAO/Chief Financial Officer and the Director of the Water and Waste Department.

An Advisory Committee was established and included representation from the Canadian Union of Public Employees ("CUPE") and the Winnipeg Association of Public Service Officers ("WAPSO"), the City's Water and Waste Department, other City departments and the Province of Manitoba. The Advisory Committee received regular updates from the CAO and the Project Team throughout the project and provided feedback and advice to the Project Team.

Sub-committees were established by the Project Team for the following areas:

- o Operations
- o Human Resources
- o Finance
- o Legal/Governance
- o Strategic Partner
- o Support Services

The sub-committees reported to the Project Team and were responsible for collecting information, undertaking analysis, generating and reviewing options, and making recommendations to the Project Team. Sub-committee members included Water and Waste Department employees, other City employees, CUPE and WAPSO representation, and the Province of Manitoba.

In addition, specialized expertise was hired to assist the Project Team and the sub-committees in exploring legal and finance issues as required.

The Utility business plan project was launched by the Project Team in January 2009. The work to prepare the business plan was conducted over a period of approximately 6 months.

- o While the Strategic Partner sub-committee began its work activities in January 2009 in parallel with the development of the business plan, it is continuing to move forward with the procurement of a Strategic Partner and expects to be in a position to select a Strategic Partner by December 2009 in accordance with its original mandate.

In addition to involving a broad range of key stakeholders in the business plan process through the project structure, the Project Team undertook a number of communication initiatives with stakeholders throughout the duration of the project. The objectives of these communication initiatives were to provide information on the Municipal Utility and solicit stakeholder feedback. Communication initiatives included:

- o **Website.** Development of a City-owned Utility website accessible to the public. In addition to providing information, the website includes a "feedback" link where a user can email their comments to project leaders, and also contains a "contact us" link where the user can email the project leaders for additional information.
  - The website was visited 2,233 times from April 12, 2009 to May 31, 2009.
  - 37 emails were sent to the City-owned Utility inbox.
- o **Internal Sessions.** The Project Team conducted 15 internal information sessions with Water and Waste and other City department staff – in total approximately 600 staff attended these presentations.

- o **Public Consultations.** The Project Team advertised and conducted two public information sessions in June. These sessions provided the public with the opportunity to discuss the Municipal Utility model face-to-face with key City representatives.
- o **Publications.** A discussion document titled, "Improving Winnipeg's Water & Sewer Services: A New Management Model for Public Discussion," was prepared and made available to the public online at [www.winnipeg.ca](http://www.winnipeg.ca) and at the public discussions. The document encourages Winnipeggers to share their views by submitting written responses by mail or through the web survey designed for that purpose.

This document represents the Public Service's business plan for the Municipal Utility. The preparation of this business plan was facilitated by the Project Team, and this plan was prepared on a foundation of research and analysis and was shaped by input from key stakeholder groups.

#### 4. Purpose of the Business Plan

This business plan has been prepared to facilitate decision making by the Public Service and by City Council on the establishment of an arm's length Municipal Utility. If Council approves the establishment of the Utility, this business plan identifies the transition and implementation plan to get there.

The Project Team has investigated the benefits of and requirements to transition the Water and Waste Department into an arm's length Municipal Utility. This business plan was developed as part of the Public Service's due diligence process. Based on the research and analysis conducted over a six month period, the Project Team recommends the City move to a Municipal Utility model.

Included in this business plan is an overview of the current Department, a description of the Utility concept and its value proposition, an overview of the industry, a description of the proposed business model including service offerings, the proposed governance model, an overview of the legal and regulatory environment, the financial implications, the proposed accountability/reporting framework, an implementation plan, and a risk assessment.

In summary, the Public Service is requesting approval from City Council to proceed with establishing a Municipal Utility to provide water and waste asset management services.

More specifically, the Public Service is requesting:

- o Confirmation of Council's support of the Utility vision and goals as proposed by this business plan.
- o Approval to proceed with additional work identified as remaining to be completed in this business plan.
- o Approval to proceed with the implementation activities outlined in this business plan.

## 5. Overview of Current State

The Water and Waste Department is a large civic department of the City of Winnipeg. The Department's legal mandate is derived from the City of Winnipeg Charter Act and its mission is to serve the community by providing and continually improving services related to drinking water, wastewater, land drainage, and solid waste services to the citizens of Winnipeg. The Department is led by the Director of Water and Waste and currently reports administratively to the Chief Administration Officer and politically to the Standing Policy Committee on Infrastructure Renewal and Public Works. City Council has final authority to set water and sewer rates, and to approve by-law amendments which incorporate changes to existing rates for department services.

### 5.1 Public Services

The Department currently provides the following public services:

- o Water supply, treatment, and distribution
- o Wastewater collection and treatment
- o Land drainage and flood control
- o Solid waste collection
- o Solid waste disposal
- o Recycling and waste minimization

Each of these services is described further in the paragraphs that follow. Most services are provided directly by Department staff. Solid waste collection and recycling are contracted out to private companies, though the Department is responsible for customer service and contract administration.

#### 5.1.1 Water Supply, Treatment and Distribution

The Department provides the citizens of Winnipeg with the supply, storage, treatment, pumping, distribution and metering of potable water in order to ensure a safe and adequate supply of water for residential and commercial use.

The City of Winnipeg gets its water from Shoal Lake, which is on the border between Manitoba and Ontario and covers 277 square kilometres. The intake for Winnipeg's water system is on Indian Bay on the western end of Shoal Lake and is only accessible by rail or boat. Water flows from Shoal Lake to Winnipeg by gravity through a 135 kilometre long aqueduct. The water is stored in Deacon Reservoir, a large reservoir that can hold 8.8 billion litres, enough water to supply Winnipeg for about 20 days. Water passes from Deacon Reservoir to three smaller reservoirs and pumping stations in different areas of the city. The four reservoirs have a capacity of approximately 9.5 billion litres.

In 2007, the Department served over 180,000 residential accounts and over 10,000 commercial and industrial accounts, pumping an average daily volume of water equal to 218 million litres per day.

The 2009 preliminary water supply, treatment and distribution services budgeted total expenditures<sup>1</sup> are approximately \$84 million and are supported by water rate revenues. Water services maintains a retained earnings/working capital balance to fund capital projects on a pay as you go basis, as well as to provide a reserve to prevent significant rate increases in the event of major unforeseen expenditures or shortfalls in revenue.

### 5.1.2 Wastewater Collection and Treatment

The Department provides property owners with the collection, transmission, disposal, treatment and monitoring of wastewater in order to ensure environmentally appropriate handling of high volume sewage discharge.

During the 1930's, in response to public concerns, Winnipeg's first sewage collection and treatment system was constructed with 12 kilometres of collector sewers, 24 pumping stations and the North End Sewage Treatment Plant. Today, the City of Winnipeg has over 2,470 kilometres of pipeline to collect wastewater and operates three sewage treatment plants:

- o North End Water Pollution Control Centre ("NEWPCC")
- o South End Water Pollution Control Centre ("SEWPCC")
- o West End Water Pollution Control Centre ("WEWPCC")

Winnipeg's wastewater collection system includes: combined sewers that collect both wastewater as well as surface runoff from rainstorms and snow melt; interceptor sewers that carry sewage in the combined sewer system to the NEWPCC; separate sewers where one pipe carries wastewater and a second pipe carries land drainage and surface runoff from rainstorms and snow melt; and land drainage sewers that carry rainfall and snow melt runoff from urban areas to the river system through a single system of pipes. Winnipeg's relatively flat terrain makes it necessary to pump wastewater to the interceptor sewers or to the water pollution control centres using lift stations. There are 76 wastewater pumping stations and 10 gravity-based wastewater diversion facilities located throughout Winnipeg.

In 2007, the Department processed over 293.4 million litres per day of wastewater and billed over 190,000 sewer accounts.

The 2009 preliminary wastewater collection and treatment budgeted total expenditures are approximately \$108 million and are supported by sewer rate revenues. Wastewater services maintains a retained earnings/working capital balance to fund capital projects

<sup>1</sup> Budgeted total expenditures referred to in this section are sourced from the City's 2009 Preliminary Operating Budget (total expenses) and include salaries and benefits, debt and finance charges and other. The other expenses include items such as transfers to reserves and other service lines, chemicals, municipal taxes, fleet costs, facility charges, etc.

on a pay as you go basis, as well as to provide a reserve to prevent significant rate increases in the event of major unforeseen expenditures or shortfalls in revenue.

### **5.1.3 Land Drainage and Flood Control**

The Department provides property owners with storm and flood water control in order to prevent flood damage to property.

In 2007, Winnipeg had 74 stormwater retention basins and 5 stormwater retention basin pumping stations. The City has 34 permanent flood pumping stations and 47 temporary flood pumping stations.

The 2009 budgeted total expenditures for land drainage and flood control services are approximately \$14 million and are supported by wastewater rate revenue.

### **5.1.4 Solid Waste Collection**

The Department provides garbage collection service to all residential locations. Single family locations with manual collection are serviced 50 times per year. Single-family locations with AutoBin collection are serviced on an as-required basis. Multi-family locations are collected either once or twice a week. City-owned facilities and small commercial locations are also eligible for this service on a user-pay basis.

Other miscellaneous services include bulky waste collection, dead animal collection from City right-of-ways and collecting appliances with Freon gas to ensure the Freon is extracted prior to recycling the appliance.

In 2007, solid waste collection service was provided to about 268,000 households and 300 small commercial clients and over 229,000 tonnes of garbage was collected. At December 31, 2007 the City had 9 garbage collection contracts.

The 2009 preliminary solid waste collection budgeted total expenditures are approximately \$16.7 million and are primarily tax supported.

### **5.1.5 Solid Waste Disposal**

The Department provides solid waste disposal services that conform to environmentally sound waste management practices. The Brady Road Landfill is the only active landfill in the City of Winnipeg which takes all of the residential and some of the commercial garbage (the remainder is disposed at private landfills in the Capital Region). The landfill is open every day of the year except for Christmas, New Years and Remembrance Day. This service also includes the maintenance and environmental monitoring of the 34 closed landfills within the City.

In 2007, the City disposed of 577,000 tonnes of solid waste. In 2007, the City had about 430 landfill accounts and 1,660 small commercial billings.

The 2009 preliminary solid waste disposal budgeted total expenditures are \$8.6 million funded primarily through service revenue. The solid waste utility attempts to maintain a retained earnings/working capital balance to fund major unforeseen expenditures or shortfalls in revenue.

### **5.1.6 Recycling and Waste Minimization**

The Department provides recycling services to residential locations, offering single family locations collection service 50 times a year. Multi-family locations have the option of cart or bin collection once per week. City-owned public facilities such as swimming pools and community clubs are also eligible for this service.

The recyclables are taken to a facility and separated into the various material types and sold. The Province of Manitoba, through the Manitoba Product Stewardship Corporation ("MPSC") funds 80% of the net cost of this service, based on a three year rolling average cost.

Other related waste minimization services include the Leaf-It depots, Chip-In depots, a back yard composting program and 7 general use recycling depots around the City.

Programs related to household hazardous waste and used oil recycling are provided by the Province of Manitoba.

In 2007, the City served approximately 268,000 households and collected 44,000 tonnes of residential recycling material.

The 2009 budgeted total expenditures for recycling and waste minimization are \$11.2 million, supported by MPSC, the sale of recyclables and service revenues.

### **5.2 Rate Setting**

The Department's current rate setting process for water and sewer services requires the generation of ten year projections that are reviewed annually. The projections include operating, capital, and capital reserve requirements. The projections are reviewed by the Standing Policy Committee on Infrastructure and Public Works. The projections and proposed rate changes, along with any proposed changes to fees and charges for related services such as water tank rental or leak testing, are forwarded to the Executive Policy Committee for review and approval. Once approved by the Executive Policy Committee the proposal is forwarded to City Council for approval.

The following principles are currently used to set water and sewer rates:

- o **Self-Supporting.** Water and wastewater services do not receive subsidies from the mill rate.
- o **Cost of Service.** Rates represent the operating and capital costs of providing water and wastewater services.



- **Working Capital Reserves.** Water and wastewater services maintain working capital reserves to protect their financial position and prevent significant rate fluctuations. On an annual basis, the Department strives to maintain a minimum combined working capital position of 11% of combined water and wastewater service revenue.
- **Ten Year Horizon.** Rates for water and wastewater services are planned over a ten year timeframe to mitigate the effects of year over year fluctuations and to coincide with longer term infrastructure development and renewal planning.
- **Infrastructure Renewal.** Watermain renewal and sewer system rehabilitation reserves were established to provide a consistent approach to financing infrastructure renewal. Reserve contributions are based on an asset management strategy developed by the Department and approved by City Council through the capital and operating budget process.
- **Transfers to Land Drainage and Fire Protection.** Water and wastewater services transfer funds to support the costs of the Land Drainage program and to maintain hydrants for fire protection.
- **Capital Reserve Funds.** Reserves are established to fund major capital projects. For specific and cost intensive projects, the Department's strategy is to fund a portion of the project through reserves and a portion through debt financing to facilitate an equitable approach for short and long term funding.

### **5.3 Current Strengths and Weaknesses**

The Department today has a skilled, knowledgeable, experienced workforce. The Department is committed to professional development and many of the existing employees have specialized operations training, certifications, licenses and designations. The Department has developed and maintained positive relationships with regulatory officials. In addition, the Department has established good working relationships with other City departments and divisions. The Department places a strong focus on customer service, and operates with strong business acumen like a competitive provider rather than like a monopoly. The Department is well positioned for the future given investments in its information systems including its work management system, billing system, supervisory control and data collection systems, environmental management systems, and emergency preparedness plans. As well, accreditation of the laboratory ensures high quality data and accountability.

Going forward, the Department will be challenged by an aging workforce moving toward retirement and a smaller, more competitive labour market from which to recruit. Succession planning will become increasingly important given the workforce demographics. While the Department has strong operational skills today, it does not have the resources, or capacity, to manage high value, short schedule projects like those required to meet new stringent environmental requirements. As a City department, competing priorities from groups external to the Department can make it difficult to focus on Department priorities. Working within the constraints of the City's bureaucracy can be administratively burdensome and can result in a slow response to change. The Department relies on certain other City departments for certain services. As these service arrangements are not governed by service level agreements, they are

not always provided in a timely manner due to constraints on these other departments. In addition, the Department's ability to grow revenue and further leverage economies of scale is restricted based on population and economic growth in the City.

The Utility will build upon the current strengths of the Department. The Utility's operating model and implementation plan will address the Department's weaknesses and create an entity that is stronger, more responsive, transparent and sustainable.

## 6. Industry Overview

### 6.1 Industry Characteristics

#### 6.1.1 North America

The water and wastewater industry is one of the oldest industries in North America. The structure of this industry is very fragmented and dominated by municipal systems. The primary business of a water utility is to collect, treat and distribute potable water to customers. Generally in North America, each state/province's public utilities commission gives a water utility the exclusive rights to service all customers in a designated area.

In North America, the water supply and treatment industry comprises numerous segments, with wastewater treatment, water supply distribution systems and water infrastructure accounting for a majority of the market. Other sectors of the water supply and treatment market include water infrastructure construction, water treatment equipment, water treatment chemicals, and contract operations and maintenance.

#### 6.1.2 Canada

The water utilities industry can be defined as consisting of all water that is collected, treated and distributed to end-users.<sup>2</sup> The revenue generated by the Canadian water utilities industry is estimated to be \$44 billion in 2007 using average annual end-user prices alongside consumption volumes.<sup>3</sup> The Canadian water utilities industry is forecasted to grow by 7.8% to reach a value of \$47.4 billion in 2012.<sup>4</sup>

A vast array of companies provides products and services toward the collection, conveyance, treatment and monitoring/analysis of water and wastewater for multiple purposes and end-users. End-users in the residential, industrial and other sectors are viewed as buyers. Industrial use represents almost 88% of the water industry, followed by residential use at 11%, and agriculture use at 1.2%.

<sup>2</sup> Datamonitor, "Water Utilities in Canada," September 2008.

<sup>3</sup> Datamonitor, "Water Utilities in Canada," September 2008.

<sup>4</sup> Datamonitor, "Water Utilities in Canada," September 2008.

## 6.2 Comparative Structures

There is significant diversity in the types of delivery models used to provide water and wastewater systems and services in North America. Water supply in Canada may be provided by municipal departments/utilities, corporate utilities or public-private partnerships. A variety of structures have been used, reflecting differences in legal and regulatory environments. Some examples of municipal structures follow<sup>5</sup>.

City	Business Model	Ownership (Infrastructure)	Operation (Infrastructure)	Operator's legal status	Legal framework	Ownership class	Final Approver
<b>Municipal Operating Agency</b>							
Toronto	Municipal Department	Municipal Government	Municipal Board and Council	Public Agency	Public	n/a	City council
Peterborough	PUC (hybrid)	Municipal Government	Delegated to PUC by municipal corporation	Public Agency	Public	n/a	City council
Kingston	Municipal Corporation	Municipal Government	PLC as permanent concessionaire	Corporation	Corporate	Local Government	City council
York	Municipal Utility	Municipal Governments	Region Committee and Department	Public Agency	Public	n/a	City council
Waterloo	Regional Government	Regional Government	Regional Committee and Department	Public Agency	Public	n/a	Regional council
Halifax	Regional Utility	Regional Government	Regional Committee	Corporation	Corporate	Local Government	Nova Scotia Utility and Review Board
<b>Delegated Management</b>							
Hamilton	Private Operator 1994-2004	Municipal Government	Temporary private concessionaires	Corporation	Corporate	Private Shareholders	City council
Peel	Private Operator (OCWA)	Municipal Government	Provincial Crown Agency as temporary concessionaire	Public Agency	Public	n/a	Regional council
Edmonton	Municipal Corporation (EPCOR)	Municipal Government	Independently operated	Corporation	Corporate	Local Government	City council (Edmonton) and Alberta Utilities Commission (outside of Edmonton)

Source: Adapted primarily from (Bakker, 2003a; Bakker & Cameron, 2002), Environment Canada (2001); [www.region.waterloo.ca](http://www.region.waterloo.ca); [www.region.york.on.ca](http://www.region.york.on.ca); [www.halifax.ca/trvc](http://www.halifax.ca/trvc); utility websites

Water utilities hold local monopolies and industry entry generally requires a new player to bid successfully for a contract with the relevant local authority to supply its geographical area rather than by attracting end-users directly.

<sup>5</sup> Municipal water supply infrastructure governance in Canada," Program on Water Governance website, <http://www.watergovernance.ca/municipal/data.htm>, accessed 28 April 2009

### 6.3 Benchmarking

Benchmarking is becoming an increasingly important component of performance management for many Canadian utilities. Through projects such as the National Water and Wastewater Benchmarking Initiative, municipalities have been able to benchmark metrics, identify and share best practices, and exchange ideas about utility management. The National Water and Wastewater Benchmarking Initiative has grown to include more than 40 of Canada's municipal and regional water, wastewater and stormwater utilities from coast to coast. The Utility will participate in relevant initiatives and benchmark its performance appropriately.

### 6.4 Industry Trends

Key industry trends are described in the paragraphs that follow.

**Aging Infrastructure.** Substantial portions of North American water systems are between 50 and 75 years old and aging infrastructure will be expensive to replace. Water lost from leaking, old pipes is costly and water main breaks disrupt service. A 2007 FCM-McGill survey estimated Canada's municipal infrastructure deficit for water supply, wastewater and storm water to be approximately \$31 billion.

**Increasingly Stringent Regulations.** Public health and environmental regulations for water and waste services are becoming increasingly stringent and require significant investment in infrastructure to achieve.

**Increasing Water Quality Standards.** Increasingly stringent regulations pertaining to water quality will require new capital investment by the industry. Water quality issues and requirements in Canada vary by region.

**Rapidly Rising Costs.** In addition to significant costs to replace or upgrade existing infrastructure, the industry faces additional costs. Water and waste utilities face increases in labour, pension, and other employee related costs. Some companies also face higher energy and purchased water costs. Utilities must be able to restrain operating costs. Typically, regulators determine which costs are appropriate to recover through rate increases.

**Increased Outsourcing.** Water and wastewater treatment outsourcing is a growing trend and can be accompanied by acquisition. Market research firm Frost & Sullivan projects that water outsourcing services to the North America industrial market could grow at an annual rate of 10.5% through 2011. Some Canadian examples include:

- o EPCOR Utilities ("EPCOR") has an agreement to provide wastewater treatment services to the Town of Banff, Alberta. EPCOR will operate and maintain the plant, and the town will retain ownership. This agreement is one example of small water systems operated by EPCOR on an outsourced basis.
- o Seprotech Systems, Inc., a provider and operator of pre-engineered water and wastewater treatment facilities for land developers, and military and industrial markets, has acquired Envirosearch Operations Inc., an Ontario operator of water and wastewater treatment plants.

**Increased Security Costs.**<sup>6</sup> The industry is investing substantial sums to increase security at plants and reservoirs to guard against chemical or biological contamination of drinking water supplies. Expenditures include surveillance, monitoring technology, emergency response and cybersecurity.

**Implementation of Smart Metering**<sup>7</sup>. Smart meters and related applications provide for the exchange of data between the utility and the customer. Automatic meter reading ("AMR") helps a utility reduce the cost of collecting usage data for billing. Advanced meter infrastructure ("AMI") is able to identify potential pipe leaks before they occur, enabling better management of the distribution network and avoiding costly repairs following a water main break. Other benefits of AMI include improved water conservation, customer service and utility asset management. Implementation of AMR or AMI is a significant expense.

**Water Conservation.**<sup>8</sup> The Canadian Water and Wastewater Association is one of several entities that promote more efficient usage of water resources. Drought and other catastrophic weather-related events can affect water supply and lead to government-mandated conservation.

## **6.5 Environmental Scan**

Several key strategic issues and implications for the Utility have been identified through a scan of the external environment and are described in the paragraphs that follow.

**Escalating Costs.** The Utility has an abundant, nearby source of water and does not need to be concerned about escalating costs of water procurement. Electricity can also be a major cost to a utility as a significant amount of power is required to operate the water and wastewater system. Winnipeg benefits from attractive electricity rates from Manitoba Hydro. However, the Utility could be impacted by potential escalation in other operating costs such as wages, pensions, security, chemicals, etc. A risk associated with rising costs is whether service rates can be adjusted to fully reflect these rising expenses.

**Infrastructure Investment.** Costly infrastructure upgrades, repairs and replacements will continue to be required by the Utility. Significant investment is required to meet strict new public health and environmental regulations. These upgrades will consider advanced technology which should result in greater efficiency.

**Outsourced Operations.** Manitoba has 400 public water systems, 1,500 semipublic systems and 35,000 private systems. The trend toward outsourced operation of smaller water delivery and treatment systems could be an opportunity for the Utility.

<sup>6</sup> City of Winnipeg Water Supply System 2007 Annual Report, March 31, 2008.

<sup>7</sup> Jim Bentein, "Smart Metering technology Developer Sees Growth," Energy Analysts, September 8, 2008, copyright Nickles Energy Group.

<sup>8</sup> Canadian Water and Wastewater Association website, www.cwwa.ca

**Consolidation.** Across North America, the fragmented water services sector is undergoing consolidation. For example, American Water, based in New Jersey, is an investor-owned water and waste utility that already provides service to communities in Canada and also offers contract operations for municipalities. The Utility could play a role in consolidation, or alternatively, could find itself competing with another large water and wastewater provider.

**New Services.** Homeowners own the water pipe from the property line to the dwelling and are responsible for any repairs. Some utilities with service units have used this as an opportunity to sell insurance to protect the customer from potentially expensive repairs.

**Industry Investment.** Throughout North America, the value of water is expected to increase due to growing demand and relative scarcity, particularly in some regions. Investors are becoming increasingly interested in the sector and established players are looking for opportunities to expand. While the Utility will be 100% owned by the City of Winnipeg, there will be an opportunity for strategic partnerships, including new business lines to be added in the future.

## **6.6 Critical Success Factors**

Critical success factors ("CSF's") are the skills, resources and activities that a business must excel at to be successful in the marketplace. Based on an examination of the industry, the following are CSF's for the water and waste industry:

- o Protection of public health and the environment.
- o Strong technical and management abilities.
- o Strong planning skills, given the long term nature of the assets.
- o Management of capital programs -- both construction and operation.
- o Appropriate infrastructure.
- o Adequate capacity/supply.
- o Efficient operations.
- o Transparent and accountable operations.
- o Sustainable financial management.
- o Appropriate cost allocation methodology.

The Utility will develop implementation and strategic plans that take into account the industry landscape. The Utility will monitor the industry on an ongoing basis to identify emerging strategic issues and their implications and will reflect these appropriately in its plans.

## 7. Business Model

### 7.1 Services Description

The Utility will maintain and enhance the water and waste services currently provided by the Department to the citizens of Winnipeg today. These services are:

- o Water supply, treatment, and distribution
- o Wastewater collection and treatment
- o Land drainage and flood control
- o Solid waste collection
- o Solid waste disposal
- o Recycling and waste minimization

Water services will be provided directly by the Utility. Wastewater services will be provided by the Utility and/or in conjunction with a strategic partner engaged in a long term contract with the Utility.

In addition, the Utility would generate new revenue streams by helping communities outside of Winnipeg with service delivery, including providing staff training. The provision of services to other municipalities where a business case exists will allow the Utility to leverage the City's asset base and will provide an alternative to municipalities requiring significant investment in aging infrastructure or lacking specialized skills and resources. During the transition/implementation period, the Utility will determine how best to expand services within its legal framework and provide a net financial benefit to the Utility.

The Department has had ongoing discussions with municipalities in Winnipeg's Capital Region (the "Region") regarding the provision of water and waste services. The Region is located along the Assiniboine and Red Rivers with the northern part of the region bounded by the south basin of Lake Winnipeg. The Region is made up of the City of Winnipeg, the City of Selkirk, Town of Stonewall and the rural municipalities of Cartier, East St. Paul, Headingly, Macdonald, Ritchot, Rockwood, Rosser, St. Andrews, St. Clements, St. Francois Xavier, Springfield, Tache and West St. Paul.<sup>9</sup> The municipal arm's length utility model positions the Utility to continue to move these discussions forward and provide services to these municipalities in a business like manner. During the transition period, the Utility will determine how to expand services within its legal framework.

In the near term, the Utility could provide wholesale water and/or sewer services to the Region. While preliminary estimates include mainly communities North of Winnipeg, there would be further revenue potential via increased service offering or greater geographical expansion. Service expansion is discussed further in section 7.6 and financial implications are discussed in section 10.0 of this business plan.

<sup>9</sup> [www.communityprofiles.mb.ca](http://www.communityprofiles.mb.ca)



The Utility will also pursue growth by exploring innovative new lines of utility related business such as municipal green energy where market demand is found to exist. Other lines of utility like business will be considered and may include: commercial and residential use of geothermal energy; capture and utilization of land and biogas for heating and or power generation. In addition to increasing the Utility's revenue base, these lines of business could contribute to City and Provincial efforts to reduce greenhouse gas emissions. New lines of utility like services may evolve in the future. These services will be explored while the Utility is being established. The new management model will have a business development office that will identify, qualify and pursue new lines of business.

## 7.2 Infrastructure Requirements

The establishment of the Utility is contingent on having access to certain assets which are owned by the City. The Utility will gain access to these assets through an Asset Management Agreement with the City.

### Current Infrastructure and Capital Assets

The existing capital assets of the Water and Waste Department are generally comprised of long life assets. The net book value of these assets, as at the fiscal year ended December 31, 2008, are summarized in the table below.

**CITY OF WINNIPEG  
WATER & WASTE DEPARTMENT  
CAPITAL ASSETS (in \$000s)**

For fiscal year ended December 31, 2008  
Net Book Value

	Solid Waste	Sewer	Water	Land Drainage & Flood Control	Total
Land & Improvements (Non-Depreciated)	541	1,451	1,824	489	4,305
Land Improvements (Depreciated)	503	-	-	-	503
Building & Improvements	-	303	3,838	-	4,172
Water & Waste Facilities	-	720,123	521,832	724,494	1,968,549
Machinery & Equipment	3,380	219	1,172	-	4,771
Studies	-	3,118	5,012	1,772	9,902
Information Technology	89	190	300	1,095	1,673
Construction in Progress	4	29,287	254,099	1,632	285,022
	<b>4,518</b>	<b>754,722</b>	<b>788,176</b>	<b>728,483</b>	<b>2,276,897</b>

The Solid Waste assets include: the Brady Road landfill site; Brady Road buildings; weigh scale; recycling carts and bins; the landfill billing system; and the landfill monitoring information system.

The Sewer assets include: lift stations; Supervisory Control and Data Acquisition ("SCADA") systems; the North, West and South End Water Pollution Control Centers; and the collector, interceptor and forcemain network of pipes; catch basins; outfalls and manholes.

The Water assets include: the water treatment plant; pumping station sites; the aqueduct; railway and railway equipment (locomotives and rolling stock) to access the Shoal Lake aqueduct location; storage reservoirs; workshop, storage and garage buildings; feedermain network of distribution pipes, valves and pumps; and the aqueduct monitoring, computerized work management, computerized information and billing, and geographical information and SCADA systems.

The Land Drainage and Flood Control assets include: the flood pumping station, land drainage and retention basin sites; and the collector network of pipes, drains, valves and pumps.

#### **Key Infrastructure Requirements and Plan to Obtain**

Many of the assets and infrastructure are inter-related and will need to continue to operate in concert with each other. Some assets, such as certain portions of the sewer infrastructure provide both wastewater collection services as well as land drainage services since the sewers are combined.

As noted, the Utility will gain access to the assets through an Asset Management Agreement. Key characteristics of the Asset Management Agreement include:

- o Definition of the contractual arrangement between the Utility and the City.
- o Definition of the services that the Utility will provide to the City and how these services are to be provided, including:
  - Providing water and waste operations currently provided by the Department today.
  - Overseeing reconstruction and maintenance projects.
- o Establishment of limits on use by the Utility of the City's assets.

The infrastructure and assets required to maintain and enhance the water and waste services currently provided by the Department to the citizens and businesses of Winnipeg today have sufficient capacity to serve communities outside Winnipeg. As such, there is minimal need for additional assets to realize new revenue streams by serving communities outside Winnipeg.

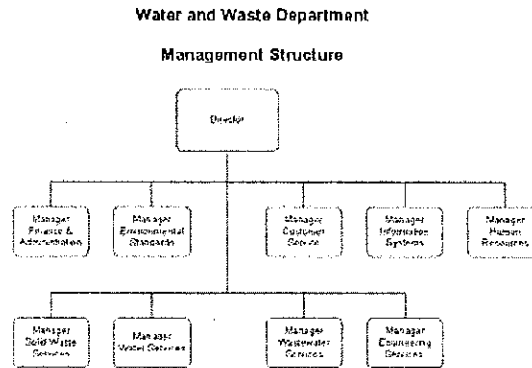
However, certain new lines of utility related business such as municipal green energy, commercial and residential use of geothermal energy, capture and utilization of land and biogas for heating and or power generation, will require additional assets and infrastructure. These requirements will be identified as part of the development of the business case and plan for these new lines of business.

The Department also utilizes assets of other City departments. The City's centralized Fleet Management Services supplies and maintains the vehicle needs of all City departments. As such, the Department does not currently own or lease any vehicles directly. These assets will continue to be accessed by the Utility, through a service level agreement with the City.

### 7.3 Organizational Design and Skill Requirements and Plan to Obtain

#### 7.3.1 Current State Overview

The Department today is led by a Director and the existing management structure is illustrated in the diagram that follows.



The Department had 827 active employees as of April 2009, with 88% holding permanent positions.<sup>10</sup> The table that follows lists employees by function type, by service area.

Employee Count		Active				Total
		Clerical	Labor	Middle/ Senior Mgmt	Trades/ Technical	
WW-UTILITIES CAPITAL	WW-UTILITIES CAPITAL	5	0	2	0	7
WW-OPERATIONS	WW-WASTE WATER SERV	0	124	24	67	215
	WW-WATER SERVICES	4	109	25	98	236
	WW- FINANCE & ADMIN	72	1	10	10	193
	WW-ENGINEERING	4	0	38	50	92
	WW-ENVIRONMENTAL	0	2	5	29	36
	WW-CUSTOMER SERVICES	24	0	7	0	41
	WW-INFO SYSTEMS	0	0	18	0	18
	WW-HUMAN RESOURCES	19	0	3	1	23
	WW-SOLID WASTE	0	37	4	2	43
	WW-OPERATIONS	134	283	146	257	820
<b>WW-UTILITIES CAPITAL</b>		<b>134</b>	<b>283</b>	<b>146</b>	<b>257</b>	<b>820</b>

The majority of the Department's employees are union represented with approximately 83% of active Department employees represented by CUPE, and approximately 15% represented by WAPSO.<sup>11</sup>

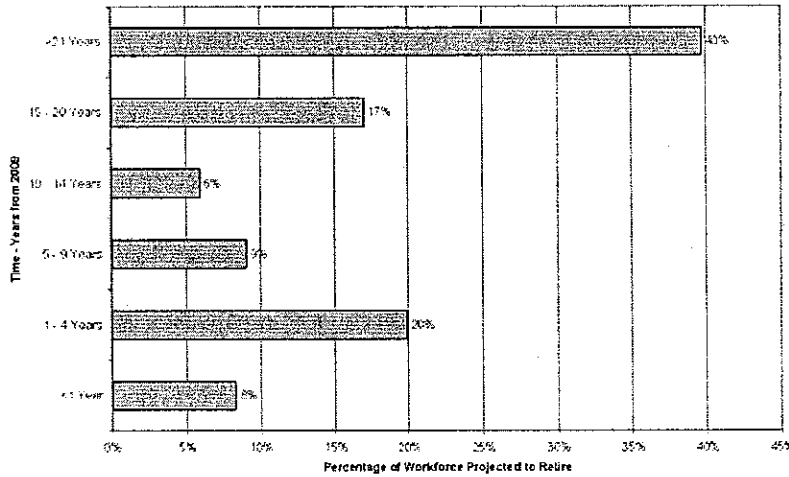
<sup>10</sup> W&W Department Demographic Employee Data as of April 9, 2009.

<sup>11</sup> W&W Department Demographic Employee Data as of April 9, 2009.

While the Department has 827 active employees, the approved Department budget is for over 900 full-time equivalent employees. The majority of the vacancies are for water and wastewater services. Some of the difference between the number of approved positions and the number of actual positions is due to expected ramping up to staff the water treatment plant (timing difference). The remainder of the difference is due to challenges recruiting skilled trades and technical/professional people in a competitive labour market, existing recruitment processes, and availability of support services staff to dedicate to the process.

The aging demographics of its workforce and an industry shortage of skilled professional and technical staff in the water and waste industry nationally is creating a human resource challenge for the Department. Based on years of service (30 years), 8% of the current active workforce is projected to retire within a year, and an additional 20% is projected to retire in the next 1 to 4 years.

Projected Retirements, Based on Years of Service



The Utility will be well positioned to address current and future human resource challenges.

### 7.3.2 Organizational Structure

The Utility will build upon the Department's existing organizational structure, potentially with new functions to address new responsibilities within the Utility such as new regulatory and business development functions. The Board will be responsible for approving the organizational structure.

### 7.3.3 Key Roles – New and Revised from Current State

The following paragraphs identify key positions that are new from the current state.

**Chief Executive Officer ("CEO")** – The CEO is the senior executive of the Utility, responsible for:

- Developing and recommending to the Board a long-term strategy and vision for the Utility that leads to the creation of value for the City of Winnipeg.
- Responsibilities held by the Director of the Water and Waste Department will be incorporated into this role.

**General Counsel** – the General Counsel is a member of the senior management team, responsible for:

- Providing leadership and strategic legal and business advice in the areas of corporate and regulatory compliance, corporate governance, and corporate finance.
- Working with the senior management team to provide solutions to legal issues identified in contractual negotiations and on-going programs and developing risk mitigation strategies as appropriate.
- Drafting, structuring, reviewing and negotiating strategic and complex agreements and transactions, including partnerships and acquisitions.
- Evaluating, selecting and monitoring outside legal counsel as needed.
- Organizing the Utility's Board, Committee and General meetings.
- Assisting with the preparation of rate applications and participating in hearings, when applicable.

**Business Development, Manager** – This position will be responsible for:

- Developing marketing and business development plans for the Utility, including setting annual business objectives. Plans will include expansion of existing services to new geographical markets, and over time will include the addition of new lines of business.
- Working closely with other senior management team members to ensure business development plans and operational plans are coordinated.
- Exercising regular oversight of marketing and business development plans.

### 7.3.4 Competency Requirements

The Department today has the majority of the knowledge, abilities, personal attributes and skills that are required by the Utility, including:

- Leadership
- Industry knowledge
- Operational skills and certification
- Administration
- Customer service
- Asset and resource management, including managing capital programs
- Planning and forecasting

There will be a need to acquire, develop and identify certain new or enhanced competencies that will be critical to allow the Utility to achieve its objectives. These additional key competencies are described in the following paragraphs:

- **Change leadership** – Ability to challenge the status quo and champion new initiatives; facilitate the change process and help others see the necessity and value of change; and proactively manage implementation. Anticipate and deal effectively with resistance to change. Build buy-in to change by preparing those affected. Set a positive and inspirational example for others.
- **Working with regulators** – Knowledge of all legislative and regulatory factors central to the industry, and how these affect the Utility's environment, strategy and processes. Ability to work with regulators (e.g. PUB) and establish appropriate processes when applicable.
- **Management of partnerships/alliances/joint ventures** – Knowledge of the business drivers and current developments in the establishment of partnerships/joint ventures/alliances with the industry. Ability to negotiate structure and monitor these arrangements to leverage expertise, credibility, technology and allow for risk sharing and increased market penetration.
- **Market expansion** – knowledge of how to introduce and position services successfully in new markets.
- **New business development** – Ability to conceive, develop and introduce a new line of business (includes market investigation and technical and financial feasibility studies).

### 7.3.5 Employee Transition Process

The City of Winnipeg's intent is to transition existing Department staff to the Utility. In the near term, pending statutory amendments, certain staff may need to be transitioned from the City in phases.

When the Utility becomes subject to PUB rate regulation, the Utility will require additional employees to assist in preparing rate applications, respond to PUB requests for information and prepare for hearings. As the Utility explores new markets and business lines, it is anticipated that the need for staff will grow over time, creating new career opportunities for current and future employees.

The City desires a smooth transfer of staff and will work with CUPE and WAPSO to develop employee transition agreements to outline the specific terms and conditions under which the transition from the City to the Utility will occur. The transition will be guided by the following principles:

- o Provide employment to all existing Department staff.
- o Respect the rights and privileges of employees granted by existing collective agreements. Any amendments to collective agreements would require mutual agreement.
- o Maintain existing seniority, salaries and hours of work.
- o If required, negotiate with providers to provide same or equivalent pension and benefit plans where possible.

Another component of the transition will be the development and implementation of a communications plan. The communications approach will include utilizing varying channels to provide information, deliver key messages, and obtain employee feedback.

The Department's employees, will over time, become employees of the Utility, with as seamless a transition as possible. New position descriptions will be prepared to reflect the Utility's structure, terminology, goals and strategies.

The Utility's Board will be responsible for hiring the CEO. The CEO's responsibilities will include performance management of the senior management team, including hiring for new senior management positions.

The City will establish a joint labour-management committee to negotiate a seamless employee transition.

### **7.3.6 Additional Transition Items**

A phased approach will be taken to the transition. In the transition period, the Utility will prepare a transition management plan that will identify all transition activities, requirements for resources, budgets, and timing. The plan will:

- o Ensure sufficient communication methods are established so that all staff are able to access transition information and have a forum for asking questions.
- o Prioritize transition initiatives.

As the Utility becomes established, it will review its human resource policies and procedures and identify where they can be tailored to better reflect the uniqueness of the business and operations, rather than the broader needs of the overall City. The Utility will look to adapt its training, recruitment and compensation processes for increased

effectiveness and efficiency. In doing so, the Utility will have improved flexibility and an enhanced ability to attract and retain specialized utility and other professional staff.

#### **7.4 Strategic Partnership**

Irrespective of whether water and waste services are delivered in the future by the existing Department or through a Municipal Utility model, the City is pursuing a strategic partnership for the delivery of sewage treatment upgrades and expansions. The City desires access to global resources, capacity and experience that it can draw on to construct required capital projects and help optimize sewage treatment operations and maintenance as a whole.

While a strategic partnership could be formed with either a Municipal Utility or a municipal department, the Municipal Utility model offers the following advantages:

- o Procurement procedures more customized to the Utility's needs make pursuing a partnership more attractive to the private sector and also enable delivery of the capital program to start quicker.
- o The Utility's objective of service expansion will provide an opportunity for the strategic partner and help attract high calibre interest.
- o The business to business nature of the relationship will be free from politics and more attractive to prospective partners.

##### **7.4.1 Reasons for a Strategic Partner**

The environmental license for the SEWPCC and NEWPCC requires that both of these sewage treatment facilities be upgraded to provide full biological nutrient removal ("BNR") by the end of 2012 and 2014 respectively. It is currently anticipated that the cost for expansions, upgrades and other associated work required to the City's sewage treatment facilities will be approximately \$650 million based on using individual traditional Design Bid Build ("DBB") delivery models.

The expansion and upgrade requirements for the SEWPCC have been fully defined and could be delivered using a traditional Design Bid Build project delivery model or a Public-Private Partnership ("P3") model such as Design Build Finance Operate. However, the expansion and upgrade requirements for the NEWPCC have not been fully defined and work is ongoing to develop an implementation plan. The status of the NEWPCC planning and current lack of project definition make the use of the traditional DBB or P3 project delivery models risky due to cost and schedule uncertainty.

The Department does not currently have the specific process design experience or project management and engineering capacity to deliver these significant capital asset expansions and upgrades within the required timeframes. In addition, the Department's previous experience with the delivery of large capital projects using the traditional DBB method has resulted in significant cost increases ensuing from design omissions and changes in market conditions between design completion and construction commencement.



The sewage treatment plants and wastewater collection network are an integral part of the City of Winnipeg's flood defence system. The operations of the three sewage treatment plants should therefore, be under the control of a single operator to assure the effectiveness of the flood defence systems when required. The integrated nature of the wastewater collection and sewage treatment systems makes independent operation of each of the treatment plants complex and impractical.

Addressing these challenges requires a delivery model that enables:

- o Simultaneous delivery of multiple projects.
- o Predictable outcomes with respect to final cost and scheduled completion.
- o Cost effective accommodation of an evolving scope of work.
- o Access to additional qualified and experienced technical and project management resources to augment existing technical staff for the duration of the upgrade and expansion projects.
- o Maintenance of operational control and retention of existing operations staff.

A partnership between the Utility and a Strategic Partner is considered to be the most appropriate delivery model to achieve these objectives. This model will have to be collaborative and integrated so that the designers, constructors and operators are part of the project delivery structure to maintain quality and operability of the upgraded and expanded treatment plants.

In addition to achieving the objectives outlined above, other benefits of the Strategic Partnership ("SP") model, are that the right partner:

- o Could assist the Utility with improving future plant operations through technology transfer.
- o Could help the Utility with the geographic expansion of services by providing the technical expertise to augment existing operations experience.

#### **7.4.2 Strategic Partnership Application**

Water treatment and distribution will always remain wholly owned by the City as set out in the City Charter and will be fully controlled by the City of Winnipeg through its 100% owned Utility.

The SP model will initially be used to deliver the SEWPCC and NEWPCC upgrades and expansions and the operations of all three sewage treatment facilities including the WEWPCC.

When other utility like business is identified by the Utility, the SP model may be used if appropriate. This model would bring together the technical expertise, construction capability and client base in a risk sharing partnership. The partnership would then have the capacity and resources to create the necessary infrastructure or modify existing infrastructure to deliver new utility services.

### 7.4.3 Procurement Process

The procurement process is currently underway. A three stage process is being used to attract and select the best qualified and cost-effective partner. The first part of the process, the issue of a Request for Expressions of Interest ("REOI") is completed. This was followed by the issue of a Request for Pre-Qualification ("RFPQ") in June 2009. Submissions from respondents are currently awaited.

The final part of the procurement process will be the issue of a Request for Proposals ("RFP"). It is expected that the RFP will be made available to four short listed proponents in August 2009.

### 7.4.4 Results from the Request for Expressions of Interest ("REOI")

The REOI was issued in March 2009. The objective of the REOI was to test market interest and to obtain feedback on the various partnering type project delivery models being used in other parts of the world.

In April 2009, fifteen individual submissions were received from a wide range of international and national organizations interested in partnering. The respondents were:

- o American Water Canada Corp.
- o Black & Veatch Corporation
- o CH2M Hill Canada Ltd.
- o Corix Utilities Inc.
- o EPCOR – SENA (Suez Environment North America Inc.)
- o m2t Technologies / Lolepro Environmental Systems & Services
- o PCL Constructors Canada Ltd.
- o Peter Kiewit Sons' Co.
- o Plenary Group (Canada) Ltd.
- o SNC-Lavalin Inc.
- o UGL Canada Inc. / Jacobs Canada Inc. / UGL – Unico Inc.
- o Vatten Infrastructure Inc.
- o Veolia Water Canada, Inc./ Veolia Water North America – Central, LLC
- o Wardrop – a Tetra Tech Company
- o Winnipeg Wastewater Solutions (Parsons + United Utilities Plc.)

The majority of these respondents confirmed, through their submissions and subsequent discussions, that they would be interested in participating in a partnership where:

- They bring resources and global experience to the capital program and assist in improving operations.
- The Utility retains the operations staff and overall control of plant operations.
- They share cost and schedule risk based on pain/gain type compensation mechanism.
- They actively participate in geographically expanding services.
- They work collaboratively to cost effectively accommodate an evolving scope of work.

The REOI also generated information relating to the structure of partnering models and compensation mechanisms used in other parts of the world. This information will assist in defining the specific requirements in the RFP document.

In addition, respondents indicated their receptiveness to the arm's length Municipal Utility model.

#### **7.4.5 Potential Strategic Partner Business Model**

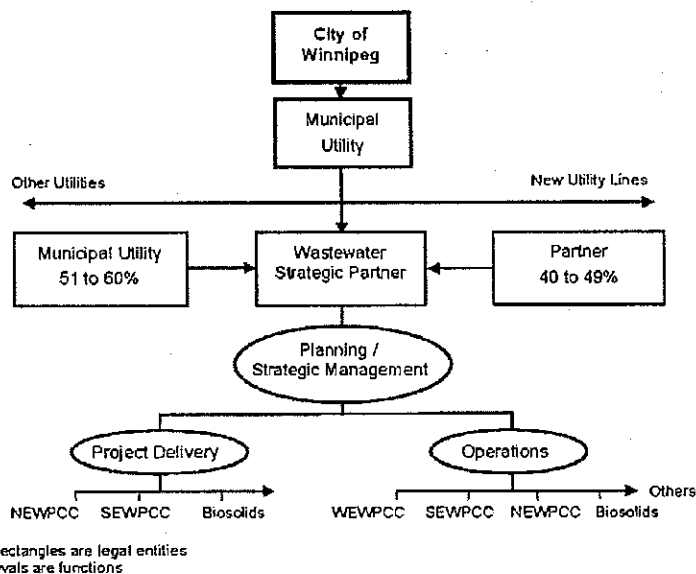
There are numerous partnering type capital project or program delivery models used globally. None of these existing models provide a complete solution to all the City's specific challenges. However, a combination of some of these models, such as the Australian Alliance Model, Scottish Water Solutions Model and the Design Build Finance Operate Model would provide all the desired attributes of a "Strategic Partnership".

The intricate functional details of the Strategic Partnership have yet to be completely defined and will evolve through the RFP Process. However, the model will have, as a minimum, the following characteristics:

- All physical assets will always remain fully owned by the City.
- The model will be based on a contractual partnership, a joint venture agreement or a corporate shareholding agreement with either the City or the Utility as the public partner.
- The Utility will have a minimum 51% controlling interest in the strategic partnership. The partnership will not own the sewage treatment plants but will be effectively a service provider to oversee design and construction and ensure the performance of the plants.
- Operations and engineering staff will remain employed by the Utility and be seconded to the strategic partnership as required.
- The private sector partner will likewise second qualified and experienced personnel to the strategic partnership to augment Utility staff for the planning, design, procurement and delivery of capital projects and operations during the term of the strategic partnership.
- Risks will be equitably shared between the Utility and the private sector partner.

- o Both parties shall be required to agree to alternate dispute resolution methods to encourage the partners to resolve their disputes or other difficulties in a collaborative, cooperative way, without seeking to assign blame or resorting to traditional legal remedies.
- o The private sector partner will be required to invest equity and/or substantial performance commitments in the strategic partnership to provide a base for a proportionate compensation arrangement.
- o The Utility may provide some capital project financing in accordance with its own assessment and financing considerations with the strategic partnership from time to time.
- o The private sector partner shall be required to access and provide debt financing in support of specific projects in the capital program which will contribute to the base for proportionate compensation arrangements.
- o Performance criteria related to lifecycle costs and the pain/gain principle will be factored into the strategic partnership compensation model for the operations and capital projects.
- o Delivery of the programme and delivery of specific capital upgrade and expansion projects will require integration of the public and private sector resources to effectively plan, finance, design, construct and operate the City's facilities throughout the term of the strategic partnership.

The organization structure incorporating the Wastewater Strategic Partner is illustrated below, and could also be replicated for the delivery of other utility type services.



### 7.4.6 Key Assumptions

The proposed Strategic Partnership Model is unique. However, it is primarily a fusion of several successful capital project delivery models. Investigation into the success of each these models shows that a wide range of cost savings were achieved.

The Scottish Water Solutions Model is primarily a capital program delivery model. The original program of works was budgeted at 2.3 billion pounds. The completed program of works, used to deliver multiple projects, was completed for 1.8 billion pounds, representing a savings of 500 million pounds or 21.7%<sup>12</sup>.

A survey of Alliance project performance on 30 public sector infrastructure projects across Australia found that 80% of the projects achieved an actual cost less than originally targeted. The savings ranged from 1% to 29%, with an average savings of 8.3%<sup>13</sup>.

Based on this research, it is reasonable to estimate that savings of between 8% and 10% of the City's current estimated capital construction cost could be realized as a result of using the Strategic Partnership model.

The savings generated by both of the models described in the previous paragraphs are based on the capital cost and do not consider lifecycle costs. Lifecycle cost is the capital cost plus operation and maintenance costs for an asset over its anticipated life. The following table shows lifecycle cost savings achieved on a number of water and wastewater facilities.

Project	Owner	PS Type	Capital Cost	Capital Cost Savings	Lifecycle Cost	Lifecycle Cost Savings
New Wastewater Treatment Plant	Town of Jasper, AB	DBO	\$14 M	25%	n/a	n/a
Wastewater Treatment Plant Upgrade	Town of Okotoks, AB	DBO	\$11 M	50%	n/a	n/a
New Water Treatment Plant	Town of Port Hardy, BC	DBO	\$4 M	38%	n/a	n/a
New Wastewater System	Town of Sooke, BC	DBO	\$23 M	16%	n/a	n/a
New Water Treatment Plant <sup>14</sup>	City of Moncton, NB	DBFO	\$23 M	28%	\$85 M	20% (est.)

<sup>12</sup> [http://www.scottishwatersolutions.co.uk/portal/page/portal/SWS\\_DELIVERING\\_MORE\\_FOR\\_LESS/SWSE\\_PG\\_DELIVERING\\_MORE\\_FOR\\_LESS](http://www.scottishwatersolutions.co.uk/portal/page/portal/SWS_DELIVERING_MORE_FOR_LESS/SWSE_PG_DELIVERING_MORE_FOR_LESS)

<sup>13</sup> RMIT University – Alliances Performance in Public Sector Infrastructure, Dr. Nick Blismas, James Harley, 2008

<sup>14</sup> Source - Canadian PPP Project Directory, Canadian Council for Public-Private Partnerships, November 2006

Project	Owner	P3 Type	Capital Cost	Capital Cost Savings	Lifecycle Cost	Lifecycle Cost Savings
New Wastewater Treatment Plant <sup>15</sup>	Province of BC (Britannia)	DBFO	\$16 M	16%	\$27 M	31%
New Water Treatment Plant <sup>16</sup>	City of Seattle (Cedar)	DBO	\$81 M	30%	n/a	30%
New Water Treatment Plant <sup>17</sup>	City of Seattle (Tolt)	DBO	\$65 M	43%	n/a	40%
New Water Treatment Plant <sup>18</sup>	Tampa Bay Water	DBO	\$79 M	n/a	n/a	21%

n/a = not available

Water and wastewater treatment plants delivered using P3 models show significant lifecycle cost savings can be realized. In addition, the preliminary value for money assessment developed by Deloitte and Touche Inc. in 2008 for the upgrade and expansion of the SEWPCC identified that a saving of 17%<sup>19</sup> on the lifecycle costs could be achieved using a DBFO model. Based on the foregoing, it is reasonable to conservatively expect a 10% to 15% saving on lifecycle costs using a combination partnership model.

For the purpose of the projections presented in this business plan the following assumptions have been made relative to the use of a Strategic Partnership model:

- o Capital asset construction cost will be 8% less than current estimated costs when delivered by the Strategic Partnership.
- o Lifecycle costs will be 12% lower as a result of using the Strategic Partnership model.

#### 7.4.7 Expected Timing

The procurement process is scheduled to be complete by December 2009 so that work can commence on the SEWPCC project. This timing is essential to the ability to achieve the December 2012 licence date. While it is targeted the Utility will be created by December 2009 to enable the use of a jointly owned corporation for the Strategic Partnership, if this is delayed, a contractual partnership will be established with the City.

<sup>15</sup> Source -Partnerships BC Case Study

<http://partnershipsbc.ca/pdf/Britannia%20case%20study.pdf>, and Value for Money Report

[http://partnershipsbc.ca/pdf/Britannia\\_Value\\_for\\_Money\\_Report\\_March\\_05\\_FINAL.pdf](http://partnershipsbc.ca/pdf/Britannia_Value_for_Money_Report_March_05_FINAL.pdf)

<sup>16</sup> Source - SPU DBO Treatment Facility Projects. <http://nwcc.info/upload/kelly1.pdf>

<sup>17</sup> *ibid*

<sup>18</sup> Source - National Council for Public-Private Partnerships Case Study:

<http://www.ncppp.org/cases/tampabay.html>

<sup>19</sup> Deloitte & Touche Inc. – Analysis of delivery models for the SEWPCC – February 2008

The RFP process will include initial terms for the partnership agreement. These terms will be refined through feedback and confidential meetings with the individual proponents to generate the final agreement by the end of the RFP process.

When the partner is selected, depending upon the form of partnership, an interim agreement will enable work to commence immediately on the review of the existing design work for the SEWPCC while the final form of partnership is established.

#### **7.4.8 Impact or Procurement Risk**

The indication from the procurement process thus far, is that there is sufficient interest from key organizations within the market regarding the Strategic Partner model. The risk of being unable to procure a partner is low. However, if interest declines and/or there is a failure to reach a workable agreement with a prospective partner, issues would be created for the City including:

- o The December 2012 licence date for the SEWPCC would likely not be met.
- o Anticipated savings would not be achieved. Costs would likely increase as a result of accelerating construction due to delay in starting.
- o Project management resources will have to be hired by the City/Utility to manage the upgrades and expansion projects.

If the Utility and the Utility's Board are in place by December 2009, then the recommendation for engaging the selected strategic partner will be presented to the Utility's Board for a decision. If, however, the Utility has not been established by December 2009, then City Council will be presented with a recommendation for a decision. An interim contract may be used so that work on the SEWPCC can proceed to meet the licence date while the Utility is created. In either case, the budgets for the capital projects will be ratified by City Council prior to commencement of the works.

#### **7.5 Requirements for Services from the City**

To deliver core water and waste services, the Utility requires information technology, human resources, finance and customer contact support services. A number of support services are provided to the Department by corporate centralized support services while others are provided by the Department itself with its own internal resources.

Existing services were reviewed to determine how the support services should be delivered under the Municipal Utility model – either continue to be provided by the City's centralized support services under a service level agreement ("SLA") or be provided by internal resources within the Utility. To determine how support services should be delivered, an assessment was conducted with City staff that considered: the strategic importance of the service; the costs and benefits of having the service provided by one means versus the other; the impact on the City and Utility if the service delivery was changed; and the ease or difficulty of implementing the proposed means to deliver the service.

The results of the assessment generally indicated that the current means of providing support services could continue, resulting in the City continuing to provide some services to the Utility and the Utility providing some services with its own internal resources. A high level summary of these services follows.

#### **Information Systems**

The Department relies on certain applications that are used City-wide and the Utility will seek to leverage existing licensing agreements with software vendors, obtain ongoing access to the City's networks and hardware, and obtain application support services from the City for these corporate applications (including PeopleSoft Human Resource Management System, PeopleSoft Financial Management System, Outlook/Exchange email, I-View streets and property map system, GIS SDS, CITYNET intranet, e-directory, Land Information Management System, etc.). The Utility will also rely on the City to provide file storage, file access, and desk top support services.

The Utility plans to control access rights to its intranet services and maintain and design its own web page and internet content. The Department currently provides its own application support and development services for applications unique to the Department (including the computerized work management, computerized information and billing, aqueduct monitoring, landfill monitoring, and SCADA systems). The Utility will continue to do so in the future. The Utility will be responsible for its own information technology planning to ensure its information systems and technology needs continue to be met.

#### **Human Resources**

The Department currently delivers many human resources support services with its own resources. The City sets overall compensation, classification, recruitment, and personnel policies and provides certain collective bargaining, collective agreement, training, and benefit support services to all City departments.

As noted earlier, the Utility will continue to access the PeopleSoft Human Resource Management System through a service level agreement with the City. The Utility will however require flexibility, while considering external market conditions and public sector precedents, to set its own human resource policies and conduct its own job classification, staffing, compensation, labour relations, and human resources administrative functions. As such, it is envisioned that these services will be provided by the Utility in the future which may require additional resources. The Utility will work with providers and seek to leverage the City's existing benefits programs and Workers Compensation Board coverage under the existing City plans. The Utility would retain risk services from the City (insurance, claims).

The Utility will obtain certain services from external providers which are currently either provided by the City or by external providers.



### **Finance and Administration**

The Utility will rely on the City's PeopleSoft Financial Management System which would continue to be provided and supported by the City. The Utility will also continue to rely on the City to provide certain treasury services such as debt issue, investment and banking services. The Utility will make arrangements with the City for office space and will rely on the City for property management services.

A key financial benefit of the Utility model is the Utility's ability to seek purchasing partners (for volume) and as such purchasing services will be controlled by the Utility directly rather than the City's centralized purchasing group. Financial management services including budgeting, financial reporting, accounts payable, taxation, rate setting, rate forecasting, and accounts receivable will be provided by the Utility similar to what is currently done today. When rates become subject to PUB regulatory oversight and reporting requirements, rate setting and forecasting will be impacted and will likely require additional resources.

The Utility will obtain certain services from external providers which are currently either provided by the City or by external providers. This includes selected legal services, and internal and external audit services.

### **Customer Services**

The Department currently operates its own customer contact center for billing inquiries and operates separately from the City's 311 service. The Utility will continue to provide existing customer contact services, but will also respond to general customer inquiries that are currently routed through the City's 311 service. The Utility may need to invest in new telephony technology such as VOIP to facilitate this change. The Utility will be responsible for developing its own corporate identity and communicating this through appropriate communications, marketing and advertising strategies externally and internally. There will be little reliance made on the City for the provision of customer contact and communications related services similar to today.

While there will be some changes to the current means of providing support services, it is anticipated the impact overall will be cost neutral as gains in some areas will be offset with the need for a few additional resources or minor investment in others.

### **Miscellaneous Services**

There are a few other miscellaneous services currently provided by other City departments to the Water and Waste Department. This includes: tree removal, cut restoration, naturalist services provided by Public Works; air tank refills and fit testing provided by Fire and Ambulance Services; etc. The Utility will continue to obtain these services and will prepare service level agreements or contractual arrangements as required.

### Services Provided to Other City Departments

The Department provides a few services to other City departments. This includes:

- o Inspection and after hours emergency services to set up and remove barricades for Public Works and Fire and Paramedic Departments;
- o Fire hydrant maintenance and testing for Fire and Paramedic Department;
- o Catch basin thawing, underpass station maintenance, and resource centre and library services for Public Works Department.

The Utility will have the resources and infrastructure to continue to provide these services to other City departments in the future. Appropriate service level agreements and contractual arrangements will be put in place as required.

### Service Level Agreements ("SLA's")

Service Level Agreements ("SLA's") will be negotiated during the transition stage. The purpose of the SLA's will be to acknowledge and document specific service responsibilities, agreed expectations for service delivery, outputs, and commitments from both sides.

The objectives of an SLA are to:

- o provide clear reference to service ownership, accountability, governance, roles and responsibilities;
- o present a clear, concise, and measurable description and standards of service provision;
- o define the formula or methodology for service pricing;
- o anticipate and prevent risks; and
- o match perceptions of expected service provision with actual service support and delivery.

The Utility will enter into SLA's for services provided by the City for an initial period of 1 to 3 years in order to facilitate a smooth transition and start up of the Utility. The Utility will be seeking growth and new business opportunities and therefore it will need to re-evaluate the provision of support services to determine whether the SLA's continue to meet the Utility's ongoing needs. The City currently charges a fee for certain services and elements of existing shared service arrangements can be incorporated into the SLA's that will be prepared by the Utility. SLA's will be critical to ensuring the services are competitive and formal agreements with the City would be required when rates/operating requirements are subject to PUB approval.

## **7.6 Marketing and Business Development**

### **7.6.1 Corporate Identity**

The Utility will develop its own corporate identity, separate from that of the City. The identity will be consistent with the goals and objectives of the Utility and once developed, will need to be communicated to stakeholders through a variety of vehicles.

### **7.6.2 Existing Contracts**

The management of existing contracts between the Department and customers will be transferred to the Utility, as will some of the existing supplier contracts.

### **7.6.3 Geographical Expansion**

The Utility will pursue opportunities to provide service to communities outside of Winnipeg to generate new revenue streams. The Utility will start by identifying municipalities and other entities that would benefit from such an arrangement based on criteria such as:

- Interest in purchasing services expressed previously to the Department by the municipality or entity.
- Inability to recruit and retain specialized skill sets required for water and waste operations.
- Needs relative to the Utility's capacity.
- Level of incremental investment required by the Utility to provide the service.
- Other criteria established by the Utility's management.

Once an opportunity for geographical expansion of service provision has been qualified, the Utility will undertake a cost-benefit analysis and present a business case to the Utility's Board. Where Board approval is provided, the Utility will pursue negotiations with municipalities and other entities within the parameters established by the Board. It is common practice in the utility industry to have a rate of return for provision of such services outside of its municipal boundaries. During the transition, the Utility will conduct further research into what options it has for obtaining a reasonable rate of return for providing services to other communities.

### **7.6.4 New Services/Lines of Business**

The Utility will also pursue growth by exploring innovative new lines of utility related business that fill market demand, considering areas such as municipal green energy. New lines of business may evolve in the future.

A website search of selected water and waste structures summarizes the services/lines of business of each.

City	Business Name/Model	Service Lines/Lines of Business
Peterborough	Peterborough Utilities Commission	<ul style="list-style-type: none"> <li>o Water supply and distribution</li> <li>o Operation of Parks and Zoo</li> <li>o Supply and metering of electricity</li> </ul>
Kingston	Utilities Kingston – Municipal Corporation	<ul style="list-style-type: none"> <li>o Supply, distribution, and metering of water</li> <li>o Collection, pumping, treating sewage</li> <li>o Distribution and metering of natural gas</li> <li>o Distribution and metering of electricity</li> <li>o Distribution of broadband high-speed wireless connectivity</li> </ul>
Waterloo	Regional Government – Waterloo Region Public Works	<ul style="list-style-type: none"> <li>o Water supply and maintenance</li> <li>o Wastewater treatment</li> <li>o Solid waste management</li> <li>o Transit and specialized transit services</li> <li>o International airport services</li> </ul>
Peel	Peel Public Works - Public Operator	<ul style="list-style-type: none"> <li>o Water treatment and distribution</li> <li>o Wastewater treatment and collection</li> <li>o Water and wastewater environmental assessments</li> <li>o Construction and maintenance of regional roads</li> </ul>
Edmonton	EPCOR – Private Enterprise Model	<ul style="list-style-type: none"> <li>o Water and wastewater services</li> <li>o Power related services (builds, owns and operates power plants, electrical transmission and distribution networks)</li> </ul>

The Utility will start by identifying services where:

- o An unfilled market demand exists.
- o The Utility has or can obtain the required skills and infrastructure to provide the service.
- o The provision of the service is consistent with the Utility's vision and goals.
- o Potential for synergies exist.
- o A strong business case for provision of the service can be developed.
- o A defensible competitive position is possible.
- o No legal/regulatory barriers exist.

Once an opportunity for service provision has been qualified, the Utility will develop a business case, including a cost-benefit analysis, and present the business case to the Utility's Board. Where Board approval is provided, the Utility will pursue the opportunity. New services may be built organically by the Utility or acquired.

## 8. Governance

Corporate governance is the means by which companies are directed and controlled. This section describes the governance structure the Utility will adopt.

### 8.1 Ownership and Form

The Utility will be created by use of existing authority of the City contained in s. 212 of The City of Winnipeg Charter Act, as expressed in a regulation that will be required to be passed pursuant to that section (the "Regulation"). The resulting Corporation will be created and exist in law solely through the authority granted to the City by the Legislature of Manitoba in the Charter. The Corporation will be a defined municipal corporation and accordingly will exist solely for the benefit and use of the City of Winnipeg as will its assets. In other words, the City will not be able to sell the Utility in whole or in part. The Utility is anticipated to be a non-share capital corporation, with the City being the sole member.

As noted, for this wholly owned City controlled Utility to come into existence, the Charter requires the Province of Manitoba to pass the Regulation by Order in Council rather than by filing articles of incorporation. The City will offer input into the Provincial process that will consider the form and content of the Regulation. The purpose of the corporation and matters such as corporate governance will be set out in the Regulation.

In order for the Utility to be able to enter into the preferred strategic partnership model as described in section 7.4 of this business plan, the Regulation needs to provide the Utility with the ability to establish subsidiary corporations. This ability would apply to the proposed strategic partnership business model described in this document for the delivery of sewage treatment upgrades and expansions as well as to the establishment of other corporations for future strategic partnerships where appropriate.

In addition, to facilitate operations and mitigate risks to the Utility, additional complementary statutory amendments should provide the Utility's employees with the ability to discharge the duties currently imposed on the City and its employees. In addition, statutory amendments should provide the Utility and Utility employees with the same protections the City and City employees currently enjoy.

Discussions with the Province regarding the desired statutory amendments are ongoing.

### 8.2 Governance

As is acceptable and standard practice for control of similar public or crown corporations in Manitoba and elsewhere, it is proposed that the Utility have strict controls set out in law by the authority of the City in s. 212 of the Charter and as expressed in the Regulation. Objects and purpose of the Utility will be established and will state that one of the purposes of the Utility is to provide high quality utility service to both citizens of Winnipeg and elsewhere. The services shall meet or exceed environmental standards and shall always ensure protection of human health and safety. The services performed

by the Utility shall be provided on a basis that there will be a net-positive financial benefit for the citizens of Winnipeg.

Subject to the approval process set out below, a board of directors for the Utility will be established to appoint a CEO, oversee and direct the achievement of Utility goals and set prudent direction for the accomplishment of the purposes set out in the Regulation.

The Chairperson of the Board will deliver the Utility audited annual report and the proposed annual business plan, including the capital plan, to the City CAO.

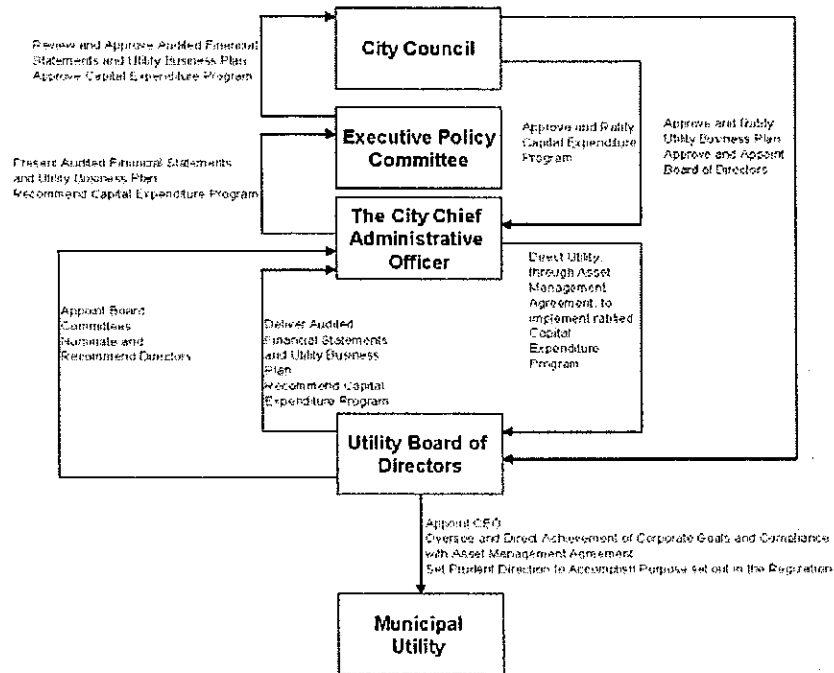
An Annual Members Meeting, consisting of City Council, will then be convened to receive the audited financial statements and to ratify the business plan thereby ensuring utility accountability and control to citizens through their elected City Council.

To facilitate these steps, the Utility will, through the Regulation or corporate by-laws, select a fiscal year end and will prepare and file with the CAO, audited annual financial statements within 90 days of its fiscal year end, unaudited quarterly financial statements within 60 days of the end of each quarter, and any additional information as the Board or CAO shall consider necessary, all of which will be made available to the public upon request. These reports will also be presented to Executive Policy Committee ("EPC"), which will in turn refer the reports to City Council.

The City CAO will present annual Utility business plans with a recommended capital expenditure program to EPC for their review and approval. Once a business plan has been approved by EPC, it will be presented to City Council for ratification. Once ratified, the CAO will direct the Utility, through the Asset Management Agreement, to implement the capital expenditure program. Performance measurements and quality of service standards will be established between the City and the Utility.

It is proposed that the Utility be required by the Regulation to convene a public meeting at least once per year to present and seek comment upon its annual plan and previous year's audited annual report.

The diagram that follows sets out the relationships between the Utility's Board, the City's CAO, EPC and City Council.



## Governance Structure

### 8.3 Board of Directors

City Council will appoint a board of directors as set out in the Regulation.

#### Board Composition and Appointment

- Seven to eleven directors will be appointed to permit continuous operation even during periods where there may be a vacancy, with the number of directors from time to time to be an odd number to avoid deadlock votes. Staggered terms will be permitted.
- Directors will be recruited by an independent management recruitment firm, retained by the CAO to identify a slate of nominees.

- The CAO will review and recommend Board candidates based on desired skill sets, background knowledge and experience (such as engineering, environmental compliance, accounting and law) and present such recommendations to EPC. City Council will approve or reject the entire slate of candidates. For future vacancies, the Board will nominate a short-list of recommended candidates to the CAO for presentation to EPC and their presentation to City Council.
- City Council members will not be eligible to serve as board members.

#### **Conflict of Interest Guidelines**

- Prescribed conflict of interest guidelines or standards will be set out in the Regulation, or as currently set out in the Crown Corporations Public Review and Accountability Act (Manitoba) (the "Crown Accountability Act") and will not be less than those imposed by the Corporations Act.

#### **Fiduciary Obligations and Responsibilities**

- The Board of Directors has a fiduciary obligation, imposed by the Corporations Act, to act in the best interests of the Utility and to exercise care and diligence of a reasonable person, consistent with the Crown Accountability Act and in compliance with the Regulation. When acting in accordance with appropriate standards, directors are entitled to indemnification by the City.
- The Board of Directors will have the following key responsibilities:
  - Ensure compliance/performance under the Asset Management Agreement.
  - Monitor and evaluate Utility performance.
  - Maintain legal and ethical practices.
  - Select and appoint the CEO.
  - Evaluate senior management performance.
  - Determine executive compensation.
  - Hold a public meeting, in the City of Winnipeg, at least once annually, at which management of the Utility will explain the objectives of the Utility, describe prior year results, and summarize the contents of its business plan.
  - Establish required by-laws which will be ratified by City Council following approval by the Board.
  - Delegate responsibilities to Committees of the Board or individual directors or officers. Establish a number of key Committees which will include: Audit; Human Resources; and Environment and Health and Safety. Terms of reference for each Committee will be documented.
  - Evaluate board performance in accordance with accepted outside measures.
  - Hold regularly scheduled meetings, not less than 6 times per year, as well as ad hoc meetings from time to time.
  - Obtain advice from an independent consultant on director compensation. Director compensation will be approved by City Council.



- Establish policies and procedures for orientation of new directors and for continuing education.

#### **Application of The Corporations Act (Manitoba)**

Notwithstanding that the Utility would be created by Regulation, certain parts of The Corporations Act (Manitoba) would continue to apply to the Utility including the obligation of Directors to recognize fiduciary obligations and to act in the best interests of the Utility.

## 9. Legal and Regulatory Environment

The water and wastewater market is essentially a regulated monopoly. Water and wastewater utilities are subject to intense environmental and economic regulation. The Utility will need to comply with municipal, provincial and federal regulation.

With the above noted statutory amendment to mitigate the risk related to discharge of duties currently imposed on the City and its employees and protection from liability, the by-laws may not require changes but rather could be adopted by virtue of the statutory amendment. Otherwise, the relevant by-laws will need to be reviewed to determine their application to the Utility and may require amendment in order to proceed with the Utility.

Key legal and regulatory considerations are described in the paragraphs that follow.

### 9.1 Municipal Oversight

The City of Winnipeg Charter provides that the City has the exclusive possession and control over the waterworks facilities. This provides assurance that City water operations and facilities cannot ever be sold to a private non-city entity. The Charter also contains a number of significant powers and protections to the City, its assets and employees, in connection with the supply by the City of commodities and services, including waterworks. Matters such as the right of staff to enter privately owned land without being liable for trespass and City protection from liability for being sued for interruptions in utility service are examples of such rights and protections in the Charter.

The City of Winnipeg's legal mandate to ensure a supply of water, along with sewage and wastewater services is derived from the City of Winnipeg Act. By-laws of the City apply to land, works and equipment that form part of or are used for the City's waterworks, whether within or outside of Winnipeg. Related city by-laws include:

- o Water Works 504/73 (passed 7 November 1973)
- o Solid Waste 1340/76 (passed 21 July 1976)
- o Bio-Medical Waste Sharps 6001/92 (passed 8 July 1992)
- o Sewer 7070/97 (passed 24 July 1997)
- o Lot Grading 7294/98 (passed 29 September 1998)
- o Secondary Dyke 7600/2000 (passed 26 April 2000)
- o Frontage Levy 7958/2002
- o Local Improvement 98/72

Each by-law prescribes functions to be carried out by officials and designated employees of the City of Winnipeg and may require amendment to designate appropriate officials or employees of the Utility.

## 9.2 Provincial Oversight

Manitoba ministries responsible for water and waste stewardship include the following:

- **Manitoba Conservation.** Manitoba Conservation delivers programs and services to protect the environment and manage natural resource sustainability. Primary functions include:
  - Assisting local municipalities in wastewater and solid waste management issues.
  - Supporting water stewardship activities.
  - Regulating waste and water management systems and wastewater facilities.
  - Participating as Manitoba's representative on the Water Agenda development committee of the Canadian Council of Ministers of the Environment.
  - Administering the certification process for plants and plant operators under the Waste and Wastewater Facility Operators Regulation.
- **Manitoba Water Stewardship.** Manitoba Water Stewardship provides leadership in environmental stewardship, including the protection of Manitoba's water and water quality.
- **Manitoba Water Services Board.** Manitoba Water Services Board assists rural residents outside the City of Winnipeg in developing safe, sustainable water and sewerage facilities.

Relevant Manitoba legislation includes the following:

- The Environment Act (1987)
- Operators, Water and Wastewater Facility Regulation (2003)
- Onsite Wastewater Management Systems Regulation (2003)
- The Water Protection Act (2005)
- The Phosphorus Reduction Act (Water Protection Act amended) (2008)
- Nutrient Management Regulation (2008)
- The Water Rights Act – prevents the diversion, damming or alteration of water course or water levels without a license.
- Dangerous Goods Handling and Transportation Act (1992) – the City presently files reports on leachate.

The Drinking Water Safety Act provides regulatory oversight of drinking water suppliers in Manitoba and oversees water quality standards. The Act imposes liability on Directors of Corporations that commit an offence under the Act. In addition, two Manitoba regulations made pursuant to the Drinking Water Safety Act that apply to the City are the Drinking Water Safety Regulation (MB Reg. No. 20/2007) and Drinking Water Quality Standards Regulation (MB Reg. No. 41/2007).

The Environment Act (Manitoba) promulgates the Waste Disposal Grounds regulation which requires licensing of sewage waste disposal grounds. In addition, it addresses the

issuance of operating permits or certificates and licensing of water/sewer treatment facilities. The operating certificates are issued to a facility, so existing certificates would bind the Utility. If any facilities are transferred to the Utility, it will be required to provide details of the organization, operational hierarchy and designate a person in charge of operations for approval of the Director under the Environmental Act.

### **9.3 Federal Oversight**

Federal legislation includes the Canadian Environmental Protection Act (1999), Navigable Waters Protection Act (1985), and the Fisheries Act.

The City presently submits annual reports with respect to its waste and solid waste utilities as required by the Canadian Environmental Protection Act.

### **9.4 Rate Regulation**

Under the City of Winnipeg Charter, the City is entitled to set its own rates for water and waste services that the City supplies. Under the asset management model, the City will retain rate setting authority at least for the transition and start-up period. When suitable statutory amendments are achieved, the option of having the independent and provincially appointed PUB provide review and approval of utility rates will be implemented.

The PUB Act applies to every company, corporation or local authority owning, operating or controlling any public utility. A public utility is defined to include a system for delivery of water carried on, by or for a municipality. The PUB Act allows the PUB to declare any system of sewage collection or disposal to be a public utility.

It is intended that PUB jurisdiction would apply to rate setting only. Ratification of the capital program would remain the responsibility of City Council. Approval of the capital program would not be subject to PUB control as is the case with the Province and Manitoba Hydro. To ensure this, a statutory change has been proposed.

A movement to PUB regulation has implications for how the Utility allocates and manages the costs of providing service, and for how it plans the required investment in infrastructure and a transition period would be required to ensure the Utility has established the appropriate processes and cost allocation methodologies. The jurisdiction of PUB under its legislation is one of general supervisory powers over public utilities and the owners thereof and includes more than the power to set rates.

## **9.5 Mandatory Sewage Treatment Upgrades**

The Utility must advance and provide for the timely completion of the capital projects necessary to bring its sewage treatment plants in line with new environmental licence requirements. Recent provincial regulatory licences issued in 2005 and 2006 under the authority of the Manitoba Environment Act require completion of sewage treatment plant Biological Nutrient Removal upgrades for the City's sewage treatment plants:

- o WEWPCC by the end of 2008
- o SEWPCC by the end of 2012
- o NEWPCC by the end of 2014

### **9.5.1 WEWPCC**

The upgrades required for this plant to achieve the BNR standard were recently completed. As part of the BNR upgrade, the work included a number of installations and renovations. Total cost expended to date on BNR upgrades and expansion to this plant is approximately \$37 million.

To achieve year round disinfection, a new UV disinfection facility has been designed for the WEWPCC. However, given the good performance at the WEWPCC during most months because of the practice of routing final effluent through the existing lagoon cells or polishing boards, the City has requested that the Province of Manitoba amend the environmental licence issued and delete the requirement for disinfection during the winter months. The cost to build the UV disinfection facility is estimated at \$10 million.

### **9.5.2 SEWPCC**

The preliminary engineering and conceptual design for the BNR upgrades and expansion at SEWPCC have been completed and some minor site servicing requirements have been constructed.

Upgrades at the SEWPCC include the reduction of nitrogen, phosphorous, biochemical oxygen demand, and total suspended solids from the SEWPCC effluent as well as the inclusion of year round effluent disinfection. The environmental license specifies a completion date of December 31, 2012 for these upgrades.

In addition, expansion of the SEWPCC treatment capacity will be required to accommodate population growth in the service area of the SEWPCC. The current plant is almost operating at its average dry weather flow capacity of 60 million litre per day ("ML/d") and needs to be expanded to 70 ML/d based on the 25 year population projection. The license specifies flow and loading limits to the SEWPCC that will eventually be exceeded as increased development occurs and population increases within the plant's contributing service area. The SEWPCC upgrade is estimated to cost \$205 million.

### 9.5.3 NEWPCC

Upgrades for the NEWPCC include the reduction of nitrogen, phosphorous, biochemical oxygen demand, and total suspended solids from the NEWPCC effluent as well as the inclusion of year round effluent disinfection. The environmental license specifies a completion date of December 31, 2014 for these upgrades. To date, both the disinfection and the centrate (phosphorous and nitrogen removal from centrate supernatant) treatment facilities have been constructed and are operating. The centrate facility was built at the NEWPCC ahead of the BNR upgrades because it was a cost effective means of reducing the City-wide nitrogen and phosphorous loading to the receiving stream in a relatively short time period.

The scope of the NEWPCC BNR expansion is presently being defined to more clearly identify the system processes needed to meet the environmental licence guidelines. The current amount carried for the NEWPCC plant expansion in the Department's capital program is \$400 million, with options considered ranging from \$343 to \$530 million.

The wastewater by-product, biosolids, processed at the NEWPCC will also need an additional investment to meet existing and future environmental regulations. The magnitude of the investment required is currently under study and is not known at this time.

### 9.5.4 Other Upgrades

In addition to the projects described in the preceding paragraphs, an additional \$200 million of wastewater treatment plant infrastructure upgrades is anticipated in the next five years.

## 9.6 Compliance

Water and wastewater services are delivered in a highly regulated environment. The Utility will need to comply with all relevant regulatory requirements. The City will need to remain compliant with regulatory requirements for the provision of water and waste services, and the Utility will need to facilitate this and operate according to the terms of the Asset Management Agreement.

## 10. Financial Implications and Results

### 10.1 Historical Financial Information

The Water and Waste Department consists of three distinct utilities for financial reporting purposes – water, wastewater and solid waste disposal. Separate financial statements are prepared by the City for these utilities in accordance with the accounting policies used to prepare the City's consolidated financial statements. Land drainage and garbage collection operations are reported in the City's General Revenue Fund and are included in the Public Works and Water reporting segment. Consolidated financial statements for the Department are not prepared.

The expenses for the utility segments are supported primarily by rate revenue. Land drainage services are supported by wastewater rate revenue, solid waste collection services are primarily tax supported, and recycling and waste minimization services are supported by provincial grants, service revenues and proceeds from the sale of recyclables.

The following table summarizes historical revenue from the sales of goods and services ("Revenue") for the water and sewer utility segments for the last five years. This Revenue amount includes rate revenue as well as revenue from the sale of surplus materials and equipment and equipment rental and excludes grants, developer contributions, interest and other sources. Revenue derived from rates accounts for approximately 90% of the Department's total revenue.

City of Winnipeg – Historical Revenue for Water and Sewer Utilities (\$000s)

	2004	2005	2006	2007	2008
Water	\$ 71,345	\$ 74,008	\$ 74,964	\$ 83,351	\$ 89,625
Sewer	76,495	85,651	98,152	106,948	123,961
<b>Total</b>	<b>\$ 147,840</b>	<b>\$ 159,659</b>	<b>\$ 173,116</b>	<b>\$ 190,299</b>	<b>\$ 213,586</b>

Additional Revenue is earned from the provision of solid waste services. Historical Revenue from solid waste is shown below.

City of Winnipeg – Historical Revenue from Solid Waste Services (\$000s)

	2004	2005	2006	2007	2008
Solid Waste	\$ 17,753	\$ 18,042	\$ 15,788	\$ 17,375	\$ 18,558

Historical total expenditures for water and sewer operations are summarized in the table that follows. Total expenditures include operating costs, debt service, transfer to reserves, and transfers to the general revenue fund. The total sewer expense includes transfers to support land drainage.

**City of Winnipeg – Historical Total Expenditures for Water and Sewer (\$000s)**

	2004	2005	2006	2007	2008
Water	\$ 70,093	\$ 69,327	\$ 65,918	\$ 69,509	\$ 68,861
Sewer	83,048	88,702	75,967	83,575	88,968
<b>TOTAL</b>	<b>\$ 153,141</b>	<b>\$ 158,029</b>	<b>\$ 141,885</b>	<b>\$ 153,084</b>	<b>\$ 157,829</b>

The historical total expenditures for solid waste (including recycling), garbage and land drainage are shown below.

**City of Winnipeg – Historical Total Expenditures (\$000s)**

	2004	2005	2006	2007	2008
Solid Waste	\$ 18,349	\$ 18,816	\$ 15,752	\$ 16,251	\$ 18,680
Garbage	16,503	17,299	15,715	15,159	15,489
Land Drainage	16,966	17,152	15,958	14,592	13,634
<b>TOTAL</b>	<b>\$ 51,818</b>	<b>\$ 53,267</b>	<b>\$ 47,425</b>	<b>\$ 46,002</b>	<b>\$ 47,803</b>

Water and sewer utilities have historically realized surpluses over revenue. These surpluses are used to maintain working capital to a targeted 11% or more, to fund capital expenditures, and to prevent significant rate fluctuations and provide mid-term stability to rates through the ability to absorb losses resulting from declines in consumption or other unforeseen expenditures in operating or capital costs.

The City of Winnipeg operates Capital Reserves to account for the use of designated revenue for specific purposes. The Reserves related to water and waste services include:

- o **Water Main Renewal Reserve Fund** – On February 18, 1981, City Council authorized the establishment of this fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established by the transfer of \$2.0 million of frontage levy from the Waterworks System Fund and was maintained by the transfer of frontage levy revenue and interest earned until 2009. As of 2009, the reserve is funded by rate revenue through a transfer from the Water Fund.
- o **Sewer System Rehabilitation Reserve** – On May 27, 1992, City Council authorized this establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds. These reserves were established for the renewal and rehabilitation of combined sewers and wastewater sewers, respectively, with funding to be provided from the frontage levy for this purpose. The purpose of the reserves is to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers and to renew and rehabilitate wastewater sewers. As of 2009, the reserve is also funded by rate revenue through a transfer from the Sewer Fund.



- o **Environmental Projects Reserve Fund** – On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. The name of the fund was subsequently changed to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects this Reserve was set up to fund. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. This Reserve will partially fund the capital projects required to meet the environmental license requirements for the City's water pollution control centres.
- o **Brady Landfill Site Rehabilitation Reserve Fund** – On December 17, 1993, City Council authorized the establishment of this fund for the purpose of providing funding for the future development of the Brady Landfill site. The Reserve is financed through a monthly transfer from the Solid Waste Disposal Utility Fund based on tonnages processed at the landfill.

Currently, the Director of Water and Waste is the Fund Manger for each of the Reserve Funds described in the preceding paragraphs.

**10.2 Transaction to Establish the Utility**

The details of the transaction to create the Utility and required statutory amendments will be formulated and developed in the next 90 days as the City Department transitions to a 100% City-owned Municipal Utility to provide services to the City under an Asset Management Agreement.

The relationship between the City and Utility under an Asset Management Agreement is summarized in the table that follows.

	Responsibility
<b>Assets and Capital Decisions:</b>	
Asset Ownership	City
Financial Reporting of Assets	City
Capital Financing	City
Capital Program Authority	City
<b>Operations:</b>	
Delivery of Services to Customers	Utility, on behalf of the City
Financial Reporting of Expenses	Utility – reports all operating expenses related to services. As the assets are reported by the City, the Utility does not record amortization expenses. Debt is held by the City and therefore the Utility does not record financing charges or costs. City pays and records the Asset Management fee paid to the Utility for the services, records amortization expenses on tangible capital assets and records financial charges or costs on debt.

	Responsibility
<b>Customer Billings</b>	The Utility will collect revenue from customers and will receive a fee for service under the Asset Management Agreement.
<b>Regulatory:</b>	
<b>Rate setting control</b>	Rate setting authority retained by the City; PUB regulation when suitable statutory amendments made.
<b>Other:</b>	
<b>Financial Return for the City</b>	Any return to be achieved by the City will need to be built into and be implicit in the rates established by City Council.
<b>City's Bond Rating Impact</b>	No change from present.

### 10.3 Key Assumptions

This section highlights the key assumptions incorporated into the financial analysis. Additional detail on the financial analysis assumptions is contained in Appendix A.

#### 10.3.1 Key Assumptions – Ongoing Operations

Financial analysis was completed for the period from 2009 to 2014. The analysis was prepared using the Department's existing rate model and forecast as a base.

##### Existing Operations

The following assumptions were included in the Department's rate model and forecast and are expected to remain the same as the Utility operates under an asset management agreement. (For example, while amortization and debt charges would be recorded by the City under an asset management model, these expenses would be the same as included in the Department's rate model and forecast, the difference would be that they are reported on the City's financial statements and not the Utility's. Similarly, the revenue base does not change under the asset management model.)

- Water and wastewater revenues are driven by consumption. Water consumption is based on a five-year rolling average of historical actual consumption, adjusted to reflect anticipated year over year improvements in water conservation and efficiency. The financial analysis is based on the most current actual consumption information available (March 2009), which is slightly less than tabled with City Council in the November 2008 rate application. Sewer consumption is forecast as 98.98% of total water consumption, which is consistent with actual 2007 results.
- Operating expenses consist primarily of salaries and benefits; the cost of services purchased; interest and debt issuance costs; amortization; and materials, parts and supplies. These expenses are derived from the department's three year operating budget plus increases for inflation and new facilities as they come on line.

Differences between historical operating expenses and the financial analysis result from changes in accounting policies related to capital assets, increased costs associated with the operations of the new water treatment plant beginning in 2009, and increases in other operating expenses such as higher chemical purchase prices.

- Access to existing government grants is maintained and access to new government grants is obtained in the future.
- Significant capital asset additions are made over the forecast period to meet regulatory requirements and reinvest in existing infrastructure. The financial analysis is based on most current estimates of capital expenditures and timing. The difference between this and the estimate contained in the rate application filed in November 2008 is primarily a slight change in timing of appropriations to capital.
- In order to accommodate the new Waste Reduction and Recycling Support ("WRARS") levy imposed by the Province of Manitoba, charges for solid waste disposal at the Brady Road Landfill will increase effective July 1, 2009. Charges will be increased by \$5 per load for small loads up to one-half tonne and by \$10 per tonne for all other loads.
- As in the past, large borrowings will occur in the future to finance capital projects.

#### **Strategic Partner Impact**

The following assumptions were included in the financial analysis to reflect the impact of a strategic partner.

- A Strategic Partner will be procured at the end of 2009 or in early 2010. Assumptions and savings estimated to result from the Strategic Partner were outlined in Section 7.4 of the business plan and are expected to begin to be realized in year two of the Utility's operations. These include:
  - 8% reduction in capital asset construction costs when delivered by the Strategic Partnership.
  - 12% lower lifecycle costs using the Strategic Partnership model.
- The Utility will incur costs related to procuring a strategic partner in 2009 and 2010.

#### **Operations in the Utility Model**

Key assumptions incorporated into the financial analysis that are a direct result of transitioning to the Utility model include:

- **Expansion of services in the Winnipeg Capital Region.** It is assumed the Utility will provide wholesale water and wastewater services to certain municipalities in the capital region beginning in 2010, gradually increasing its market share over the forecast period, estimated based upon work previously done by the City in conjunction with the Municipal Service Sharing initiative. Over time, the Utility could expand its services to include metering, billing, customer service and operation and maintenance of rural collection and distribution systems. The scope of service expansion has not been built into the financial analysis as this will take time for the Utility to reach its full potential, but it is expected to be much more significant than

the initial estimate of additional incremental revenue shown in the financial analysis over the next five years.

- **Procurement Savings.** As a result of purchasing processes more customized to the Utility's needs (e.g. higher tender thresholds, longer terms) and more ability to negotiate contracts and to work with others to obtain purchasing synergies or greater volumes, it is expected the Utility will achieve a 1.0% savings in the first year, and 1.5% savings in subsequent years on its operating costs, excluding labour, relative to the existing Department forecast. These savings have been estimated based on the assumption that the Agreement on Internal Trade, which establishes certain procurement process requirements for municipal organizations, will apply to the Utility as it currently applies to the City. These savings are expected to be realized beginning in year two of operations as a Utility.
- **PUB Related Costs.** When the Utility makes an application to PUB to set rates, it will incur additional costs related to PUB regulation including rate applications and hearings. These costs have been estimated at \$1 million annually, and it is projected these costs may begin to be incurred in 2012. These costs consist of an annual contribution to the PUB for operating costs, funding for registered interveners at public hearings and any legal/financial expertise that the Utility may need to retain to assist in the rate application process.

### **10.3.2 Key Assumptions – Transitional Items**

In addition, the Utility will face a number of transition related costs. These costs are estimated to be \$3 million and include costs related to:

- Legal and other advisory services related to establishing the Utility and obtaining additional statutory amendments (\$1 million).
- Legal and Advisory services related to strategic partnership (\$2 million).

## **10.4 Impact of the New Structure**

### **10.4.1 Impact on the Utility**

#### **Accounting Implications**

The City currently prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants ("CICA"). When the Utility is established and becomes a separate legal entity that is distinct from the City, it will be established as a Government Business Enterprise for accounting purposes. The City currently reports Winnipeg Housing Rehabilitation Corporation as a government business enterprise using the modified equity method of accounting. Under this method, the Utility's accounting principles would not be adjusted to conform to those of the City and inter-corporate transactions would not be eliminated.

Because a government enterprise carries on a business, its financial statements should be prepared on the same basis as a private sector business and should adopt Canadian Generally Accepted Accounting Principles as prescribed by the CICA. As well, it is likely that the Utility will be required to adopt International Financial Reporting Standards ("IFRS") principles. This is consistent with other utility entities, such as Manitoba Hydro and Manitoba Public Insurance.

#### **Tax Implications**

It is intended that the Utility would have the same tax status as the City.

#### **PUB Regulation**

The PUB approves and sets utility rates and oversees other such matters as prescribed by legislation. In its decisions, the PUB is expected to determine the public interest, which has been defined to include fairly treated customers and consumers and financially viable utilities.<sup>20</sup> The Utility will need to ensure any changes in rates are fully and publicly justifiable and will require rigorous cost allocation processes and tools to ensure costs are properly allocated to each service area. In addition, the Utility will need to look at a cost allocation model that aligns the actual cost of delivering the service by class of customer, with the objective of ensuring each customer group pays its proportionate share of the costs associated with delivering that service. The Utility will require time to develop and implement these processes and tools.

#### **10.4.2 Impact on the City**

Establishing the Utility as a provider of asset management services to the City, will not have a significant impact on the City's financial results.

#### **10.5 Potential Impact on Rate Revenue Requirements**

City Council has the authority to approve rates for water and waste services. Typically, the rate report is submitted to City Council in November – City Council approves a one year rate but is provided a ten year forecast to support the recommended change in rates. The Department's ten year forecast details the revenue that is required to support the operations and capital programs of the water and sewer utilities while maintaining or exceeding targeted working capital to provide rate stability and enable the absorption of financial impacts caused by decreases in consumption or other unforeseen events. On November 19, 2008, City Council approved the 2009 water and sewer rates.

Expected expenditures drive the requirements for rate revenue. Total expenditures for water and sewer as was tabled in the November rate application are illustrated in the table that follows.

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<sup>20</sup> The Public Utilities Board Manitoba. "Annual Report, Fiscal Year 2007/08 ending March 31, 2008."

	2009	2010	2011	2012	2013	2014
<b>Revenue Requirements Driven by the Total Expenditure - Existing Model (Nov 2008)</b>						
Water – total expenditures	\$ 88,672	\$ 89,179	\$ 90,683	\$ 92,223	\$ 93,166	\$ 92,935
Sewer – total expenditures	109,222	109,920	122,775	133,477	138,474	146,588
<b>Total</b>	<b>\$197,894</b>	<b>\$199,099</b>	<b>\$213,458</b>	<b>\$225,700</b>	<b>\$231,640</b>	<b>\$239,523</b>

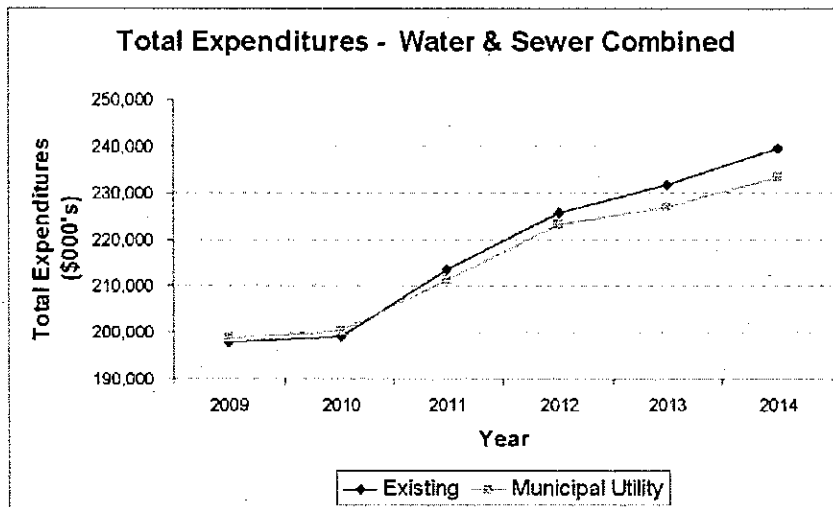
The Utility model provides an opportunity to realize financial benefits that will translate into expenditure reductions. These expenditure reductions are primarily due to operating cost savings and savings from strategic partner procurement which outweigh additional costs associated with the model. As well, the Utility model provides the benefit of net incremental revenue. The expenditure adjustments and incremental revenue expectations for the next five years are summarized in the table that follows.

	Notes	2009	2010	2011	2012	2013	2014
<b>Expenditure adjustments resulting from new model</b>							
One-time transition costs	1	\$ 500	\$ 2,500	\$ -	\$ -	\$ -	\$ -
Costs to have rates reviewed by PUB		-	-	-	1,000	1,000	1,000
Savings in operating costs / synergies associated with Utility model	2	-	(862)	(1,319)	(1,360)	(1,387)	(1,471)
Savings from strategic partnerships – financing costs	3	-	(253)	(623)	(1,336)	(2,325)	(3,317)
Savings from strategic partnerships - operations	4	-	-	-	-	(720)	(720)
Other	5	458	(90)	(213)	(352)	(513)	(557)
<b>Expenditure adjustments - Subtotal</b>		<b>958</b>	<b>1,295</b>	<b>(2,154)</b>	<b>(2,048)</b>	<b>(3,945)</b>	<b>(5,065)</b>
<b>Incremental revenue resulting from new model</b>							
Incremental revenue – wholesale services to capital region	6	-	(45)	(230)	(496)	(771)	(1,060)
<b>Available improvements – new model: Dollar costs/(savings)</b>		<b>\$ 958</b>	<b>\$ 1,250</b>	<b>\$(2,384)</b>	<b>\$(2,544)</b>	<b>\$(4,716)</b>	<b>\$(5,124)</b>

Notes:

- 1) One-time transition costs relate to utility formation and strategic partner procurement.
- 2) Operating cost savings of 1% in 2010 and 1.5% thereafter are achieved on identified service costs, materials, parts, and supplies; savings are not achieved on salaries and benefits.
- 3) Financing costs savings are a result of lower debt and interest requirements as a result of 8% savings on capital expenditures related to NEWPCC and SEWPCC.
- 4) Operational costs savings are a result of 12% lower costs anticipated at SEWPCC. Additional cost savings of \$1.8 million per annum at NEWPCC expected to commence in 2015.
- 5) 'Other' relates to:
  - a. Nominally revised operating cost estimates as a result of new information available
  - b. Nominal reduction in estimate of transfers to Land Drainage
- 6) Incremental revenue from capital region wholesale services assumes that infrastructure would take one year to get in place. Estimate is also based upon interest rate that has been expressed by the capital region to date and incorporates variable costs of 10%.

The overall impact and comparison to total expenditures as per the rate model is shown in the graph that follows.



There is an opportunity that with the net impact of lower total expenditures and incremental additional revenue, rate revenue requirements can be similarly impacted. That is, whereby rates still face increases in the future under the Utility model, they are not anticipated to increase by as much as in the Department's current projection. How this opportunity for improvement ultimately translates into specific rates by rate category will also be impacted by the timing of capital appropriations, cost allocations by customer class and the objective of avoiding significant rate fluctuations from year to year.

While the new model provides the opportunity for rate revenue requirements to be slightly lower in the shorter term to 2014, this difference is expected to grow in the longer term beyond 2014 as benefits of the NEWPCC strategic partnership are realized and as the Utility expands its area of service and adds new services.



## 11. Accountability/Reporting Framework

### 11.1 Overview of Accountability/Reporting Framework

The Utility will be led by a CEO and governed by an independent, appointed board of directors comprised of members with relevant experience. The Utility's relationship to the City of Winnipeg will be defined by the Regulation and the Asset Management Agreement, with decision making falling to the Board and the CEO of the Utility. The City would monitor the performance of the Utility to the Asset Management Agreement through a formal governance framework, as described in section 8.0.

The Utility will develop an accountability/reporting framework that is based upon the following principles:

- o An effective, independent board.
- o A proactive audit committee.
- o A compensation committee that aligns executive compensation to value to the City.
- o Nominations recommended by an executive search firm and a nomination committee of the Utility's Board ensuring effective governance of the board.
- o A sound internal control framework.
- o A relevant code of ethical behaviour.
- o Clear, enforced policies and procedures related to conflict of interest and other topics.
- o Effective management of risk.
- o An objective well resourced internal audit function.
- o Independent, effective external audit.
- o Transparent disclosure, effective communication, and systems that ensure effective measurement and accountability.

### 11.2 Key Performance Measures

Performance measurement is the process of identifying key value drivers and defining metrics to inform performance, support decision making, and foster positive behaviour and actions.

Close monitoring of key business and financial metrics will allow the Utility to determine whether it is achieving its goals and desired results. In the event that its goals and desired results are not being met, corrective action will be required. The Utility will develop a formal performance measurement system, building upon the performance measures currently used by the Department.

Key performance measures will be developed for each service area around the following themes:

- o Satisfaction.
- o Effectiveness.
- o Efficiency.
- o Financial.
- o Compliance.

For each theme, specific measures will be established for each service area in alignment with the Utility's strategy. For example, satisfaction measures will be focused on end-user customer related measures relevant to the particular service area, such as satisfaction survey results and financial measures will be focused on measures such as net operating income. The following paragraphs summarize selected current key performance measures of the Department that the Utility will consider and build upon. Additional measures (such as those for the Financial theme), performance targets and consequences for not meeting targets will be developed by the Board.

### 11.2.1 Key Performance Measures - Water Supply, Treatment and Distribution

The table that follows summarizes some of the key performance measures that will be considered for water supply, treatment and distribution services.

Performance Measure	Theme
Citizen satisfaction with quality of drinking water	Satisfaction
Water main breaks per 100 km	Effectiveness
Component and coliform testing	Compliance/Effectiveness
Total cost for supply, treatment and distribution of water per megalitre pumped	Efficiency
Total cost for supply, treatment and distribution of water per km	Efficiency

### 11.2.2 Key Performance Measures - Wastewater Collection and Treatment

The table that follows summarizes some of the key performance measures that will be considered for wastewater collection and treatment services.

Performance Measure	Theme
Citizen satisfaction with protection from sewer back-up	Satisfaction
Number of wastewater main backups (sewer blockage or collapse) per 100 km of wastewater main	Effectiveness
Number of wastewater pumping station failures	Effectiveness

Performance Measure	Theme
Monthly averages for exceeding limits for TSS and CBOD5 tests	Compliance/Effectiveness
Total cost for collection, treatment and disposal of wastewater per megalitre	Efficiency
Total cost for collection, treatment and disposal of wastewater per km	Efficiency

### 11.2.3 Key Performance Measures – Land Drainage and Flood Control

The table that follows summarizes some of the key performance measures that will be considered for land drainage and flood control services.

Performance Measure	Theme
Citizen satisfaction with protection from river flooding	Satisfaction
Citizen satisfaction with protection from sewer back-up	Satisfaction
Total cost for land drainage and flood protection per kilometre of drainage system	Efficiency

### 11.2.4 Key Performance Measures – Solid Waste Collection

The table that follows summarizes some of the key performance measures that will be considered for solid waste collection services.

Performance Measure	Theme
Citizen satisfaction with garbage collection	Satisfaction
Service deficiencies per 10,000 collections	Effectiveness
Service requests for full AutoBins per day	Effectiveness
Garbage collection cost per household	Efficiency
Garbage collection cost per tonne	Efficiency

### 11.2.5 Key Performance Measures – Solid Waste Disposal

The table that follows summarizes some of the key performance measures that will be considered for solid waste disposal services.

Performance Measure	Theme
Solid waste disposal operating cost per tonne	Efficiency

### 11.2.6 Key Performance Measures – Recycling and Waste Minimization

The table that follows summarizes some of the key performance measures that will be considered for recycling and waste minimization services.

Performance Measure	Theme
Citizen satisfaction with recycling	Satisfaction
Recycling service deficiencies per 10,000 collections	Effectiveness
Recycling and waste minimization operating cost per Tonne	Efficiency
Recycling and waste minimization net operating cost per Tonne	Efficiency
Total recycling and waste minimization expenses and % of waste diverted	Efficiency

### 11.2.7 Ongoing Monitoring and Development of Additional Performance Measures

Performance measurement will be a formal and ongoing process at the Utility. Management will review key performance metrics on a monthly basis, and performance reports will be provided to the Board on a quarterly basis. To maximize transparency, key measures will also be summarized in the Utility's annual report which will be publicly available.

The Utility will revisit its performance measures annually as part of its planning process. As well, the Utility will participate in national benchmarking initiatives to identify additional relevant metrics and set appropriate targets.

## 12. Implementation Plan

The implementation plan has been broken into three time horizons:

- The next 90 days – next steps to complete the development of the implementation plan and lay the foundation for the Utility to be created.
- Between three months and one year – pass Regulation and complementary statutory amendments, establish the Utility, its management and Board, and begin operations to provide asset management services to the City and explore growth strategies.
- Beyond one year – growth strategy implementation and lay the foundation to transition rate setting from City Council to PUB, when suitable additional statutory amendments are achieved.

It is important that the right cultural environment be created to facilitate the transformation and implementation of the growth strategy. This new business model requires change in order to be successful. A fundamental shift in corporate culture needs to take place, focusing on:

- Efficiency in processes and procedures to adapt to changing infrastructure requirements, technology requirements and partnership considerations.
- Flexible, adaptable workforce.
- Accountability by senior executives and project leaders for decisions and process changes.
- Adaptability of the business model to allow the addition of new customers and services.
- Transparency in requirements and results.
- Cost of service analysis methodology to align rates with the actual costs of delivering services.
- Full life cycle costing of assets.

The implementation plan has been created to facilitate an efficient, flexible, accountable, transparent corporate culture. An overview of the implementation plan and key activities and milestones is shown in the diagram that follows and is described in more detail in the sections that follow.

### Implementation Plan - Key Activities and Milestones

	Next 90 days	3 Months to 1 Year	Beyond 1 Year
<b>Legal and Regulatory</b> Ongoing pre-implementation discussions with Province Ongoing pre-implementation discussions with PUB Statutory amendments			
Create Regulation Negotiate Asset Management Agreement Create Utility Corporation to provide Asset Management Services			
Continuing discussions with Province Continuing discussions with PUB Additional complementary statutory amendments			
City Council Retain Authority over Rate Setting Rate Application to PUB - ongoing after first application			
<b>Strategic Partnership</b> Short list proponents and Issues RFP Select Strategic Partner			
Joint Venture/Contractual Arrangements with SP Other Strategic Partnerships - ongoing			
<b>Human Resources</b> Negotiate Employee Transition Agreement Recruit Utility CEO			
Transition Employees to Utility to provide Asset Management Services Transition additional Employees to Utility			
<b>Governance</b> Appoint Utility Board of Directors Establish governance processes Ongoing Reporting to Board			
<b>Operations</b> Negotiate Service Level Agreements Ongoing operations Conduct Cost of Service Review			
Geographic Expansion Expansion to New Markets			
<b>Communications</b> Public Communications Employee Communications			

## 12.1 The Next 90 Days

The next 90 days will be focused on offering feedback to the Province on their drafting the enabling Regulation and complementary statutory amendments to allow the City to create and incorporate the Utility. During this period the contents of the Asset Management Agreement for the Utility to provide asset management services to the City will begin to be developed and will be finalized upon the Utility being established.

As well, employee transition agreements with the applicable unions will begin to be developed, in consultation with employees and union representatives, to facilitate the movement of employees from the Water and Waste Department to the Utility once the Utility is established. While the employee transition agreements would address terms and conditions of employment, it is also essential that employees transferred to the Utility retain the current legal rights, privileges, and protection applicable to Department employees in the course of performing their responsibilities. Also, the above noted statutory amendments will be pursued to mitigate risks related to discharge of duties currently imposed on the City and its employees and providing the Utility and employees with the same protections from liability the City and City employees currently enjoy. Depending on when the proposed statutory amendments may be passed by the Legislature, employees may transition from the Department to the Utility at different times.

During the next 90 days, the City will short-list proponents for the Strategic Partner and a Request for Proposal will be issued to address the facility upgrades required at the south and north end water pollution control centers.

Other activities to establish the Utility will be undertaken during the next 90 days including:

- o Development of service level agreements for the provision of support services from the City to the Utility and vice versa. This may include services provided by Water and Waste employees who remain with the City and are not initially transitioned upon creation of the Utility.
- o Completion of the one year detailed operational implementation plan.
- o Completion of the change management plan. Key factors include communications considerations and training needs.

The transformation will require strong executive management and a process to manage milestones to ensure resources are being used efficiently and effectively. The plan will include the development of appropriate operational processes to support the Utility that may differ from those currently used by all City departments.

While the organizational design, skill requirements, and plan to obtain have been outlined in this business plan, additional iterations will be required including:

- o Development of a detailed organizational chart.
- o Identification of key skill sets required for each of the leadership positions and the time period and process to fill these positions.

- o More detailed analysis of specific new skill sets required and the process to obtain these skills.
- o Strategies to retain key employees.

### **12.2 Three Months to One Year Implementation Plan**

The one year plan includes establishing the Utility, appointing the Utility's Board of Directors, recruiting a CEO, hiring other key employees, transitioning employees and beginning operations to provide asset management services to the City.

During this period, the Utility will enter into joint venture or other contractual arrangements with a Strategic Partner and will begin work on the SEWPCC upgrades. The NEWPCC project will also be initiated within this period.

The plan will include continuing discussions with the Province and the PUB regarding suitable additional statutory amendments required to enable a transition of the rate setting process from City Council to the PUB. Additional statutory amendments will be required to exclude capital decisions from PUB approval and to transfer current rights, privileges, and protection granted to the Water and Waste Department and its employees to the Utility and Utility employees. It may take more than one year to achieve these additional statutory amendments. The Utility may also begin a cost of service review during this period to prepare itself for a transition to PUB oversight.

The one year plan will include the exploration and development of geographic expansion and other growth opportunities.

### **12.3 Beyond One Year**

As noted, it will very likely take more than one year to achieve the additional statutory amendments required to enable transition of the rate setting process from City Council to the PUB. As such, the implementation plan beyond one year will include continuing discussions with the Province and PUB. If suitable amendments are achieved, then the plan will include preparing for the Utility's first application to the PUB. The Utility will continue to provide asset management services and will continue to complete the wastewater treatment upgrades required to meet the new environmental license requirements.

The implementation plan beyond one year manages for growth and continues to manage for change. The longer term plan will include the implementation of a growth strategy for the addition of new customers and new lines of business. The strategy will require established milestones to track progress and set a course of action.



### 13. Risk Assessment and Mitigation Strategies

The Utility will have a comprehensive, coordinated and sustainable risk management process that will enable it to proactively and efficiently manage business risks. As an asset management business, the Utility will in some cases manage risks on behalf of the City. For the purposes of this business plan, risks can be grouped into two categories: ongoing risks and transitional risks.

#### 13.1 Ongoing Risks – Steady State

Like the existing Department, once established and operating on a steady state basis, the Utility, as a company, will face a number of risks. This section identifies key risks and the Utility's strategies to mitigate them. Ongoing risks have been grouped into the following categories:

- o Strategic
- o Operations
- o Compliance
- o Financial

##### 13.1.1 Ongoing Risks - Strategic

Risk	Description	Strategies
Planning and resource allocation	Inability to discover, evaluate and select among alternatives to provide direction and allocate resources for effective execution to achieve the strategic objectives of the Utility.	<ul style="list-style-type: none"> <li>o Engage in regular, robust strategic planning process.</li> <li>o Conduct annual budgeting process to support achievement of strategic objectives.</li> <li>o Prioritize and resource initiatives, ensuring initiatives are linked to strategic objectives.</li> </ul>
Planning and execution	Failure to plan and execute major initiatives in a coordinated manner.	<ul style="list-style-type: none"> <li>o Recruit and develop project management capabilities.</li> <li>o Ongoing monitoring of performance.</li> </ul>
Regulatory uncertainty	May restrict market opportunity and negatively impact returns on existing assets.	<ul style="list-style-type: none"> <li>o Build strong relationships with regulators.</li> <li>o Monitor the regulatory environment in local and other jurisdictions and anticipate potential</li> </ul>

Risk	Description	Strategies
Crisis communications	Failure to communicate the right message in an effective manner to recover and maintain the operations in the event of crisis or disruption due to physical or natural circumstances.	<ul style="list-style-type: none"> <li>○ impacts.</li> <li>○ Proactive management of rates and regulatory proceedings.</li> <li>○ Develop a crisis/emergency communication response plan, allowing for rapid decision making and monitoring reaction. Employ as required.</li> </ul>

### 13.1.2 Ongoing Risks - Operations

Risk	Description	Strategies
Project planning and work management / project life cycle risk	Inadequate construction and maintenance project management. Increases in an infrastructure project life cycle negatively impact costs due to regulatory, permitting, environmental, social or other unforeseen issues.	<ul style="list-style-type: none"> <li>○ Adhere to robust project management process.</li> <li>○ Compare project performance to benchmarks.</li> <li>○ Regular review of budgeted to actual performance.</li> <li>○ Use of strategic partnerships to share risk and establishment of suitable terms with the strategic partner.</li> </ul>
Property, plant and equipment	Failure to provide physical protection and stewardship over long-lived assets, designed to optimize longevity and utilization.	<ul style="list-style-type: none"> <li>○ Use of internal controls to ensure assets are efficiently and effectively utilized and managed on behalf of the City.</li> </ul>
Recruiting and retention	Failure to recruit and retain qualified employees to ensure optimal staffing levels in a balanced workforce environment.	<ul style="list-style-type: none"> <li>○ Develop HR policies and procedures tailored to the Utility.</li> <li>○ Ongoing succession planning.</li> </ul>
IT Security/Access and Availability/Continuity	Failure to adequately protect the critical data and infrastructure from theft, corruption,	<ul style="list-style-type: none"> <li>○ Develop/adhere to IT security plan and policies.</li> <li>○ Review and update</li> </ul>

Risk	Description	Strategies
	<p>unauthorized usage, viruses, or sabotage.</p> <p>The inability to recover from and continue uninterrupted operations in the event of extraordinary events, systems and implementation failures.</p>	<p>disaster and recovery programs as required. Appropriately test and communicate programs.</p>
Hazards – natural events, disaster response, etc.	Threat of business or service disruption due to hazards.	<ul style="list-style-type: none"> <li>o Establish/adhere to disaster and recovery programs. Appropriately test and communicate programs.</li> </ul>
Research and development	Failure to create new products and services to respond to opportunities in the marketplace.	<ul style="list-style-type: none"> <li>o Monitor the environment for opportunities.</li> <li>o Develop a process to identify and assess new product and service opportunities.</li> </ul>

### 13.1.3 Ongoing Risks - Compliance

Risk	Description	Strategies
Contract	Entering into contracts that are unfavourable to the Utility; and the failure to comply with and monitor contract terms to protect the Utility from financial and other risks.	<ul style="list-style-type: none"> <li>o Hire in-house or external Legal Counsel to oversee contracts and develop related policies.</li> </ul>
Regulatory mandates/ increased regulatory scrutiny and requirements	Failure to facilitate the City's compliance requirements, as well as comply with the Utility's regulatory requirements.	<ul style="list-style-type: none"> <li>o Build strong relationships with regulators.</li> <li>o Monitor the regulatory environment.</li> <li>o Report to City Council and the public frequently on performance in meeting and exceeding required standards.</li> <li>o Develop strong project management skills.</li> </ul>

Risk	Description	Strategies
		<ul style="list-style-type: none"> <li>o Ongoing assessment of compliance to regulatory requirements.</li> <li>o Develop and document environmental and safety standards.</li> <li>o Regular environmental and safety audits are performed.</li> </ul>
Rate case	Poorly managed rate case development causes unfavourable ruling by regulatory body.	<ul style="list-style-type: none"> <li>o Proactive management of rates and regulatory proceedings.</li> <li>o Develop rate setting process to ensure information and documentation support rate case.</li> </ul>
Cost allocation	Failure to properly identify and allocate costs to various Utility business units and functions in compliance with governmental rules, regulations and expectations.	<ul style="list-style-type: none"> <li>o Develop appropriate cost allocation methodology.</li> </ul>

### 13.1.4 Ongoing Risks - Financial

Risk	Description	Strategies
Accounting, reporting and disclosure	Inaccurate recording and reporting, for the City or the Utility, of all financial transactions in the proper accounting period in accordance with appropriate standards. Inaccurate financial reports can lead to bad business decisions by management and mislead members.	<ul style="list-style-type: none"> <li>o Review and approval of Utility's financial statements by the Audit Committee and Executive Management prior to being released.</li> <li>o Utility personnel preparing statements have appropriate experience and expertise.</li> </ul>
Rate forecast	Inability to anticipate costs and forecast rates results in rate volatility.	<ul style="list-style-type: none"> <li>o Maintain and enhance robust rate setting processes.</li> </ul>

Risk	Description	Strategies
Inflation	Failure to properly estimate and take into account inflation in rate projections and capital budgets.	<ul style="list-style-type: none"> <li>o Maintain budgeting and forecasting procedures that take expected inflation into consideration. Conduct sensitivity analysis as appropriate.</li> </ul>

### 13.2 Transitional Risks

The Utility will be created as a 100% City-owned Municipal Utility to provide services to the City under an Asset Management Agreement. While PUB regulation of rates (but not capital decisions) are desired characteristics of the Utility in the long term, obtaining this is a complex undertaking.

The Utility will face certain risks as it makes the transition from a department of the City. Mitigating these risks will be an important component of the implementation plan. Key risks associated with the transition, and the strategies to mitigate those risks, are summarized in the table that follows.

Risk	Description	Strategies
Legal/regulatory	Inability to have recommended changes to statutes/acts/etc. made to allow the establishment and regulation of the Utility on suitable terms.	<ul style="list-style-type: none"> <li>o Legal review of existing governing statutes, etc.; identification of required changes and development of process to make required and desired changes happen.</li> <li>o Ongoing discussions with Province and PUB.</li> </ul>
Employee buy-in	Lack of willingness of employees to move from the Department to the Utility.	<ul style="list-style-type: none"> <li>o Development and implementation of communication plans to ensure open and transparent communications with staff.</li> <li>o Negotiation with benefit and pension providers to maintain key benefits.</li> <li>o Collaboration with Unions to develop an appropriate transition agreement.</li> </ul>

Risk	Description	Strategies
Public acceptance	Lack of support from the Public for the Utility model.	<ul style="list-style-type: none"> <li>o Development and implementation of communication plans, ensuring open and transparent communication with the public and stressing the benefits to the public of the new model.</li> </ul>
Financial benefits	Financial benefits not identified or achieved.	<ul style="list-style-type: none"> <li>o Identification of non-financial value proposition.</li> <li>o Identification of new customers and services possible under the new model.</li> <li>o Project and performance management to implement and realize anticipated benefits.</li> </ul>
Preparedness for the transition	Lack of appropriate planning and communication resulting in a disruption for employees and those who receive service.	<ul style="list-style-type: none"> <li>o Development of detailed implementation plans for the transition.</li> <li>o Enhance existing skill set of the Department to include change management and working with regulators.</li> <li>o Adding specific resources during the transition to address change management.</li> </ul>
Set up costs	Set up costs to establish the Utility significantly exceed estimates.	<ul style="list-style-type: none"> <li>o Develop detailed implementation plans for the transition, including cost estimates.</li> </ul>

Risks are inherent in any business and business plan. The successful implementation of the business plan is highly dependent on identifying and mitigating key risks, both ongoing and during the transition period. The Utility understands its strategic, operations, compliance, financial and transitional risks and intends to minimize these while establishing a sustainable business.

## 14. Advancing the Business Plan

The Public Service recommends the following:

- o Establish an arm's length 100% City-owned Utility corporation that the City cannot sell, in whole or in part, and which ensures ongoing protection of public health and the environment.
- o City Council request the Province to pass a regulation under section 212 of the City of Winnipeg Charter Act to establish the Municipal Utility.
- o City Council continue to have control over the Utility capital program, similar to Manitoba Hydro's capital governance model.
- o City Council authorize the Chief Administrative Officer to enter into an asset management agreement with the Utility.
- o City Council, by resolution, direct the Utility to seek rate approval by the Public Utilities Board.
- o City Council authorize Officers of the City to do all things necessary to implement the intent of the foregoing.

Water and waste operations are unique when compared to other City departments given the dedicated revenue stream and the long term nature of its significant capital projects. The arm's length Utility model will provide flexibility not possible in the current City department structure and allow the Utility to tailor its business processes and decision making to fit its needs. It is anticipated that the new Utility model will reduce overall operating and capital costs over time, and generate new revenue streams in the future that will offer more substantial financial benefits.

The Public Service recommends the establishment of a 100% City-owned arm's length Municipal Utility that the City cannot sell in whole or in part. This will benefit citizens, ratepayers, and employees by making service more accountable and transparent, and ensuring the long term sustainability of the Utility.

## APPENDIX A - Summary of Key Assumptions

### **FUTURE ORIENTED FINANCIAL INFORMATION**

This business plan includes certain financial estimates and projections with respect to future performance. Such estimates and projections reflect various assumptions concerning anticipated results and actions, which assumptions may or may not prove to be correct. The actual results achieved during the projection period will vary from the projected results and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

#### **A.1 Overall Financial Analysis**

- The financial analysis used the Department's November 2008 rate application as a base. This base was updated to reflect new and more current information and then adjusted to reflect differences between current departmental operations and anticipated Utility operations.
- The analysis period includes the Department's best estimates of future operations.
- The analysis period includes the six fiscal years of 2009 through 2014.
- If a capital asset is added, it is financed:
  - Firstly by developer contributions
  - Secondly by provincial or federal grants
  - Thirdly by transfers from reserves
  - Fourthly by new external debt or new external equity investments, and
  - Lastly the remainder by existing retained earnings (including current year income).
- Annual PUB costs of \$1 million are expected to commence in 2012 and have been equally split between the two rate regulated business lines: Water and Sewer.

#### Water Consumption:

- The November 2008 rate application was based on the following water consumption assumptions:

	2009	2010	2011	2012	2013	2014
November 2008 Rate Application – Water Consumption (Mgals)	15,373	15,431	15,435	15,437	15,461	15,453



- o The November 2008 rate application consumption assumptions were updated given more current information and the actual consumption (which was less than originally projected) as at March 2009 was incorporated resulting in a lower estimate. Annual water consumption in the financial analysis has been projected using the same approach as in the rate application which is based on a five-year rolling average of historical actual consumption adjusted to reflect anticipated year over year improvements in water conservation and efficiency (based on the Water Treatment Plant Capacity Assessment Report, February 2003). The consumption amounts estimated over the analysis period are as follows:

	2009	2010	2011	2012	2013	2014
Financial Analysis – Water Consumption (Mgals)	14,912	15,339	15,324	15,304	15,302	15,261

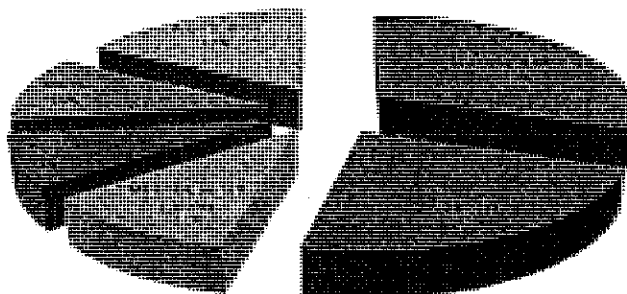
- o Consistent with the November 2008 rate application, water consumption by block in the financial analysis is determined according to the average consumption distribution during the three-year period from 2005 to 2007, as follows:
  - Block 1 (<9,600 cu ft) – 60.3%;
  - Block 2 (9,600 – 96,000 cu ft) – 23.5%; and
  - Block 3 (>96,000 cu ft) – 16.2%.

**Sewer Consumption:**

- o Consistent with the November 2008 rate application, annual sewer consumption in the financial analysis is projected as 98.98% of total water consumption. This is consistent with actual 2007 results.

The combined operating expenses of the Water and Sewer utilities as per the financial analysis is illustrated in the chart that follows:

Combined Water and Sewer Operating Expenses  
Fiscal 2009



## A.2 Water Utility: Key Assumptions

- Block rates per 100 cu ft. were estimated as follows in the November 2008 rate application:

Nov. 2008 Rate Application	2009	2010	2011	2012	2013	2014
Block 1	\$ 3.55	\$ 3.66	\$ 3.77	\$ 3.82	\$ 3.82	\$ 3.82
Block 2	3.07	3.18	3.29	3.34	3.34	3.34
Block 3	2.59	2.70	2.81	2.86	2.86	2.86

- In the financial analysis, non-rate revenue is estimated at approximately \$7.3 million to \$8.2 million per year, and consists of provincial grants, permits & fees, developer contributions, interest, and other miscellaneous amounts. These estimates vary from the November 2008 rate application due to the addition of developer contributions and differences in financial reporting presentation.
- Operating expenses for 2009 through 2011 were derived from the Department's existing budgeting process for both the November 2008 rate application and the financial analysis. Expenses increase by 2% per annum thereafter.
  - The Department's three year budget was developed on a detailed basis by managers in the various department areas.
  - The 2009 budget is based on prior year's actual expenses plus adjustments for estimated changes in operations.
    - Includes cost of 462 FTE's, an increase of 12 from prior year with inflationary impacts.
    - Includes \$4.3 million in additional costs related to operation of new water treatment plant.
    - The Department's three year budget incorporates incremental costs associated with the new water treatment plant based on current estimates of operations.
- In the financial analysis, cost savings of 1% in 2010 and 1.5% per annum thereafter are anticipated on non-salary operating expenses as a result of synergies.
- Interest expense is based on existing debenture debt at rates and repayment schedules in place as at December 31, 2008.
- In the financial analysis, estimated one-time transaction costs of \$500,000 have been split 50/50 between Water and Sewer and are incurred during 2009. These costs relate to the formation of the Utility including legal assistance, Board recruitment, PUB readiness, etc.
- Capital assets as at December 31, 2008 were comprised of:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 1,823,986	\$ -	\$ 1,823,986
Building	5,398,662	1,560,595	3,838,067
Water & waste facilities	766,771,738	244,840,070	521,931,668
Machinery & equipment	9,558,787	8,387,094	1,171,693
Information technology	24,148,518	19,136,249	5,012,269
Construction in Progress <sup>1</sup>	254,098,809	-	254,098,809
Other	300,000	-	300,000
<b>TOTAL</b>	<b>\$1,062,100,500</b>	<b>\$ 273,924,008</b>	<b>\$ 788,176,492</b>

1 – The majority of construction in progress relates to the new water treatment plant located at the Deacon Reservoir site. Amortization on CIP to commence in 2009 and 2010.

- Projected capital asset additions in the financial analysis are based on current information and are summarized in the table that follows. There is a slight difference in the timing of these capital expenditures compared to that which was assumed in the November 2008 rate application. Capital additions impact debt servicing costs.

Financial Analysis	2009	2010	2011	2012	2013	2014
Addition	\$98,617,000	\$23,650,000	\$19,343,000	\$19,190,000	\$25,350,000	\$18,300,000

- The majority of projected additions in 2009 relate to completion of the new water treatment plant. Approximately \$6.5 million is related to a new customer billing system. Annual additions in 2010 and thereafter are primarily related to;
  - The Water Supply Valve Replacement Program
  - Watermain renewals, and
  - The Waverly West feedermain (Phase 1).

### A.3 Sewer Utility: Key Assumptions

- o Block rates were estimated as follows in the November 2008 rate application:

Nov 2008 Rate Application	2009	2010	2011	2012	2013	2014
Base rate	\$ 4.81	\$ 4.91	\$ 4.91	\$ 5.25	\$ 5.36	\$ 5.44
Environmental Projects Reserve	0.45	0.50	0.87	0.87	0.87	0.87
TOTAL rate	\$ 5.26	\$ 5.41	\$ 5.78	\$ 6.13	\$ 6.23	\$ 6.31

- o Non-rate revenue, estimated at approximately \$11.2 million to \$12.2 million per year, consists of provincial grants, permits & fees, industrial waste surcharges, developer contributions, interest, and other miscellaneous amounts. These estimates vary from the November 2008 rate application due to the addition of developer contributions and differences in financial reporting presentation.
- o Operating expenses for 2009 through 2011 were derived from the Department's existing budgeting process for both the November 2008 rate application and the financial analysis. All expenses increase by 2% per annum thereafter.
  - The Department's three year budget was developed on a detailed basis by managers in the various department areas.
  - The 2009 budget is based on prior year's actual expenses plus adjustments for anticipated changes in operations.
    - Includes cost of 389 FTE's, an increase of 16 from prior year, including inflationary impacts.
    - Includes \$4.3 million in additional costs related to upgrades and plant expansions.
  - The Department's three year budget continues to incorporate incremental costs associated with the NEWPCC and the WEPCC based on current estimates of operations.
    - Includes \$1.0 million per annum for increased operating expenses.
    - Includes growth of \$2.0 million per annum for increased property taxes (expected to grow to over \$8.0 million per annum by the end of 2014).
- o In the financial analysis, cost savings of 1% in 2010 and 1.5% per annum thereafter are anticipated on non-salary operating expenses as a result of synergies.
- o In the financial analysis, 12% savings per annum of specifically identified operating costs of the SEWPCC and NEWPCC are estimated to commence in 2013. These savings are based on successful procurement of a strategic partner.

- o Interest expense is based on existing debenture debt at rates and repayment schedules in place as at December 31, 2008 plus additions at 6% per annum.
- o In the financial analysis, estimated one-time transaction costs of \$500,000 have been split 50/50 between Water and Sewer and are incurred during 2009. These costs relate to the formation of the potential entity including legal, Board recruitment, PUB readiness, etc.
- o In the financial analysis, additional one-time transaction costs of \$2.5 million related to strategic partnership procurement have been included in the 2010 result of Sewer.
- o Capital assets as at December 31, 2008 were comprised of:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 1,451,138	\$ -	\$ 1,451,138
Building	884,912	551,442	333,470
Water & waste facilities	1,134,969,066	414,845,961	720,123,105
Machinery & equipment	257,313	37,906	219,407
Information technology	199,867	9,993	189,874
Construction in Progress	29,287,236	-	29,287,236
Other	3,117,914	-	3,117,914
<b>TOTAL</b>	<b>\$1,170,167,446</b>	<b>\$ 415,445,302</b>	<b>\$ 754,722,144</b>

- Projected capital asset additions in the financial analysis are based on current information and are summarized in the table that follows. There is a slight difference in the timing of these capital expenditures compared to that which was assumed in the November 2008 rate application. Capital additions impact debt servicing costs.

Financial Analysis	2009	2010	2011	2012	2013	2014
Addition	\$68,675,000	\$106,554,520	\$150,772,600	\$210,943,280	\$181,149,840	\$251,474,000

- Annual additions of \$20 million represent estimated sustaining capital reinvestment. The majority of remaining additions relate to:
  - North End Water Pollution Control Centre for the purposes of nutrient removal;
  - Combined Sewer Overflow Mitigation activities; and
  - Sewer renewals.
- In the financial analysis, capital expenditure savings of 8% have been incorporated into NEWPCC and SEWPCC projects to recognize a potential strategic partnership. These 8% savings have been removed from Department's anticipated future debt issues. Prior to these savings, the two projects aggregate to an estimate of \$601 million over the five year period.

#### A.4 Solid Waste: Key Assumptions

- The financial analysis is consistent with the Department's projections for Solid Waste, with the exception of the addition of incremental tipping fee revenue effective July 2009.
- Revenues are generated from two sources:
  - Tipping fees – including incremental revenue from anticipated tipping fee increase to occur by July 1, 2009 (majority of fees collected are remitted to the Province and a portion related to collections at Brady Road Landfill are returned); and
  - Other grants.
- Revenue growth remains consistent with growth in expenses (i.e. margins will remain consistent with Budget)
- Operating expenses for 2009 through 2011 were derived from the Department's existing budgeting process. All expenses increase by 1% per annum thereafter
  - Major increase from 2008 results from inflationary effects on contract costs and redeployment of staff.
- Interest expense is based on existing debenture debt at rates and repayment schedules in place as at December 31, 2008 plus additions at 6% per annum.
- Capital assets as at December 31, 2008 were comprised of:

	Cost	Accumulated Depreciation	Net Book Value
Land & depreciable improvements	\$ 4,115,539	\$ 3,070,841	\$ 1,044,698
Building	273,438	273,438	-
Machinery & equipment	4,233,111	853,562	3,379,549
Information technology	92,286	4,616	87,670
Construction in Progress	4,106	-	4,106
<b>TOTAL</b>	<b>\$ 8,718,480</b>	<b>\$ 4,202,457</b>	<b>\$ 4,516,023</b>

- Projected capital asset additions are as follows:

	2009	2010	2011	2012	2013	2014
Addition	\$ 2,244,000	\$ 12,825,000	\$ 400,000	\$ 488,000	\$ 200,000	\$ 200,000

- o Annual additions of \$200,000 represent estimated sustaining capital reinvestment. The majority of remaining additions relate to:

- Landfill cell excavation,
- Brady road landfill gas capture, and
- Staff building

### A.5 Garbage and Land Drainage: Key Assumptions

- The financial analysis is consistent with the Department's projections for Garbage and Land Drainage.
- Revenues are generated from several sources:
  - Transfers from Solid Waste (in Garbage)
  - Transfers from Sewer (in Land Drainage)
  - Small commercial contracts, bulky waste, and miscellaneous revenue
  - Permits and applications
  - Sale of recyclables, Manitoba Product Stewardship Corporation Grants, and Depot Recycling (altogether known as "recycling operations")
  - City of Winnipeg contract
- Revenue growth for all line items, except the City of Winnipeg contract, remains consistent with estimated growth in expenses. A new City of Winnipeg Contract and/or new user fees is estimated to cover remaining expenses of Garbage so that its operations are breakeven.
- Operating expenses for 2009 through 2011 were derived from the Department's existing budgeting process. All expenses increase by 1% per annum thereafter.
  - The major increase in the 2009 budget as compared to 2008 due to higher volumes of recycling collection.
- Interest expense is based on existing debenture debt at rates and repayment schedules in place as at December 31, 2008 plus additions at 6% per annum.
- Capital assets as at December 31, 2008 were comprised of:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 488,903	\$ -	\$ 488,903
Water & waste facilities	1,050,739,759	326,245,558	724,494,201
Information technology	1,864,909	769,522	1,095,387
Construction in Progress	1,632,159	-	1,632,159
Other	1,771,864	-	1,771,864
<b>TOTAL</b>	<b>\$ 1,056,497,594</b>	<b>\$ 327,015,080</b>	<b>\$ 729,482,514</b>



- o Projected capital asset additions follow:

	2009	2010	2011	2012	2013	2014
Addition	\$ 25,057,000	\$ 16,327,000	\$ 14,246,000	\$ 13,715,000	\$ 13,750,000	\$ 13,750,000

- o Annual additions of \$5,000,000 represent estimated sustaining capital reinvestment. The majority of remaining additions relate to:
  - Flood pump stations;
  - Storm retention basin; and
  - Combined Sewer relief.



**Agenda – Council – May 19, 2010**

**Report – Executive Policy Committee – May 12, 2010**

**Item No. 7                      Sewage Treatment Plant Upgrades and Expansion Program  
eFile WS-7**

**EXECUTIVE POLICY COMMITTEE RECOMMENDATION:**

On May 12, 2010, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1.     That the Chief Administrative Officer be directed to approve and issue a Letter of Notification to Veolia in order to immediately begin design and construction of the South and North End sewage treatment plant upgrades and expansion and biosolids handling facility, which are required under the current Provincial Environment Act license requirements and estimated at \$661 million.
2.     That the Chief Administrative Officer be delegated the authority to enter into a multi-year contract with Veolia that conforms to the terms set out in the Public Service report dated May 6, 2010.
3.     That Chief Administrative Officer be delegated the authority to approve contract awards for upcoming South and North End sewage treatment plant capital projects where the value of each contract does not exceed \$30 million and there are sufficient funds in a budget approved by Council.
4.     That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

**Agenda – Council – May 19, 2010**

**Report – Executive Policy Committee – May 12, 2010**

**DECISION MAKING HISTORY:**

**EXECUTIVE POLICY COMMITTEE RECOMMENDATION:**

On May 12, 2010, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

Further on May 12, 2010, the Executive Policy Committee received documentation in opposition to the Sewage Treatment Plant Upgrades and Expansion Program from the following:

- Mike Davidson, President, Canadian Union of Public Employees Local 500
- Darrell Rankin, Leader of the Communist Party of Manitoba

Further, on May 12, 2010, the Executive Policy Committee received PowerPoint presentation on the Sewage Treatment Plant Upgrades and Expansion Program from Bryan Gray, Manager of Utility Development, Winnipeg Public Service.

## ADMINISTRATIVE REPORT

**Title:** Sewage Treatment Plant Upgrades and Expansion Program

**Issue:** Urgent Provincial Environment Licensing Deadlines Requiring Sewage Treatment Plant Upgrades and Expansion

**Critical Path:** EPC - City Council

## AUTHORIZATION

Authors	Department Head	CFO	CAO
H. Hunter M. Geer B. Gray	M. Ruta, CFO	M. Ruta	G. Laubenstein

## RECOMMENDATIONS

1. That the Chief Administrative Officer (CAO) be directed to approve and issue a Letter of Notification to Veolia in order to immediately begin design and construction of the South and North End sewage treatment plant upgrades and expansion and biosolids handling facility which are required under the current provincial Environment Act license requirements and estimated at \$661 million.
2. That the CAO be delegated the authority to enter into a multi-year contract with Veolia that conforms to the terms set out in this Report.
3. That Council delegates authority to the CAO to approve contract awards for upcoming South and North End sewage treatment plant capital projects where the value of each contract does not exceed \$30 million and there are sufficient funds in a budget approved by Council.
4. That the proper officers of the City be authorized to do all things necessary to implement the foregoing.

## REASON FOR THE REPORT

- Provincial Environment Act licensing terms require the design and construction of sewage treatment plant upgrades to be in place by the end of 2012 and 2014 at the South and North End plants respectively.
- November 19, 2008 City Council directed that the Public Service begin the procurement process that could bring private sector experience to the design, construction, finance and potentially the operation of North and South End sewage treatment plants as well as potential operation of the West End sewage plant, and that the CAO approve and issue the REOI, RFQ and RFP as elements of the procurement process.

## IMPLICATIONS OF THE RECOMMENDATIONS

- Quick Start of Construction Work to Meet Provincial Deadlines
  - o Work will begin upon the Letter of Notification being issued for the design and construction of the upgrades at our sewage treatment plants to meet strict new provincial license requirements which take effect in 2012 and 2014 at the South and North End plants respectively.
  - o The \$600 million cost estimate for the sewage treatment upgrades and expansion includes the cost of nitrogen removal which the City is still appealing with the Province.
  - o If nitrogen removal was not required, the capital costs would decrease by \$350 million and annual operating costs would decrease by \$9 million.
- City Retains Full Ownership and Control of Sewage Treatment System
  - o The City of Winnipeg (City) will retain complete ownership of all the sewage system assets.
  - o No other City services or assets are involved in this contract.
  - o The City drinking water system is not a part of this sewage treatment deal in any way and is required by provincial law to always remain under the complete ownership, control and responsibility of the City.
  - o The City will continue to exercise control over the sewage treatment system by means of City Council budget approvals and by the setting of service quality standards that will be reported publicly on a regular basis.
  - o The City will continue to control operating and maintenance parameters by which the sewage system shall operate.
  - o Decisions for the sewage treatment system will be made by the City based upon the best advice of City management and Veolia experts working together in the spirit of partnership to provide service excellence and best possible cost of service for citizens.
  - o City retains full accountability for compliance with regulatory permits and licenses.

- City Staff Continue Providing Operations and Maintenance Work at Sewage Plants
  - o City staff will continue their work with sewage treatment system operations and maintenance under the supervision of City managers.
  
- Accountability and Taxpayer Protection Introduced to Sewage Treatment Service Contract
  - o The 30 year contract is expected to save taxpayers from 10 to 20% of the entire sewage treatment program costs.
  - o The 30 year sewage treatment program will be delivered with full consideration for whole life costs.
  - o The program will be developed to achieve value for money for Winnipeg taxpayers. All direct costs will be delivered on a transparent and open book basis and be subject to audit.
  - o Winnipeg taxpayers will be afforded protection through this 30 year Program as all margins applied to the program work by Veolia will be at risk for the entire 30 year contract.
  - o If quality of service standards fail to be met or capital cost targets are missed then Veolia will forfeit margins to share these costs with the City.
  - o Alternately, if the sewage treatment system improves workplace health safety and if performance targets such as meeting environmental standards, reducing energy and reducing chemical use are all met or exceeded and the taxpayers save money then Veolia will share this as well.
  - o The financial risks associated with the sewage treatment plant program will be shared with Veolia so as to give taxpayers protection from the full cost of problems that were experienced in the past.
  - o The contract will contain provisions for the City to terminate if ever required.

## HISTORY

### A Renewed Commitment for the Environment and Taxpayers

- After a very large spill of raw sewage into the Red River in September 2002 that attracted national news media attention, the Province of Manitoba convened Clean Environment Commission hearings that resulted in the Province issuing an Environment Act license for sewage effluent discharges that are significantly more stringent and require major upgrade and expansion of the three civic existing sewage treatment plants.
- The West End sewage treatment plant has been completed and issues with the project consultant continue to be outstanding.
- These improvements along with provincially mandated requirements for sludge handling and combined sewer outflow work will total well over \$1 billion.
- In an effort to better control capital construction costs and schedules a new and improved approach to how the City hires contractors was examined.

### Commitment to Public Service Delivery

- Deloitte's report in the Fall of 2008 recommended the use of a design, build, finance and operate model of contracting out for the sewage treatment plant upgrades and expansion. But instead, the Public Service has pursued an innovative model of collaboration with world-class sewage treatment service providers where City utility staff will continue to operate and maintain the sewage system.

### The Procurement Process Outcome

On November 19, 2008, City Council directed that the public service begin the procurement process that could bring private sector experience to the design, construction, finance and potentially operation of North and South End sewage treatment plants as well as potential operation of the West End sewage plant. The Public Service dutifully undertook this procurement process as such and the resulting contract award proposal is contained herein:

- Request for Expressions of Interest
  - Through its website and national advertisements, the City of Winnipeg solicited expressions of interest from prospective proponents interested in a collaborative, whole life risk sharing approach for the delivery of the City sewage treatment plant upgrades.
  - The Public Service hosted an information session in February 2009 with over 100 people and organizations representing interested companies, labor unions, First Nations, provincial and city staff to provide information about the project.
- Request for Qualifications
  - Sixteen respondents with varying levels of experience and resources submitted expressions of interest. Each of these proponents was then invited to submit their qualifications for consideration to be shortlisted with an invitation from the City to submit a detailed proposal. Six firms chose to submit their qualifications to the procurement process:
    - Epcor/Suez
    - United Utilities/Parsons
    - Corix
    - CH2M Hill
    - Black and Veatch
    - Veolia



After evaluation of the qualifications three firms were shortlisted and invited to submit detailed bid proposals

- Black and Veatch
- CH2M Hill
- Veolia

- Request for Proposals

- The three shortlisted proponents and the public service participated in a series of collaborative workshops designed to allow all parties an opportunity to explore and gain a detailed understanding of the vision of the City retaining ownership and operations of the entire sewage treatment system while wishing to work collaboratively and in a risk sharing contractual relationship with a world-class sewage service provider.
- Following these separate workshops with each of the firms all 3 chose to submit detailed bid proposals that were evaluated from a technical, commercial and financial perspective.
- The evaluation examined the firms' available resources, design and construction capacity and their compatibility with the vision of our innovative approach to the collaborative risk sharing style of engagement.
- The financial evaluation was directed towards the proponent's margins on the various aspects of work which were competitively bid in this phase of the procurement process.

The ranking of the proponents following the evaluations was as follows:

- i. Veolia
- ii. CH2M Hill
- iii. Black & Veatch

To ensure that the integrity of the procurement process and that all proponents were treated equally the City engaged an independent process monitor to monitor the competitive part of the procurement process. The process monitor was Knowles Consultancy Canada Inc.

- Establishment Audit

- The first ranked proponent, Veolia was required to provide additional information and references to establish that the details provided in their proposal accurately depicts their role on the various contracts that they cited. They also demonstrated that they are financially viable.
- Four such third party utility owner/operator audits were conducted with government utilities from around the world where Veolia has provided services under contract. In each case the utility owner/operator confirmed their satisfaction with the quality of services rendered and also confirmed that financial value for the local taxpayers was derived from the Veolia contract.

- Commercial Workshop

- Veolia and the Public Service examined the various commercial aspects of the proposed agreement and agreed to a set of contract principles that capture all the City of Winnipeg objectives as mandated in the procurement process and as outlined within this Report.

Veolia have been selected as the first ranked proponent and have now provided sufficient supporting information through the establishment audit and due diligence process to verify that they are financial sound and that the information supplied by them is accurate.

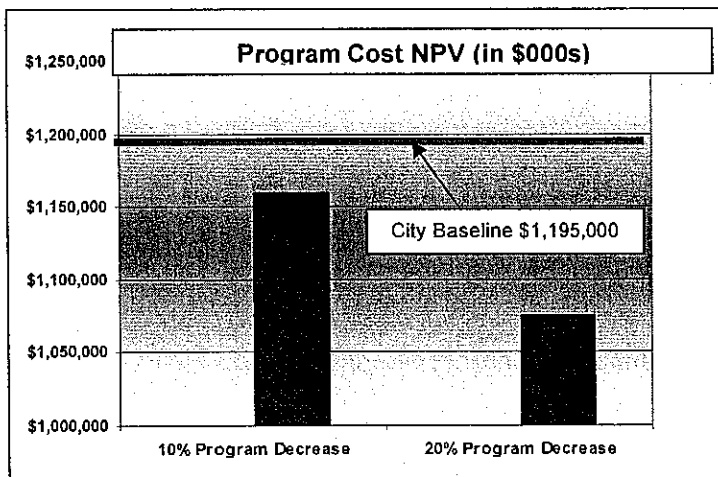
The public service recommends that a contract be awarded to Veolia as set out herein.

## FINANCIAL IMPACT

The financial impact of this program is to reduce the 30 year life costs of sewage treatment over a multi-year contract. A key principle of this contract is the achievement of value for money for Winnipeg taxpayers through the use of an innovative collaborative contracting strategy that capitalizes on the strengths of both the public and private sector participants.

In the proposed contract, Veolia shares the risk of the whole life performance of the sewage treatment system and are compensated based upon their performance. The risk sharing reduces the City's overall exposure and because Veolia's remuneration is directly tied to the overall program performance, they are motivated to achieve positive results.

The estimated reduction in whole life costs for the sewage treatment system is between 10 to 20% as illustrated in the following chart:



Notes:

1. **Program Cost NPV** is the discounted value of the 30 year costs for both sewage treatment capital and operating costs.
2. **City Baseline** is the discounted value of the 30 year costs for both sewage treatment capital and operating costs if delivered status quo and under traditional capital project methods.
3. **City Baseline includes estimated capital costs** for the South End sewage treatment plant BNR and expansion of \$200 million, North End sewage treatment plant BNR of \$400 million and \$61 million for biosolids handling.
4. **10% and 20% Program Decrease** is discounted value of a range of 30 year costs for both sewage treatment capital and operating costs if delivered under this contract.
5. **The NPV is based upon 30 year total operating cost of \$1.6 billion and capital cost of \$661 million (North End, South End, biosolids) discounted at 6%.**

These savings are expected from a reduction in capital costs and operations optimization through:

- Improved treatment plant design and innovation
- Improved construction management and capital project delivery through innovative sub-contracting strategies and accountability
- World wide procurement and bulk purchasing power

In addition to the contractual incentives for Veolia to deliver superior performance, the Public Service is confident in the company's abilities to do so. The procurement process and establishment audit proved that Veolia:

- Has extensive, world-wide experience in the design, construction and operation of large sewage treatment facilities.
- Has delivered substantial savings in various contracts – as verified through discussions with utility owners/operators throughout the world.
- Is a world-class sewage treatment service provider with 80,000 employees working in 80 countries.

The financial impact of this contract is described in the foregoing analysis. The 10% to 20% reduction in program costs is based upon Council approved existing capital budgets for the sewage treatment plant upgrades, Council approved operating budgets for the sewage treatment plants and as well long term financial projections. The actual budget revisions that will result from this 30 year program will be factored into future operating and capital budgets.

“original signed by”

Maira L. Geer, CA, Manager of Utility Development

## CONSULTATION

In preparing this report there was consultation with:

- Water and Waste Department
- Legal Services Department
- Aikins LLP
- Deloitte LLP
- Taylor McCaffrey LLP

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