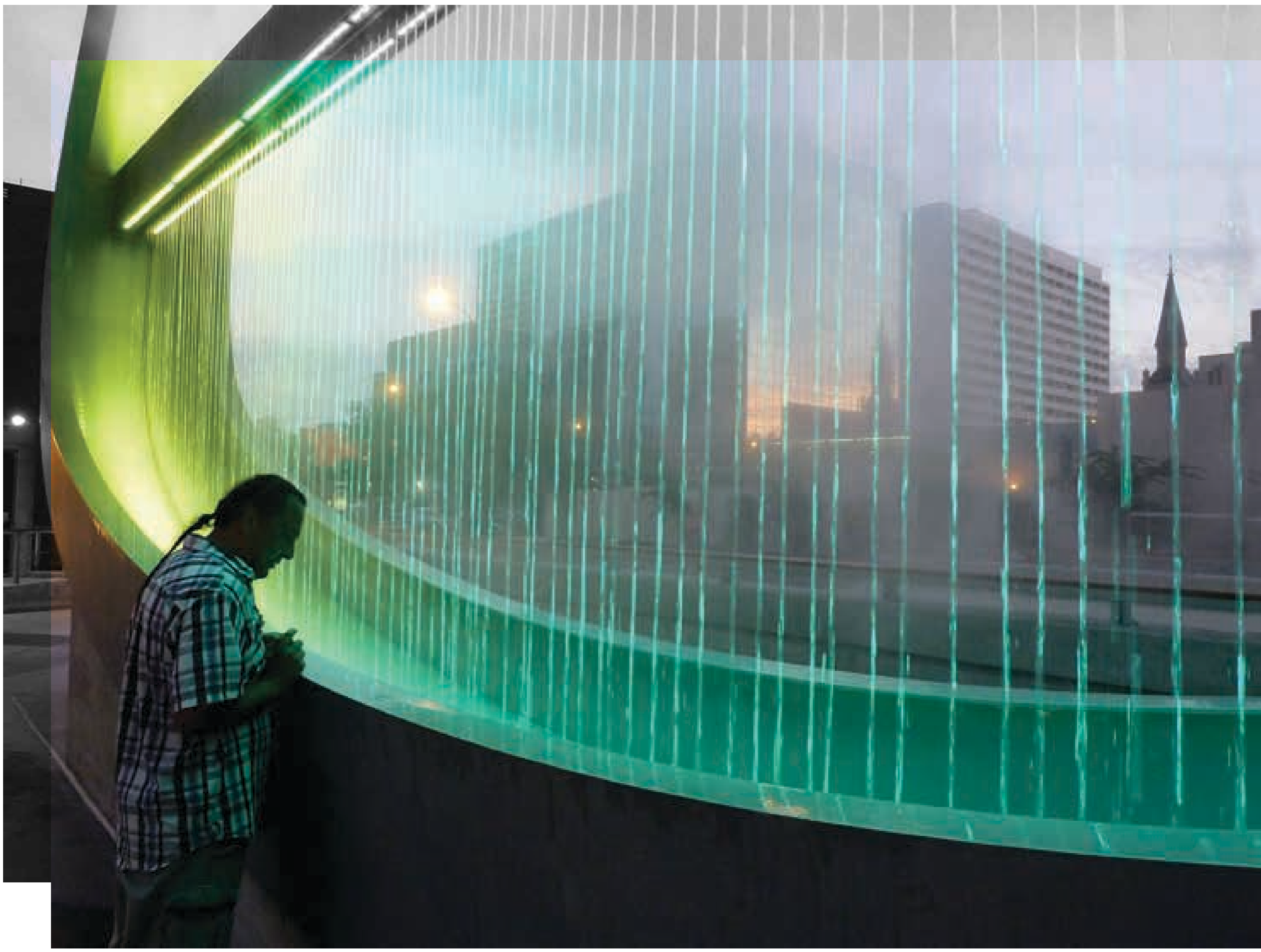
2012 THE CITY OF WINNIPEG ANNUAL FINANCIAL REPORT



Corporate Mission

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

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

Manitoba Cataloguing in Publication Data. Winnipeg (MB).
Corporate Finance Dept. Annual Report.
Annual Report year ends December 31.
Continues: Winnipeg (MB). Finance Dept. Annual Report.

ISSN: 1201-8147 =	Annual Report-City of Winnipeg.
1. Winnipeg (MB) -	Appropriations and expenditures-Periodicals
2. Finance, Public -	Manitoba-Winnipeg-Periodicals
HJ9014.M36W56	352.1710912743

Message from the Mayor

The City of Winnipeg achieved several milestones in 2012, many of them relating to improvements to our City's infrastructure. In the fall, the City opened the Disraeli Bridge and Overpass – Winnipeg's largest bridge project ever. Replacing the 50-year-old structures that span the Red River and the Canadian Pacific Railway main line, the new Disraeli Bridges rejuvenate a critical piece of Winnipeg's transportation infrastructure. The project has since received national recognition for innovation and excellence. An independent value-for-money report found that the Disraeli Bridge and Overpass Public-Private Partnership will result in savings of $47.7 million to Winnipeg taxpayers.

In 2012, the City of Winnipeg opened the first stage of the Southwest Transitway, marking another historic achievement. The rapid transit corridor allows traffic to bypass vehicles on the road, making use of a 3.6-kilometer roadway, a 200-meter tunnel and a covered bridge. The City is now moving ahead with planning for the next stage of rapid transit, which would complete the route to the University of Manitoba in the south end of the City.

Many of our residents were glad to see the City's on-time completion of the rehabilitation of Osborne Bridge, as this is a major connector to downtown Winnipeg. As the year came to a close, we announced upcoming investments to improve traffic congestion in different parts of the City. Two major projects include improving road infrastructure in the busy Polo Park area and widening Molson Street to improve traffic flow in the East Kildonan area.

At the same time, the City continued to invest in social infrastructure – things like community centres, parks and libraries, that improve the quality of life of our citizens. In the past eight years, the City has invested $90 million in community centres and recreation facilities. We invest in community spaces because they become the heart of the neighbourhood. Creating memories for new generations of Winnipeggers is what will keep people engaged in wanting to make this community the best place it can be.

In 2012, the Community Centre Renovation Fund approved nearly a million dollars in grants to support repairs and renovations at 29 different community centres. The purpose of the renovation fund is to allow volunteers to concentrate on the important work of running programs rather than devoting their time towards fund-raising. The City also put in place a long-term redevelopment strategy for public libraries that will see eight branches over the next 10 years. Between 2013 and 2018, the library strategy will invest $24.6 million in providing Winnipeggers with modern community spaces.

All of the city's green spaces will benefit from the development of a comprehensive strategy to protect our urban forests from Dutch elm disease. Winnipeggers take great pride in being a "green" city and our urban forests are a tremendous natural resource. In July, the city welcomed a new urban green space in our downtown with the reopening of the Millennium Library Park and the official unveiling of two new public art pieces.

I believe the City of Winnipeg is going through a period of renewal and revitalization. In 2012, for the first time in Winnipeg's history, the value of building permits reached more than $1.5 billion. Winnipeg has truly become the city of choice for investors. From retailers to hoteliers, investment is taking place across the City, including the new Seasons of Tuxedo development, the new Centrepoint hotel, office and residential complex, and the new Metropolitan Entertainment Centre. Soon, the Canadian Museum for Human Rights, the world's only museum dedicated to the evolution, celebration and future of human rights will be opening. In the coming months, we will be welcoming a new home for the Winnipeg Blue Bombers at Investors Group Field. In the Sports, Hospitality and Entertainment District (SHED) alone, the City has seen more than $1.3 billion invested over a five year period. The SHED will take in an 11-block area, anchored by the MTS Centre and the newly expanded Convention Centre, and will offer visitors and Winnipeggers alike a new downtown experience.

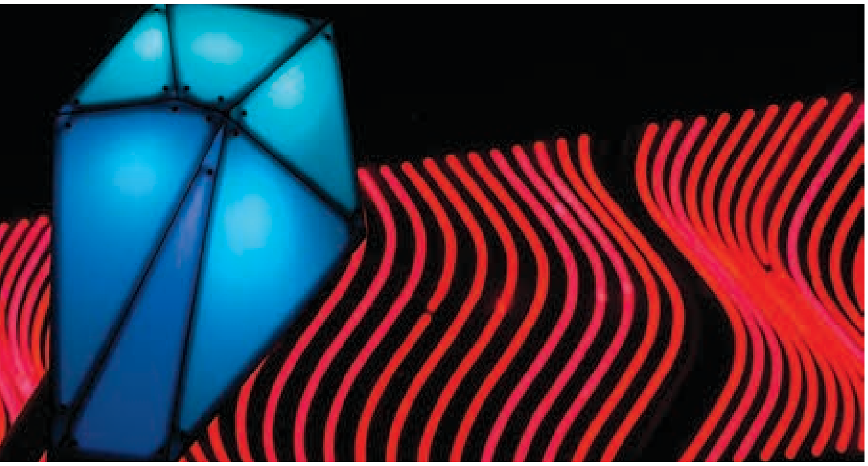
Other cities are looking to the City of Winnipeg to learn from our successes. Our Vacant Buildings Bylaw is a good example. In 2012, 148 vacant buildings were repaired and became occupied, while 67 of these eyesores were demolished. As well, the City of Winnipeg is the first municipality in Canada to adopt the national business number. The adoption of this nine-digit number will make it easier for businesses to work with all levels of government.

Looking to the future, the City of Winnipeg will continue to focus on improving our infrastructure, including the implementation of a long-term plan to fix our local streets, back lanes and sidewalks. After all, municipal infrastructure is the foundation of our economy – our citizens and businesses rely on it every single day.

We are fortunate Winnipeg is full of so many talented individuals who see great things for our future. Whether it's the new Journey to Churchill exhibit at Assiniboine Park or implementing a vision for a dynamic downtown with support from Economic Development Winnipeg and CentreVenture, the stage is set. Together, we are transforming our city.

Sam Katz

Mayor Sam Katz



Message from the Chief Administrative Officer

Winnipeg's progress over the last several years has been remarkable. The Cityscape is changing, as Council builds crucial new infrastructure like the Disraeli Bridges Project; as new landmarks like the Canadian Museum for Human Rights and the Investors Group Field rise on the horizon; and as we witness more construction and rejuvenation in Winnipeg's downtown than at any time in our post-war history. (You can read much more about downtown Winnipeg's exciting transformation, at www.centreventure.com.)

What is just as encouraging, is that the fundamentals underlying this transformation are strong. Our population has grown by about 10,000 people per year over the last four years, and is continuing to grow. Our housing market is strong, with 2012 seeing the highest total housing starts since the late 1980's. Our economy is growing, and the Conference Board of Canada expects it to generate 30,000 jobs over the next five years. With a diversified economic base, a skilled, well-educated workforce, and significant cost and geographic advantages, Winnipeg is a better place to invest, than ever.

Winnipeggers are feeling positive about life in our city. In 2012, 88% of citizens surveyed by Dimark Research said that the quality of life in Winnipeg is good, or very good; overall citizen satisfaction with City services stood at 81%; and 72% of citizens polled said that the value they receive for their municipal property tax dollar is good, or very good.

Our key question, as a Public Service, is: how can we help sustain our community's remarkable progress? How can we help Council realize its vision for the future; and ensure citizens receive both great access to service, and a consistently high quality of service? Our guideposts come from Our**Winnipeg**, the long-term plan which thousands of citizens helped create. As Our**Winnipeg** prescribes, we are working harder than ever to integrate civic planning for the community's economic, social, and environmental sustainability.

Careful financial planning is obviously crucial to achieving these goals. Through 2012, staff worked to integrate the City's capital and operating budget processes, to optimize planning and consultation efforts: culminating in the adoption of a combined Operating and Capital Budget in January, 2013. Our benchmarking and performance measurement efforts are advancing, and City staff have been recognized as Canadian leaders in this field. And, as in the past, the Public Service is improving efficiency wherever possible, including through innovative use of technology.

Interior view of the Rapid Transit Osborne Station

Careful planning has been a key factor in maintaining the City's solid fiscal performance. Through 2012, and now in 2013, Winnipeg has retained its credit rating of AA, issued by Standard and Poor's; and Aa1, issued by Moody's Investors Service. Moody's notes that Winnipeg's ". . . rating and stable outlook are supported by a disciplined fiscal plan, which has led to improving debt and debt servicing ratios. . . .", adding that, "The city's multi-year budget planning process has helped Winnipeg to post a series of positive operating outcomes. . . ."

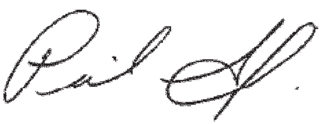
Fiscal sustainability is the foundation for sustaining investment in, and service to, the community. In 2012, the Public Service supported Council in planning for tremendous investment in transportation infrastructure – from increased funding for roads and bridges, to regional and local street renewal, to continued funding for mega-projects like the Chief Peguis Trail Extension, and the Disraeli Bridges Project. Council also budgeted for significant investments in projects to improve the City's environmental sustainability, such as work on upgrades to our sewage disposal system, and the City's waste minimization strategy.

In 2012, the City was able to sustain and increase its budget for investments in vital public safety services, augmenting funding to both the Winnipeg Police Service and the Winnipeg Fire Paramedic Service, for members, facilities, and equipment. Council also invested significantly in the human sustainability of our communities – budgeting for community centre renovations, and also for a wide variety of recreational opportunities for young people.

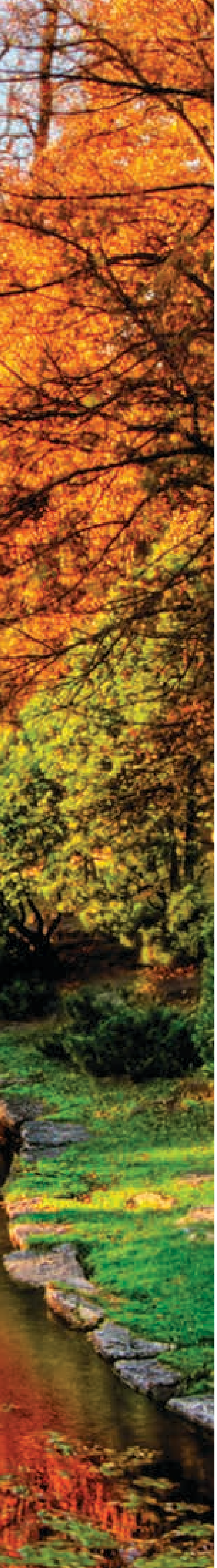
Since 2009, for example, almost 20,000 youth have participated in programs or training opportunities under the auspices of the Aboriginal Youth Strategy. In 2012, through the City's 'LiveSAFE' crime prevention through social development initiative , enhanced recreational opportunities were provided with funding support from the Province, including over 10,000 hours of programming for inner-city children and youth; and over 6,400 young people from the inner city having the opportunity to participate in Community Art Programming.

As a Public Service, we are proud of the good work staff are doing on all these initiatives, across all our departments and agencies – and I hope you will take the opportunity to read more about them in this report's "Service Highlights". Every year, we do our utmost to help Council and its community partners in their efforts to promote fiscal, environmental, and community sustainability.

Our goal is, simply, to play our part in making Winnipeg a better place to live: and it was a privilege to take part in this work, in 2012.



Phil Sheegl Chief Administrative Officer



2010-2014

13^{th} Council of the City of Winnipeg Members & Appointments (for 2012)

Mayor Sam Katz
Chairperson, Executive Policy Committee
Secretary of Urban Aboriginal Opportunities
Secretary of Intergovernmental Affairs

Jeff Browaty
NORTH KILDONAN WARD
Acting Deputy Mayor
Chairperson, Standing Policy Committee on Property and Development

Ross Eadie
MYNARSKI WARD
Chairperson, Access Advisory Committee

Scott Fielding
ST. JAMES — BROOKLANDS WARD
Chairperson, Standing Policy Committee on Protection and Community Services
Councillor Responsible for Economic Partnerships

Jenny Gerbasi
FORT ROUGE — EAST FORT GARRY WARD
Chairperson, Winnipeg Housing Steering Committee

Paula Havixbeck
CHARLESWOOD — TUXEDO WARD
Councillor Responsible for Assiniboine Park Governance

Brian Mayes
ST. VITAL WARD
Chairperson, Mayor's Environmental Advisory Committee
Councillor Responsible for Assiniboine Park Governance

Grant Nordman
ST. CHARLES WARD
Speaker of Council
Chairperson, Governance Committee of Council
Chairperson, Mayor's Age-Friendly and Seniors Advisory Committee

John Orlikow
RIVER HEIGHTS — FORT GARRY WARD
Chairperson, Citizen Equality Committee

Michael Pagtakhan
POINT DOUGLAS WARD
Chairperson, Standing Policy Committee on Downtown Development, Heritage and Riverbank Management

Devi Sharma
OLD KILDONAN WARD

Harvey Smith
DANIEL MCINTYRE WARD
Chairperson, Winnipeg Committee for Safety

Thomas Steen
ELMWOOD — EAST KILDONAN WARD
Deputy Speaker
Councillor Responsible for Youth and Recreational Opportunities

Justin Swandel
ST. NORBERT WARD

Daniel Vandal
ST. BONIFACE WARD
Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works

Russ Wyatt
TRANSCONA WARD
Deputy Mayor
Chairperson, Standing Policy Committee on Finance
Chairperson, Alternate Service Delivery Committee
Councillor Responsible for Corporate Sponsorship

2012 Senior Administrators

Phil Sheegl
Chief Administrative Officer

Deepak Joshi
Chief Operating Officer

Michael Ruta
Chief Financial Officer

Linda Burch
Director, Corporate Support Services

Reid Douglas
Chief, Winnipeg Fire Paramedic Service

Nelson Karpa
City Assessor

Devon Clunis
Chief, Winnipeg Police Service

Brad Sacher
Director, Public Works

Diane Sacher
Director, Water and Waste

Michael Jack
Director of Legal Services/City Solicitor

Barry Thorgrimson
Director, Planning, Property and Development

Dave Wardrop
Director, Winnipeg Transit

Clive Wightman
Director, Community Services

Richard Kachur
City Clerk

Brian Whiteside
City Auditor

Winnipeg – Its People and Economy

"CITY GROWTH STAYS STEADY... Officials pleased to avoid booms and busts, but more housing needed." - February 9, 2012 Winnipeg Free Press

Winnipeg's population continues to grow. In 2012, Winnipeg's population was 704,800 – an increase of over 67,000 people over the past decade.

Historically Winnipeg had:

- modest population growth in the late 1980s;
- no population growth in the 1990s; and
- renewed population growth since the late 1990s.

The primary reasons for this resumed growth are a significant increase in immigration and a combination of fewer people leaving and more people coming to Winnipeg from other parts of Canada.

Over the last four years, the City has grown by about 10,000 people per year.

POPULATION FORECAST

According to the Conference Board of Canada's August 2012 Population Forecast, Winnipeg's population is expected to grow by 90,000 people in the next 10 years; and 205,000 people in the next 23 years.

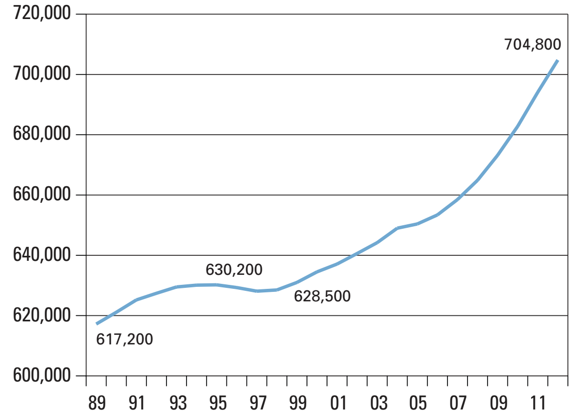
Winnipeg's population growth rate has increased recently to 1.5% which is in the range of strong growth.

- The Conference Board forecasts this to continue in the short term with an average growth rate of 1.3% over the next 5 years.

The City region (CMA) is forecast to grow by 50,000 people by 2017.

POPULATION OF THE CITY OF WINNIPEG

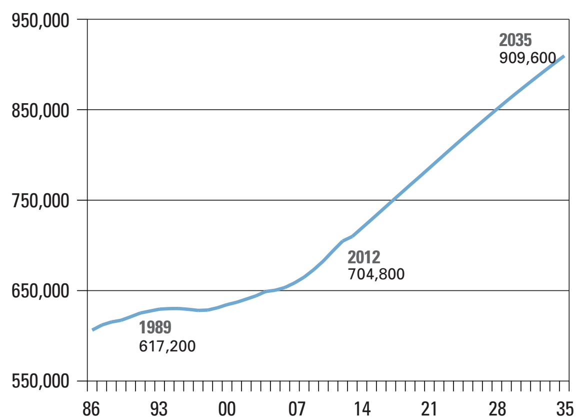
1989 TO 2012



Source: Statistics Canada, Demography Division

POPULATION FORECAST FOR THE CITY OF WINNIPEG

2012 TO 2035

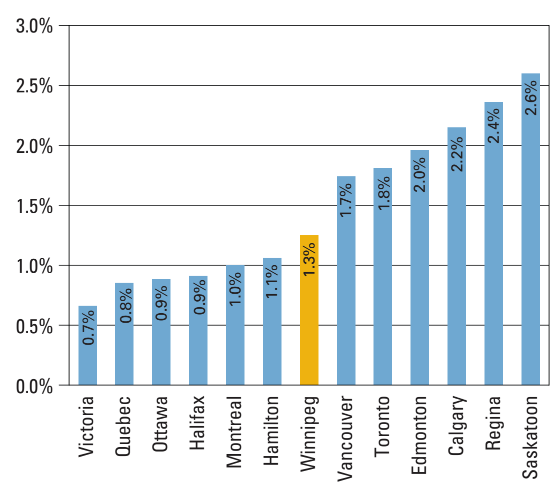


Source: Conference Board of Canada, Winnipeg Long-Term Forecast, August 2012

FORECASTED AVERAGE ANNUAL POPULATION

Growth Rates of Other Cities

2013 TO 2017



Source: Conference Board of Canada, Metropolitan Outlook, April 2013


468 MAIN ST.
PARLOUR
COFFEE

MIGRATION (PEOPLE MOVING)

"Migration has become an increasingly important factor for population growth, and Winnipeg's ability to attract new migrants will continue to be an important determinant of its future economic potential." - Conference Board of Canada, Winnipeg Long-Term Forecast, August 2012

Migration has been the primary factor for the increase in Winnipeg's population.

- In 1996 Winnipeg saw a net loss of 4,600 people; but in 2012, Winnipeg saw a net gain of over 10,000 people.
- With the success of the Provincial Nominee Program, which began in 1999, Winnipeg's immigration has quadrupled and for 2012 saw over 13,000 immigrants arrive in the City.
- Winnipeg's immigration level is currently above the Conference Board's forecast.

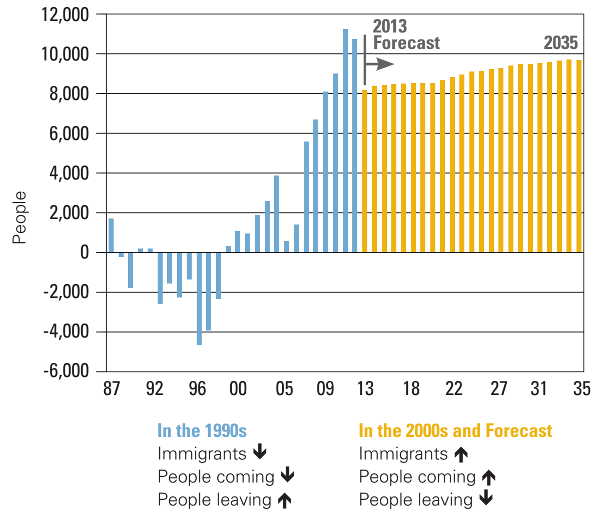
The trends in each of the three forms of migration are:

- **Intra-Provincial:** The net number of people moving to Winnipeg CMA from the rest of Manitoba has increased. In 2012 Winnipeg experienced a net gain of over 900 people.
- **Inter-Provincial:** The net number of people moving from Winnipeg CMA to other provinces has decreased from 4,700 in 1997 to 3,200 in 2012.
- **International:** The net number of people moving to Winnipeg from other countries has increased significantly from 2,200 in 1997 to over 12,000 in 2012.

NET MIGRATION

Net number of people, Winnipeg CMA

1987 to 2035

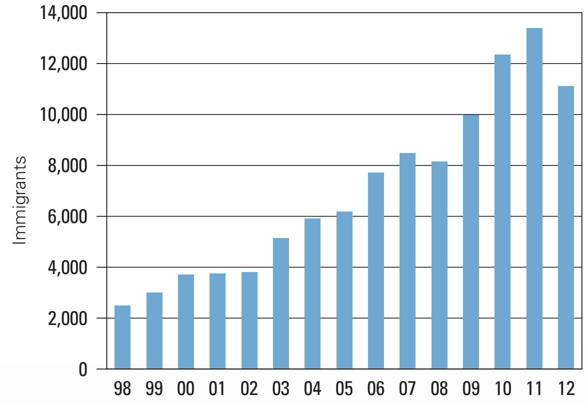


Source: CANSIM, and Conference Board of Canada, Long-Term Forecast, August 2012

IMMIGRATION TO WINNIPEG

Number of people, Winnipeg CMA

1998 to 2012



Source: Citizenship and Immigration Canada, Preliminary Facts and Figures 2012

HOUSING

"Multi-family housing continues to show strength, especially in the rental market which comprised 61 per cent of all multiple-family starts in 2011." - CMHC Press Release, January 20, 2012

2012 showed continued strength

- In 2009, new home buyers were cautious. But in both 2011 and 2012, the number of starts rebounded with 2012 seeing an increase in the number of multiple-family dwellings – the highest total housing starts since the late 1980s.

Average New House Price (single detached)

- Between 2000 and 2011 there was a 125% increase in the average price of a new house. ($175,500 to $395,000)
- CMHC forecasts the average price of a new house to rise another 5% by 2013 (to $415,000) compared to 2011.

Price increase in resale market

- Winnipeg has seen a significant increase in housing prices over the last decade.
- Between 2000 and 2012 there was a 186% increase in the average price of a resale house in Winnipeg.
- CMHC is forecasting a 4% increase in the resale market for 2013.

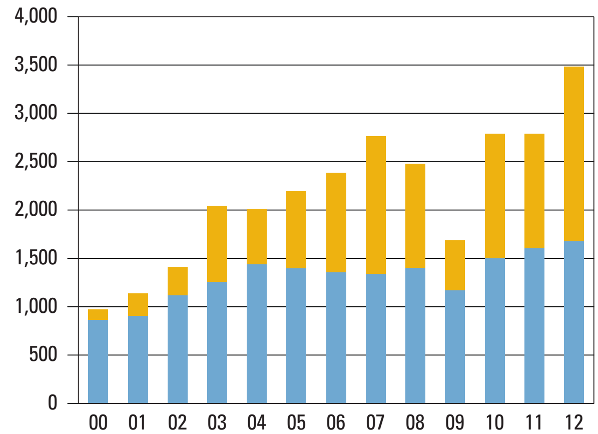
Although Winnipeg has experienced significant increases in the average price of a home, when compared to other larger cities across Canada, Winnipeg continues to be a city with one of the lowest housing prices in Canada.

A two-storey home in Vancouver would cost $881,400 or 174% more than the same two-storey home in Winnipeg ($321,900)

In Calgary: $425,500, which is 32% more than in Winnipeg.

HOUSING STARTS

2000 TO 2011

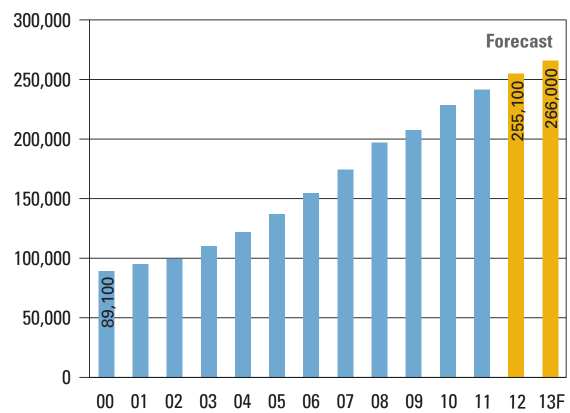


	00	01	02	03	04	05	06	07	08	09	10	11	12
Multiples	107	229	293	785	573	794	1,028	1,423	1,075	517	1,288	1,184	1,806
Singles	863	906	1,117	1,259	1,440	1,400	1,355	1,339	1,405	1,171	1,499	1,605	1,676

Source: CMHC – Housing Now

AVERAGE RESALE HOUSE PRICE IN WINNIPEG

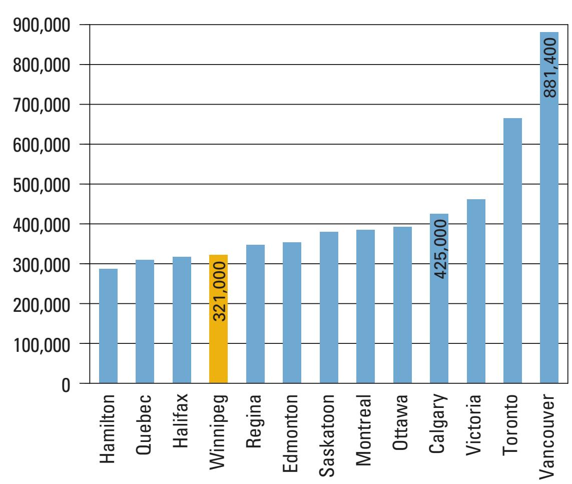
2000 TO 2012



Source: CMHC, First Quarter 2013

2012 AVERAGE RESALE PRICES IN OTHER CITIES

Standard two-storey house



Source: Royal LePage Survey Data, 2012, second quarter

ECONOMY

"After declining for three years in a row, Winnipeg's manufacturing sector expanded 1.6 per cent in 2012 and is forecast to increase 2 per cent per year in each of 2013 and 2014."

- Conference Board of Canada, Metropolitan Outlook, Winter 2013

Winnipeg's economy is one of Canada's most diversified economies. Overall, our economic indicators are positive relative to other parts of Canada.

Even though Canada was in a recession in 2009, Winnipeg's economy was doing relatively well. Winnipeg's economy saw a 0.5% decline while the national economy declined by 3.0%.

In 2011 and 2012, Winnipeg's economy saw a cautious recovery with manufacturing still struggling with a high Canadian dollar and global economic uncertainty.

Of the 13 large cities listed to the right, Winnipeg's economic growth was about average relative to the other cities.

Over the next 5 years:

- Winnipeg's economy is expected to create 30,000 jobs.
- Population in the Winnipeg region is forecasted to grow by 50,000 people.
- Annual housing starts are expected to increase by about 17%.

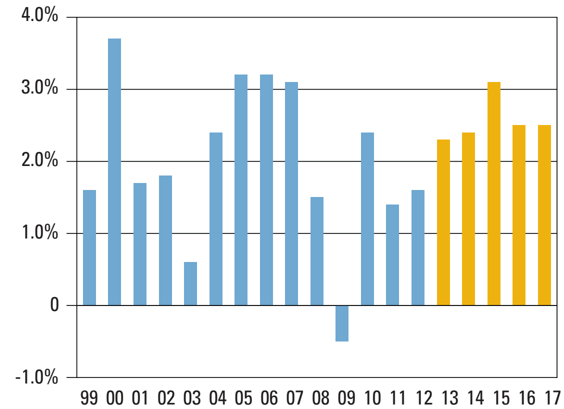
These are strong numbers for Winnipeg.

WINNIPEG'S ANNUAL ECONOMIC GROWTH

Real Gross Domestic Product, annual % change

In constant 2002 dollars

1999 TO 2017



Source: Conference Board, Metropolitan Outlook Data, April 2013

OTHER CITIES' REAL GDP ANNUAL GROWTH

City	10 – 12 Average	2013 Forecast	14 – 17 Forecasted Annual Average
Victoria	1.2%	1.6%	2.2%
Vancouver	3.0%	2.6%	2.8%
Edmonton	5.9%	3.6%	3.1%
Calgary	4.4%	3.0%	3.1%
Saskatoon	5.2%	3.4%	3.0%
Regina	5.3%	3.5%	2.9%
Winnipeg	1.8%	2.3%	2.6%
Toronto	2.7%	2.6%	2.8%
Ottawa	2.0%	1.3%	2.0%
Hamilton	2.6%	2.1%	2.3%
Quebec	2.0%	1.7%	1.8%
Montreal	1.6%	1.8%	2.5%
Halifax	1.9%	2.3%	2.3%

Source: Conference Board, Metropolitan Outlook Data, April 2013

ECONOMIC INDICATORS

						Forecasted		
Winnipeg CMA	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP (2002 $ millions)	32,189	32,654	33,169	33,926	34,749	35,812	36,718	37,645
% change	2.4%	1.4%	1.6%	2.3%	2.4%	3.1%	2.5%	2.5%
CPI % change	0.8%	2.9%	1.6%	2.0%	2.2%	2.1%	2.1%	2.1%
Retail Sales ($ millions)	9,824	9,974	10,100	10,460	10,867	11,230	11,629	12,028
% change	5.7%	1.5%	1.3%	3.6%	3.9%	3.3%	3.5%	3.4%
Personal Income per capita	$37,207	$37,257	$38,070	$38,918	$40,036	$41,165	$42,445	$43,684
% change	1.8%	0.1%	2.2%	2.2%	2.9%	2.8%	3.1%	2.9%
Labour Force	432,834	433,630	441,825	445,482	453,232	459,503	465,432	470,360
% change	1.2%	2.0 %	0.2%	1.3%	1.9%	1.4%	1.3%	1.1%
Employment	408,377	408,697	417,304	421,091	428,304	434,691	441,230	446,843
% change	1.9%	0.1%	2.1 %	0.9%	1.7%	1.5%	1.5%	1.3%
Unemployment Rate	5.7%	5.8%	5.6%	5.5%	5.5%	5.4%	5.2%	5.0%

Source: Conference Board, Metropolitan Outlook, April 2013 - forecast

"Low interest rates, together with strong population gains in recent years thanks to the province's skilled worker nominee program, helped to fuel significant growth in Winnipeg's housing starts over 2010 to 2012." - Conference Board of Canada, Metropolitan Outlook, Spring 2013

VALUE OF BUILDING PERMITS (IN MILLIONS OF DOLLARS)

		2008		2009		2010		2011		2012
Residential	$	551	$	414	$	601	$	623	$	762
Non-Residential		542		697		552		536		779
Total	$	1,053	$	1,111	$	1,153	$	1,159	$	1,514

2013 City Government Major Capital Investments - six-year plan (in millions)

Sewage Disposal	$	997
Roads and Bridges		465
Transit System		306
Water System		189
Parks, and Community Infrastructure		176
Land Drainage and Flood Control		99
Public Safety Infrastructure		62
Solid Waste Disposal/Garbage Coll.		47
	$	2,341

Other Major Capital Investments (in millions)

Manitoba Highways (over 5 years)	$	2,100
Wuskwatim Generating Station		1,300
Seasons of Tuxedo (IKEA)		500
Convention Centre		180
Bristol Aerospace		120

Other projects by category (in millions)

Commercial	$	920
Industrial		62
Institutional		810
Residential		707

In 2012, Winnipeg saw over $1.5 billion in building permit values.

- Residential permit values were up by 22%;
- The value in non-residential permits was up 45%;
- And, overall there was a 33% increase in building permit values.

The City Government Infrastructure Projects over the next six years total $2.5 billion, of which $375 million is for 2013.

These projects, along with other significant major new capital investments in Winnipeg and the rest of the Province, require the construction industry to continue ramping up its capacity.

Labour shortages continue to exist along with upward pressures on construction wages. The result is that base construction inflation is presently in the 4% range and is expected to remain at that level for the next few years.

Cost of Doing Business

KPMG's 2012 Competitive Alternatives examines location-sensitive business costs in over 110 cities. Winnipeg has the lowest business cost of cities surveyed in Western Canada and Ontario.

In fact, Winnipeg has lower business costs than most U.S. cities (68 of 71 U.S. cities examined).


The Peguis Pavilion at Kildonan Park

Service Highlights – 2012 Annual Report

INFRASTRUCTURE INVESTMENTS

Peguis Pavilion

The Peguis Pavilion at Kildonan Park is in the final stages of a major upgrade, including a renovated banquet area, the addition of a café, and an elevator to increase accessibility. The surrounding landscape is scheduled to be redeveloped in 2013.

Bridge Planning & Operations

- 2012 saw the commissioning of the Disraeli Bridge and Overpass vehicular bridges, which was the first major milestone for the Disraeli Bridges Project. Project completion is on schedule for July 31, 2013.
- Completion of the Osborne Street Bridge rehabilitation.
- Completion of a multi-phase repair project at Elm Park Pedestrian Bridge.
- Completion of the first of two twin bridges at Sturgeon Road (Sturgeon Creek). The second bridge will be complete by October 2013.

Rapid Transit

On April 8, 2012, Stage 1 of the Southwest Transitway opened. The corridor has improved the speed and reliability of transit service between downtown and the southwest quadrant of the city by allowing transit vehicles to bypass traffic congestion. The new Transitway includes a 3.6-kilometer roadway, a 200-meter tunnel, a 100-meter covered bridge over Osborne, which also serves as a major transit station. The Southwest Transitway is enhanced by two weather-protected passenger waiting areas, and new and upgraded Active Transportation paths.

Transit Garage

In July, construction commenced on the new Transit Garage that will house approximately 150 buses. The new garage is scheduled to be operational in the fall of 2013.

CUSTOMER SERVICE

Winnipeg Transit enhancing the customer experience

Starting in January, 40 new air-conditioned buses were introduced to the fleet, and 34 new transit shelters were installed, including four heated shelters.

As a cost effective measure to meet increasing service demand levels, Transit purchased 20 pre-owned articulated buses in March and will place them in service in late 2013 or early 2014.

Animal Services Agency

This year Animal Services responded to 13,396 animal incidents, the highest number in its history, including neighbourhood dispute resolution, after-hours emergencies, enforcement of related by-laws, investigation of complaints, and inquiries including stray dogs.

A record 63,600 dog licenses were registered in 2012, to protect dogs, while helping cover the cost of service. In 2012, 927 dogs wearing licenses were successfully reunited by 311 without ever having to set foot in the Animal Services facility.

Adoptions (497) were up over 100% since 2008, making 2012 one of the best years in the Agency's history.

Over 60 volunteers play an integral role in the Animal Services operation, socializing the adoptable dogs, maintaining the Petfinder.com, Facebook, and Twitter websites, and promoting adoption and special events.

PLANNING, ENVIRONMENT AND SUSTAINABILITY

Our**Winnipeg**

Our**Winnipeg**, the development plan adopted by Council in 2011, presents a 25-year vision for the entire city, positioning Winnipeg for sustainable growth, a key to our future competitiveness. The *Our**Winnipeg** Report to the Community 2012* is the first annual report on the progress of Our**Winnipeg**. Launched to Winnipeggers through the "SpeakUp on the Spot" initiative and endorsed by Council on November 14, 2012, it shares highlights of activities and key accomplishments with all Winnipeggers, many of whom took part in the SpeakUpWinnipeg process that formed the basis of Our**Winnipeg**.

The SpeakUpWinnipeg process continues, using speakupwinnipeg.com and social media to connect with Winnipeggers and gather input on key initiatives related to Our**Winnipeg**. In 2012, these initiatives included the City's new Garbage and Recycling Master Plan, the Winnipeg Housing Policy that is underway, the Our**Winnipeg** Report to the Community, updates to Our**Winnipeg** in Action (an online, interactive map tool), Secondary Suites, and more.

At the Manitoba Professional Planners Institute conference in Brandon in February, the City of Winnipeg received the Manitoba Planning Excellence Award for the Our**Winnipeg** long-term planning framework. This was the second major award the City of Winnipeg received for Our**Winnipeg**, after receiving a national award for city planning from the Canadian Institute of Planners in July 2011.

Waterford Green (Precinct C) Precinct Plan

The *Waterford Green Precinct Plan* is the first precinct plan completed under the *Complete Communities Direction Strategy*, and is the result of a collaborative planning process between the City, area land owners, and their consultants. The Plan meets the goals of *Complete Communities* by creating a long-term vision for a mixed-use neighbourhood that focuses on urban design and the built form to feature a variety of housing types and densities, focused about a central open space network and neighbourhood mixed-use centre.

Winnipeg Transit-Oriented Development (TOD) Handbook

Adopted by Council in February 2012, the Winnipeg *Transit Oriented Development Handbook* (TOD) is a high-level framework document that guides and facilitates mixed-use, pedestrian-oriented infill development along rapid transit corridors and high-frequency transit corridors. The Handbook is based on best practices, lessons learned from other jurisdictions, and contains multiple case studies.

TOD is one of the 'implementation documents' identified in the *Complete Communities Direction Strategy.* It is a user-friendly policy document and 'playbook' that assists all users to obtain rapid and complete understanding of what TOD is, its benefits and core principles, and how to implement it effectively in a community. The *TOD Handbook* is featured as a 'Best Practice' by *Reconnecting America* and the *Center for Transit Oriented Development (CTOD),* the widely recognized North American knowledge and best practices center for TOD, and was the recipient of the *2012 Manitoba Planning Excellence Award for Outstanding Achievement in Community Planning.*

Seeds of Diversity

The Naturalist Services Branch has initiated a project to ensure that our natural heritage stays uniquely "Winnipeg". Working through the Living Prairie Museum and community partners, the Branch has established nursery plots to maintain the unique characteristics of the many wildflowers, grasses, trees and shrubs which our ancestors on this land would have known, protecting our city's native plant diversity.

SAFETY AND EMERGENCY RESPONSE

Pixels for Pistols

In November, the Winnipeg Police Service and the City of Winnipeg partnered with Henry's Photo-Video-Digital to present the month-long Pixels for Pistols Program. The goal of the program was the safe recovery and disposal of unwanted firearms and ammunition by the Winnipeg Police Service. As an incentive, Henry's Photo provided merchandise and/or gift cards to qualifying citizens, who responded by surrendering over 1,700 firearms and approximately 13,000 rounds of ammunition.

Citizen Online Crime Reporting System

In October, as part of the Service's Strategic Plan 2012-2014, the Winnipeg Police Service introduced a new citizens' online reporting system, to improve public access to police processes through technology.

Using this system, citizens can avoid unnecessary travel and wait times, and can file reports (for six types of non-violent crime) at any time using an Internet connection at home, at the office, or through a personal electronic device. This also helps investigators by ensuring we have a more complete picture of the crimes that occur in the community, but might not otherwise be reported.

Increased Police presence downtown

Downtown continues to be a priority for the Winnipeg Police Service. 2012 marked the return of a dedicated, 16-member downtown foot patrol as part of the Service's Downtown Safety Strategy. The unit works days and evenings, seven days per week, to build community relationships and enhance public safety and crime prevention efforts.

Fire Paramedic Stations Replacements

In 2012, the City of Winnipeg moved forward with the replacement of three existing Fire Paramedic stations and the construction of one new station, to better serve the public with state-of-the-art facilities in strategic locations.

PARTNERSHIPS, PROGRAMS AND INITIATIVES

Aboriginal Youth Strategy

The City of Winnipeg's Aboriginal Youth Strategy has been given the spirit name Oshki Annishinabe Niganniwak – (pronounced Awsh-kay Anish-a-nob-bay nee-ga-nee-walk) by Elders in the Aboriginal community. It means Young Aboriginal People Leading, and pays tribute to Aboriginal youth as leaders of today as well as tomorrow.

Stream 1 focuses on partnerships with nine community-based organizations that provide programs and supports to Aboriginal youth. Since 2009, over 1,000 Aboriginal youth have accessed employment and employment development training from programs that receive funding from Oshki Annishinabe Nigaaniwak. Of these, over 350 either secured or were entering the labour force, while 210 were pursuing various levels of education. Over 1,000 certifications in First Aid/CPR, suicide

The new Disraeli Bridges were commissioned in October of 2012 intervention, food handlers, WHMIS, and Mature Grade 12 have been obtained, building job skills and readiness. Since 2009, almost 20,000 youth have visited a community-based recreation program.

Stream 2 focuses on the City providing programs and training opportunities within the public service that enable Aboriginal youth to build skills, gain experience, obtain employment and to participate in recreation and cultural activities.

In 2012, four Aboriginal youth received Citizen Equity Committee Youth Role Model Awards. Almost 400 new resources on Aboriginal languages and about Aboriginal language-learning were added to the Aboriginal Resources Collections at the Millennium, St. John's and Sir William Stephenson libraries providing a rich resource of books, DVDs, and CDs about the history, traditions, stories and languages of Aboriginal people.

LiveSAFE 21-Block Area – Community Safety and Wellbeing Initiative

The LiveSAFE Community Safety and Well-being Initiative aims to develop and implement a community safety and wellness plan for a 21-block area of Winnipeg's North End. The boundaries are Salter and McGregor Streets, and Burrows and Dufferin Avenues. The focus is on increasing neighbourhood safety by making physical and programming improvements. The LiveSAFE/21-block Area Action Plan was developed following a comprehensive review of existing community reports and community consultation.

LiveSAFE Statistics

With funding support from the Province of Manitoba, the City of Winnipeg enhanced the following initiatives:

SPIN

- 900 inner-Winnipeg children participated in the *Sports in Inner City Neighbourhoods* (SPIN) program
- Sports offered - flag football, ball hockey, multi-sport special events, basketball, ultimate frisbee, water polo
- Provides inner-city children aged 6-14 free access to sports
- Offers learning in basic skill development, sportsmanship, teamwork, leadership, fair play in a friendly, supportive environment

Youth Mentorship Program

- 3,108 volunteer program hours were completed by youth from St. John's, Children of the Earth, R.B. Russell and Daniel McIntyre schools
- Youth were mentored by University of Manitoba students (Recreation Studies and Kinesiology) to learn to plan and deliver after-school drop-in programs in an inner-city school or recreation centre
- 24 mentored students now work for the City or other community employers

LiveSAFE in Winnipeg Programming

- 10,160 hours of programming were provided at various centres, including Turtle Island and Mayfair Recreation Centres, Broadway Neighbourhood Centre, Norquay and Ralph Brown Community Centres and Pritchard Park
- 45,873 children and youth visits were recorded and 30 Recreation Leaders from the inner city were hired to deliver the programs

Community Art Program

- 6,417 inner-city children and youth participated in this free partnership (Art City and Graffiti Art) program, offered at the Immigrant and Refugee Community of Manitoba (IRCOM), the Magnus Eliason Recreation Centre, the Broadway Neighbourhood and Turtle Island Neighbourhood Centres, and the Pritchard Park, Norquay, Orioles and Ralph Brown Community Centres
- 24 Recreation Leaders were hired from the community to deliver the program

Turnabout Program

- Provided by the Province of Manitoba in partnership with police agencies
- Offers a direct support and referral service to children under 12 years who have been in conflict with the law or are at risk
- Turnabout goals are to prevent children from having further contact with police to ensure, early identification of serious/persistent behaviour, and to reduce numbers of children coming into contact with the law
- This year, the City provided free recreational opportunities to 45 families, including 110 facility passes and access to 30 recreation programs

Improvements to the City of Winnipeg's Permit Process

In March 2012, the City introduced innovative system changes to expedite building permit application and inspection times, and eliminate the backlog experienced by builders during the City's recent construction boom. The system improvements, developed through collaboration with the building design and construction industry, were planned to ensure a high level of building code and by-law compliance would be maintained, ensuring the safety of customers, builders and owners. The City's 2012 Building Permit and Inspections Services Improvement Strategy and Action Plan identified three key strategies and ten action items to support the goal of reducing permit issuance and inspection processing times. The implementation of this strategy and action plan had an impact on a wide variety of permit types, as well as application processes for design professionals, developers and established residential home builders and tradespersons licensed by the City. The strategy integrates an audit approach, which was identified in the Mayor's Red Tape Commission Report as a key strategy for improving permits and inspection services while maintaining requirements for code compliance.

Tax Increment Financing Support to Downtown Renewal

In April 2012, the Province of Manitoba and the City of Winnipeg announced Winnipeg's first Tax Increment Financing (TIF) zone in the downtown to stimulate private and public investment, with a focus on the blocks surrounding Portage Avenue. The new zone will promote residential mixed-use development downtown, and direct sustainable funding for strategic public investments that are consistent with the Portage Avenue Development Strategy (PADS) and the Sports, Hospitality and Entertainment District (SHED). Tax increment financing (TIF) is a tool that allows the City and the Province to use the increased property value created by a significant development, like the Longboat/Alt Hotel project across from the MTS Centre, to finance projects or incentives that support economic and social development in the surrounding area. CentreVenture has developed a Downtown Portage Avenue Development strategy based on the four Portage Avenue districts (university; retail; sports, hospitality and entertainment; and commercial). The Province and City will provide tax increment financing to support the development of an exciting Sports, Hospitality and Entertainment District (SHED) in an 11-block area between the MTS Centre and the Winnipeg Convention Centre. A joint Manitoba/Winnipeg/CentreVenture steering committee adopted a master plan for SHED and will work to identify projects and incentives that will enhance and stimulate private and public investment in the district. Changes are happening in downtown Winnipeg and the positive results are encouraging more interest in future developments. New condominiums and apartments are being created and more Winnipeggers are choosing to live downtown. TIF will be used to stimulate and protect private and public investment and keep the momentum going in the downtown.

Winnipeg Convention Centre Expansion

In June 2012 the Governments of Canada, Manitoba and Winnipeg announced their partnership to support the expansion and renovation of the Winnipeg Convention Centre. The total cost of the project is estimated to be over $180 million. Under the Building Canada Fund–Major Infrastructure Component, the Government of Canada is setting aside up to one-third of total eligible costs, to a maximum federal contribution of $46,646,667, and the City and Province are each contributing up to $51 million. The balance of funding will be provided from new incremental property tax revenues from an integrated hotel and commercial development adjacent to the Winnipeg Convention Centre, as well as additional revenue from the Winnipeg Convention Centre.

As an integral part of Winnipeg's downtown, located within the new Sports, Hospitality and Entertainment District (SHED), an expanded Convention Centre will draw even more business and community events to our city. This project is another example of governments and the private sector working together to further develop Winnipeg's downtown. The Winnipeg Convention Centre will double in size and extend south over York Avenue onto an existing surface parking lot. The new facility will include multi-purpose space, divisible space, additional underground parking and main floor public assembly space. The third floor will feature new exhibit space that will connect to the existing building, and create over 147,000 sq. ft. of contiguous, pillarless trade and consumer show space.

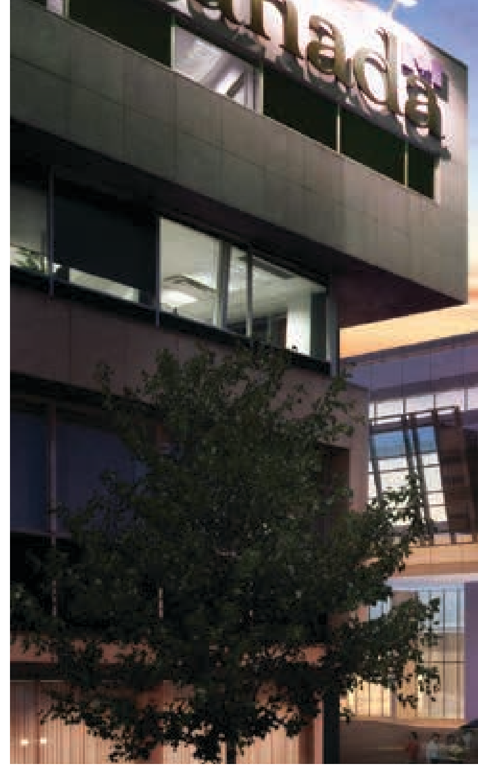
Development of Former Stadium Site

This year, after an extensive Expression of Interest (EOI) process, Council approved that the stadium site at 1465 Maroons Road be sold to Polo Park Holdings L.P for $30.25 million, for demolition and mixed-use development. $20 million of the net proceeds of the sale will support infrastructure and service requirements in the vicinity of the Polo Park site and $10 million was committed to the new stadium, with $7.5 million provided as a grant towards construction at the new stadium, and $2.5 million allocated to support the development of a community-access fitness centre at the University of Manitoba.

The City of Winnipeg, along with the Winnipeg Football Club and University of Manitoba, developed a comprehensive Event Day Transportation and Parking Plan for Investors Group Field. The Plan will be in effect for events that are expected to attract 15,000 or more attendees. Representatives of the three organizations developed the framework for this plan, intended to look at active transportation, transit, parking and neighbourhood concerns to deliver a great game day experience for fans while directly addressing concerns raised by residents. In drafting the plan, the City, Football Club and University have been working with stakeholders including the Event Day Advisory Committee (EDAC) formed under the Riel Community Committee motion of July 2011 regarding the new football stadium.

Seven Open Houses were held in March 2012 to introduce a draft Event Day Plan and obtain feedback from the neigh-

Construction on the Investors Group field (May 2012)



bourhoods near the stadium as well as Blue Bomber fans and other interested Winnipeggers. 177 surveys were completed at the Open Houses. This feedback, as well as advice from Event Day Advisory Committee resident advisors and other stakeholders was taken into consideration in making numerous refinements to the plan, which will also be reviewed and updated as needed.

Community By-Law Enforcement Service (CBES)

All CBES property standard enforcement activities increased significantly in 2012. Since the implementation of the vacant building nine-point strategy and new *Vacant Buildings By-law*, the number of vacant buildings in the City of Winnipeg has decreased by 31.20% from 577 in October 2010 to 397 in December 2012.

On April 1, under Council direction following the Mayor's Red Tape Commission recommendation, City of Winnipeg Public Health Inspection Services were transferred to the Province. This shifts responsibility to the jurisdiction that is currently mandated for the provision of all health services within Winnipeg. The new system allows for a more consistent approach with respect to the delivery of public health inspection services, allowing the City to focus on by-law enforcement property standards inspections.

Snow Clearing and Residential Parking Ban

The Residential Parking Ban was first implemented in November 2012. The new parking ban was adopted by Council in 2011 to improve the effectiveness and efficiency of winter snow clearing operations. The residential street system was divided into snow zones which were to be plowed in one of five 12-hour periods.

Buffered Bike Lane

The first buffered bike lane in Winnipeg was built along Pembina Highway between Plaza Drive and Chevrier Boulevard. This bike lane incorporates a number of elements that are meant to improve cycling along a major arterial road while improving the safety of the interaction between cyclists, motorists, pedestrians and transit operations. The design of the bike lane incorporates a separation between motorists and cyclists along Pembina Highway and innovatively designed islands at bus stops that incorporate the proper accommodation of transit operations, wayfinding elements to help visually impaired pedestrians, and geometric elements to encourage cyclists to slow down in areas where they will interact with pedestrians. This buffered bike lane serves as the link between two major bike routes that people can now use to travel from the University of Manitoba to downtown Winnipeg.

Pedestrian Countdown Signals

In the fall of 2012, the Traffic Signals Branch installed Winnipeg's first pedestrian countdown signal (PCS) at the intersection of Portage Avenue and Donald Street. These signals provide a visual indication of the amount of time remaining for pedestrians to cross the street. The installation was a pilot project that received positive feedback and will be extended to other intersections in the city.

Medical Careers Exploration Program (MCEP)

The Winnipeg Fire Paramedic Service (WFPS) has partnered with Pan Am Clinic in the Medical Careers Exploration Program (MCEP) to allow students an opportunity to have an inside look at the EMS profession. Student experience with WFPS includes time at the Training Academy, Communications and Operations Branches.

Rendering of the Winnipeg Convention Centre expansion project

MCEP was developed by the Pan Am Clinic to meet the needs of both the medical community and the Aboriginal population. Currently, the need for medical personnel is at a critical level not only in Manitoba but also in Canada, and the Aboriginal population is one of the fastest-growing sources of candidates within Winnipeg. The purpose of the MCEP is to provide Aboriginal high school students the opportunity to learn more about healthcare and the various career options available to them, and to increase the opportunity for Aboriginal high school students to pursue a high school education that prepares them for post-secondary study in Health Education Faculties within Universities and Colleges in Winnipeg.

Fraud Hotline

On April 30 the Audit Department launched the Fraud Hotline. The Fraud Hotline is a confidential and anonymous service that allows staff to report complaints 24 hours a day, 7 days a week. The Hotline, operated independently by a third party and accessible by phone or Internet , is a valuable tool used by the City to identify potential unethical behaviour, fraud or waste through anonymous reports from employees. The Hotline supports the integrity of employees in the workplace, helps to protect City property, resources and information and affirms the City's proactive efforts to ensure and demonstrate its commitment to corporate accountability, transparency, responsibility, and sound and ethical operating practices.

RECREATION AND LEISURE

Community Centre Renovation Fund

The program, approved by Council on February 22, provides up to $965,000 in annual funding for community centres in support of repairs, upgrades, retrofits, safety improvements and renovation projects. Applicants are eligible for 100% support of project costs to a maximum of $50,000 per project per calendar year. 29 Community Centres were approved for grants this year:

- Bronx Park
- Central
- Central Corydon
- Chalmers
- Dakota
- Glenwood
- Gateway
- Greendell Park
- Heritage Victoria
- Linden Woods
- Luxton
- Maples
- Melrose Park
- Norberry-Glenlee
- Northwood
- Norquay
- North Kildonan
- Notre Dame
- Park City West
- River Osborne
- Riverview
- Robert A. Steen Memorial
- Roblin Park
- Tuxedo
- Vince Leah
- Waverley Heights
- Westdale
- Windsor
- Wildwood

Winnipeg Community Sport Policy

In November, Council adopted the Winnipeg Community Sport Policy. We look forward to the continuing work of the partners in implementing the policy and developing, promoting and delivering physical activities for all people in Winni-

Millennium Library Park redevelopment

peg. The partners will report back to Council on their implementation progress in November of 2013.

This unique and nationally-recognized municipal policy was collaboratively written by the City of Winnipeg, General Council of Winnipeg Community Centres, Winnipeg Community Sport Alliance, Manitoba Physical Education Supervisors' Association, Sport Manitoba and Winnipeg Regional Health Authority.

Library Long-Term Strategic Replacement Plan

This year, Council adopted long-term redevelopment strategy for our public libraries that will see eight branches replaced over the next 10 years.

Millennium Library Park and Parkade Redevelopment

In July, after two years of closure, the Millennium Library Park reopened at a ceremony marked by Mayor Sam Katz and representatives from all three levels of government. The revitalized park is one of the few urban green spaces in the downtown area and boasted two new pieces of public art, including a piece by Vancouver artist Bill Pechet called "emptyful" (front cover of this report) that was created as part of the Winnipeg Cultural Capital of Canada project and the Winnipeg Arts Council's Public Art Program.

The $3.1 million park and parkade redevelopment project, which was officially opened on July 20, 2012, was funded under the Municipal Rural Infrastructure Fund (MRIF). The joint federal-provincial-municipal funding to the Millennium Library Park totals $2.1 million ($700,000 from each level of government). Additional capital was provided by the City's Downtown Enhancements Program.

The Millennium Library Park redevelopment was spearheaded by the Winnipeg Library Foundation, which has worked to raise funds to enhance Winnipeg Public Library programs and services for over 15 years. This initiative is the Foundation's largest project since the redevelopment of the Millennium Library in 2005. Fundraising is continuing for additional enhancements to the park, and opportunities are still available for corporate or individual sponsorship of some significant park features. This active and viable green space includes a Learning Commons, urban wetland, Millennium Plaza and Prairie Garden. The City and Downtown BIZ work together to offer educational and cultural programming, as well as recreational and entertainment events. Two public artworks, *emptyful* and *Sentinel of Truth* are also integral to the revitalization of the park. These works, created through the Winnipeg Arts Council, were conceived of and planned as part of the project from the very beginning of the renovation process.

Library Amnesty

From March 12 – 25, the Library held its first amnesty in over 10 years, allowing all library patrons to return their outstanding material without penalty. Over 3,400 overdue items were returned and over $136,000 in outstanding fines were cleared allowing 680 library customers to reactivate their library memberships.

New E-Book Service Established

In December, the Library began offering an additional e-book service to the public from a company called Freading.

In addition to the 17,000 title available through OverDrive, the library has made available an additional 15,000 titles for library customers to borrow. E-book circulation in 2012 climbed to over 219,000 check-outs or a 55% increase over the previous year.

Free WiFi Made available through Shaw

This year the City of Winnipeg negotiated a Wi-Fi agreement with Shaw that included providing free wireless access in all public library branches across the city.

River Heights Renovations

This summer the River Heights Library underwent renovations to improve service to the public and increase accessibility within the branch.

St. Boniface Renovations

In November and December, the St. Boniface library was temporarily closed for $100,000 in renovations that included $20,000 in funding from the government of Canada through the Community Infrastructure Improvement Fund (CIIF).

Self - Checkout Units

This year the library added 15 new self-checkout terminals in branches across the city to complement existing service with an efficient, streamlined alternative to traditional check-out services.

Second Floor Balcony Millennium Library

This summer the second floor outdoor balcony at the Millennium Library was renovated and outfitted with outdoor furniture, turning this once undeveloped space into a new outdoor reading venue.

New Playground Equipment

Play equipment and seating areas were replaced at 21 playground sites at a cost of $2.5 million.

Whittier Park Maintenance Building

Construction is near complete in Whittier Park on a new maintenance building to service St. Boniface Minor Baseball, Festival du Voyageur, and Parks East. The building is clad in the style of Red River stack-wall construction and the estimated project cost is $400,000.

Expanded Southdale Community Centre

On February 24, 2012, federal, provincial and municipal representatives gathered to celebrate the grand opening of the recently expanded Southdale Community Centre. The Centre now boasts a new hockey arena, a 3,800-square-foot recreational rink and change rooms, welcome additions to an important facility that serves one of the fastest-growing areas of Winnipeg. This project has significantly increased available ice time for hockey players, figure skaters and the general public. The total project cost was $9.4 million, with the federal and provincial governments each committing $2 million towards eligible project costs under the Infrastructure Stimulus Fund. Remaining funds of $5.4 million were provided by the City of Winnipeg, the Province of Manitoba, the private sector and the community centre.

Winakwa Community Centre

On April 20, 2012 an official ribbon-cutting ceremony was held to formally open the newly expanded Winakwa Community Centre. The existing Winakwa Community Centre has now virtually doubled in size to accommodate a new, regulation-size gymnasium, four full-sized dressing rooms, a huge general skate change area, new men's and women's washrooms, a viewing area, a multi-purpose room and new a front entrance. The renovations to the Centre have optimized existing space to better serve all members of the community. This $3.5-million dollar project was made possible thanks to joint funding from all three levels of government. The Government of Canada contributed $800,000; the Province of Manitoba provided more than $1.4 million, and the City of Winnipeg invested $1.1 million. The remaining project costs were covered by the Winakwa Community Centre.

Sturgeon Heights 2012 Community Centre

On April 16, 2012, representatives from the federal, provincial and municipal governments gathered to celebrate the official opening of the new Sturgeon Heights Community Centre. The Silver Heights and Sturgeon Creek community centres were amalgamated into a new 18,000-sq.-ft. energy-efficient facility that features a multi-purpose room, four change rooms and a 5,950-sq.-ft. gymnasium, one of the largest community centre gyms in the city. This $5.63-million project is the first City facility to receive LEED Gold designation.

Maples Community Centre

On May 31, 2012, an official grand opening ceremony was held to celebrate improvements to the Maples Community Centre. Joint funding from all three levels of government went towards the construction of a new track, an all-purpose field and bleachers:

The Government of Canada, through the Recreational Infrastructure Canada Program (RInC) contributed $203,797.

The Province of Manitoba provided $100,000, City of Winnipeg invested $60,000 with the remaining project costs were covered by the Seven Oaks School Division. Additionally, the Province of Manitoba and City of Winnipeg each contributed $125,000 under the Building Communities Initiative to upgrade and improve the outdoor basketball and tennis courts.

New Splash Pads and Facilities

The Building Communities Initiative (BCI) is a multi-year, cost-shared capital initiative developed jointly by the Province of Manitoba and the City of Winnipeg. The goal of BCI is to support community revitalization through improvements to local community infrastructure in targeted older neighbourhoods and contribute to the vitality, safety and health of communities throughout the city. Since 2010, BCI funding of $10 million has been committed to 39 approved neighbourhood infrastructure projects in Winnipeg. Work on many of the projects has been completed.

St. James-Assiniboia Centennial Pool Complex

In July 2012 the City and Province announced a new splash pad for the St. James-Assiniboia Centennial Pool complex. The Building Communities Initiative (BCI) provided $500,000 to the project, cost-shared equally by the city and province. In addition to the splash pad, the City of Winnipeg also provided $250,000 to expand the adjoining parking lot and invested an additional $1.1 million in the St. James-Assiniboia Centennial Pool complex for a variety of new amenities completed in the fall of 2012, including: replacement of the original 40-year-old boiler system and related works, installation of an ultra-violet disinfection system for reduced chemical use and greater bather comfort, multi-purpose sport room flooring replacement, and various locker replacements.

Brooklands Community

New water spray facilities were added to the Eldon Ross wading pool at Pacific Dee Park. The project, located at 1887 Pacific Avenue West included the addition of four new spray features to the existing wading pool, new fencing, seating areas, paving and landscaping. The Building Communities Initiative (BCI) provided $200,000 to the project, cost-shared equally by the city and province.

Upgraded Tennis Courts at Garden City Collegiate

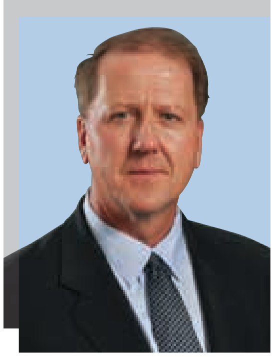
BCI funding provided $150,000, cost-shared equally by the City and Province, for renovations to four tennis courts at the site including resurfacing, posts, nets, lines and fencing. The Seven Oaks School Division also provided $60,000 toward the replacement of the old basketball court at this site.

Upgrades to City Pools

As part of City Council's strategic investments in recreation facilities and services, the City invested $3 million in 2012 to make improvements to a number of its indoor pools. Transcona Centennial Pool, Elmwood Kildonan Pool, St. James Centennial Pool and the Pan Am Pool underwent upgrades that included roof repairs, improved locker facilities, floor replacement and the installation of new ultraviolet light disinfection units.

New Recreation Park Takes Clara Hughes' Name

Construction of the Clara Hughes Recreation Park, located at the site of the former Kelvin Community Centre, began in 2012, with the majority of the work scheduled for completion in the spring of 2013. On Oct. 25, 2012, the City of Winnipeg and the Government of Manitoba announced a $600,000 joint contribution from the Building Communities Initiative II towards the redevelopment of the park. The City of Winnipeg allocated a further $100,000 to the project in order to support active, healthy lifestyles and a rejuvenated public space.



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 entities that are controlled by the City, as well as the City's investment in government businesses. The following is a brief description of the major funds, entities and investments included in the Statements.

FUNDS, ENTITIES, AND INVESTMENT IN GOVERNMENT BUSINESSES

Funds

A fund is a grouping of accounts that is used to report on resources that have been segregated for specific activities or objectives. The City, like other local governments, establishes these funds to achieve and demonstrate compliance with financial requirements.

The General Revenue Fund reports on tax-supported operations, which include 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 included within the City's organization. Animal Services (established in 2000), Winnipeg Golf Services (2002), Fleet Management (2003) and the Winnipeg Parking Authority (2005) deliver services as special units of the City.

The 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 the services remain within the government but require greater flexibility 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 several Reserve Funds, which can be categorized into three types. Capital Reserves finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt. Special Purpose Reserves provide designated revenue to fund the Reserves' authorized costs. The Stabilization Reserve assists in the funding of major unexpected expenses, or revenue deficits reported in the General Revenue Fund.

Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Assiniboine Park Conservancy Inc., Winnipeg Public Library Board, The Convention Centre Corporation, Economic Development Winnipeg Inc., Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc., and CentreVenture Development Corporation. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions. The North Portage Development Corporation, Winnipeg Housing Rehabilitation Corporation and River Park South Developments Inc. are included in the Statements as investment in government businesses.

RESULTS OF OPERATIONS

Actual Comparison

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2012, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses.

During 2012, the City recorded consolidated revenues of $1.497 billion (2011–$1.469 billion), which included government transfers and developer contributions-in-kind that related to the acquisition of tangible capital assets. Consolidated expenses totalled $1.300 billion (2011–$1.273 billion). As a result, the City's accumulated surplus increased by $0.197 billion (2011–$0.196 billion).

CONSOLIDATED REVENUES

For the years ended December 31 (in thousands of dollars)	2012		2011		Variance
Taxation	$ 587,578	39%	$ 563,779	39%	$ 23,799
Sales of services and regulatory fees	483,339	32%	460,452	31%	22,887
Government transfers					
Operating	158,975	11%	159,475	11%	(500)
Capital	121,262	8%	138,611	9%	(17,349)
Investment, land sales and other revenues	73,762	5%	88,718	6%	(14,956)
Developer contributions-in-kind	72,225	5%	58,575	4%	13,650
	$ 1,497,141		$ 1,469,610		$ 27,531

Revenues were higher in 2012 over 2011 by $27.5 million due to several factors. One of the major reasons for the change was taxation revenues. Included in taxation revenues are municipal realty taxes which increased by $23.4 million year-over-year due to assessment roll growth and a 3.5% increase in property tax rates.

Sales of services and regulatory fees rose due to a $12.8 million increase reported in water and sewer sales resulting from increased rates. The Transit System realized $2.7 million more in regular transit fare revenue due to a 3% increase in revenue-generating passengers, in part due to the opening in 2012 of Stage One of the Rapid Transit Corridor. Regular cash fares also increased by five cents.

Government transfers related to the acquisition of tangible capital assets declined in 2012 mainly because PPP Canada's 2011 contribution of $22.2 million toward the Chief Peguis Trail Extension Project was a one-time contribution. As well, the Province of Manitoba's (the "Province") revenue for road improvements decreased by $11.7 million. These are partially offset by the Federal Gas Tax Reserve Fund that reported a $22.4 million increase in revenue attributable to higher eligible capital projects.

Developer contributions-in-kind reported in the Waterworks System and Sewage Disposal System Funds increased by $10.2 million because more work was completed in 2012. Other revenues decreased from the prior year mainly due to Assiniboine Park Conservancy Inc. being prospectively reported in the 2011 Statements.

CONSOLIDATED EXPENSES

For the years ended December 31 (in thousands of dollars)	2012		2011		Variance
Protection and community services	$ 416,265	32%	$ 388,089	30%	$ 28,176
Utility operations	338,028	26%	334,154	26%	3,874
Public works	283,042	22%	287,847	23%	(4,805)
Property and development	105,685	8%	103,436	8%	2,249
Finance and administration	71,390	5%	70,404	6%	986
Civic corporations	51,518	4%	47,257	4%	4,261
General government	33,795	3%	42,047	3%	(8,252)
	$ 1,299,723		$ 1,273,234		$ 26,489

Consolidated expenses grew by $26.5 million or 2% from the previous year. The protection and community services expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Police Service and Fire Paramedic Service departments reported additional salaries and employee benefits of $29.4 million over the previous year.

General government expenses decreased primarily in the areas of employee benefits such as workers' compensation, slower growth in the retirement allowance accrued obligation and long-term disability payments.

CONSOLIDATED EXPENSES BY OBJECT

For the years ended December 31 (in thousands of dollars)	2012		2011		Variance
Salaries and benefits	$ 695,849	54%	$ 664,221	52%	$ 31,628
Goods and services	344,217	26%	357,008	28%	(12,791)
Amortization	188,432	15%	175,765	14%	12,667
Interest	53,587	4%	43,954	3%	9,633
Other expenses	17,638	1%	32,286	3%	(14,648)
	$ 1,299,723		$ 1,273,234		$ 26,489

Increases in salaries and benefits resulted primarily from a greater number of police officers and cadets added to the service, negotiated pay increases and increased contributions for pension benefits. Other expenses decreased for various reasons including grants paid to community groups in 2011 not repeating in 2012.

Budget Comparison

The Statements include a consolidated budget, which provides additional transparency and accountability. Budgets are used extensively throughout the City, and each Fund has its own budget that is prepared by the department. Each year, both an operating and a capital budget are approved by City Council. Both budgets contain multi-year views. The capital budget includes six years of budget information, including the current year adopted budget and five years of forecasts. The operating budget contains three years of budget information, including the current year adopted budget and two years of forecasts. The current year budget and information obtained from the City's controlled and government business entities are also used to prepare the consolidated budget, which is then presented to City Council along with the operating budget.

There are four major steps in the budget process. The first step is public consultation. Ideas and comments are solicited from the public. The level and extent of consultation may vary depending on the year. An annual citizen service satisfaction survey is also undertaken.

The next step is the initial budget development. The projections from the previous year's adopted budget form the guidelines for the budget's development. These guidelines are then updated to reflect recent City Council approvals and any new developments that would impact the budget. Budgets are updated by the departments and submitted for administrative review and corporate compilation.

Step three is the tabling of the preliminary budgets. The Executive Policy Committee ("EPC"), which is a committee of City Council, is responsible for budget development. The 2012 Preliminary Capital Budget and 2013–2017 Five-Year Forecast was tabled at a meeting of EPC on November 22, 2011. The Preliminary 2012–2014 Operating Budget was tabled at a meeting of EPC on February 28, 2012.

EPC refers the preliminary operating and capital budgets to the City's Standing Policy Committees, which are also committees of City Council, for review and recommendations. Each Standing Policy Committee–Protection and Community Services, Infrastructure Renewal and Public Works, and Property and Development–reviews the part of the budget related to its jurisdiction. The Committees hear presentations by departments. Members of the public may also make presentations at these meetings.

EPC receives public delegations and reviews the recommendations from the Standing Policy Committees. Recommendations are finalized by EPC and forwarded to City Council.

CONSOLIDATED REVENUES

For the years ended December 31 (in thousands of dollars)	Budget 2012		Actual 2012		Variance
Taxation	$ 587,519	39%	$ 587,578	39%	$ 59
Sales of services and regulatory fees	470,348	31%	483,339	32%	12,991
Government transfers					
Operating	161,673	11%	158,975	11%	(2,698)
Capital	122,506	8%	121,262	8%	(1,244)
Investment, land sales and other revenues	101,319	7%	73,762	5%	(27,557)
Developer contributions-in-kind	58,000	4%	72,225	5%	14,225
	$ 1,501,365		$ 1,497,141		$ (4,224)

The 2012 revenue from the sales of services and regulatory fees is over budget mainly because of increased permit revenues due to robust construction activity. The number of non-residential building permits rose by 6% and the value of building permits increased by 45% compared to 2011. Meanwhile, residential permits were down 1%, however, their value increased by 22%. As well, the Waterworks System and Sewage Disposal System Funds reported revenues that were $6.8 million over budget mainly because of increased consumption caused by the hot summer weather conditions.

The negative budget variance for investment, land sales and other revenues can be primarily attributed to fewer land sales concluding than expected.

Developer contributions-in-kind exceeded budget primarily because of land developments and good weather resulting in a construction season exceeding expectations.

CONSOLIDATED EXPENSES

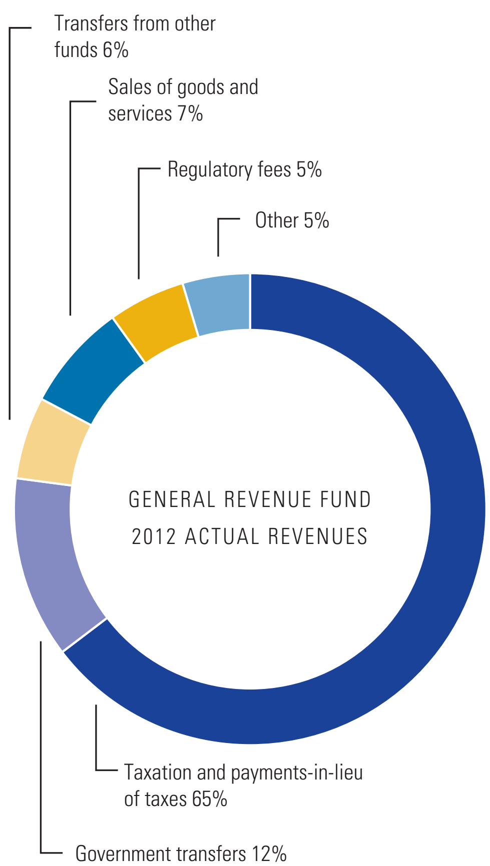
For the years ended December 31 (in thousands of dollars)	Budget 2012		Actual 2012		Variance
Protection and community services	$ 415,871	31%	$ 416,265	32%	$ (394)
Utility operations	353,364	26%	338,028	26%	15,336
Public works	280,998	21%	283,042	22%	(2,044)
Property and development	132,165	10%	105,685	8%	26,480
Finance and administration	80,102	5%	71,390	5%	8,712
Civic corporations	48,649	4%	51,518	4%	(2,869)
General government	47,179	3%	33,795	3%	13,384
	$ 1,358,328		$ 1,299,723		$ 58,605

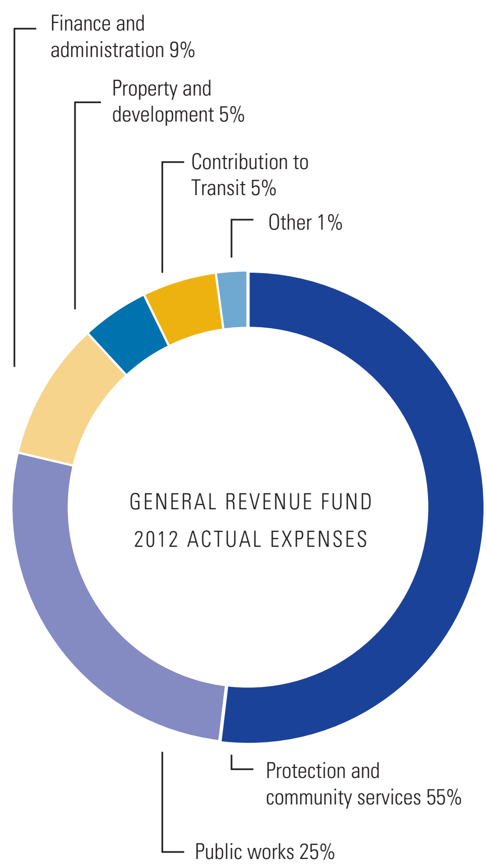
The utility operations' expenses were $15.3 million less than budgeted. One of the reasons for this is that costs in some of the Sewage Disposal System Fund's programs such as the "Basement Flooding Protection Subsidy Program" and land drainage were lower than expected. As well, the Solid Waste Disposal Fund was under budget on its service contract expenses.

Property and development includes costs associated with land sales. Both revenues and associated costs were under budget as a result of fewer sales being finalized by year-end. General government charges were lower than budget due to reduced employee benefit costs.

General Revenue Fund

The General Revenue Fund (commonly referred to as the tax-supported fund) represents approximately 48% of the City's combined expenses. The 2012 budget for tax-supported operations was adopted by City Council on March 20, 2012. This budget included a 3.5% increase in property taxes after fourteen consecutive years of freezes and reductions. As well, the budget included an enhanced small business tax credit program of $3.9 million to eliminate the business tax for 40.5% of all businesses. The budget continued to focus on finding efficiencies.





During 2012, the General Revenue Fund incurred revenues and expenses of $898.6 million (2011–$869.6 million). Several unexpected events occurred that impacted the financial results of the tax-supported operations, including: increased permit revenues; corporate expenses that were lower than anticipated because of adjustments to accounting provisions as well as reduced Corporate employee benefits costs; and investment interest revenue that was higher than anticipated. These factors were offset by higher costs incurred by the Police Service along with revenue shortfalls that were experienced by the Fire Paramedic Service. The end result was a transfer of $15.9 million to the General Purpose Reserve Fund, as approved by City Council on December 12, 2012.

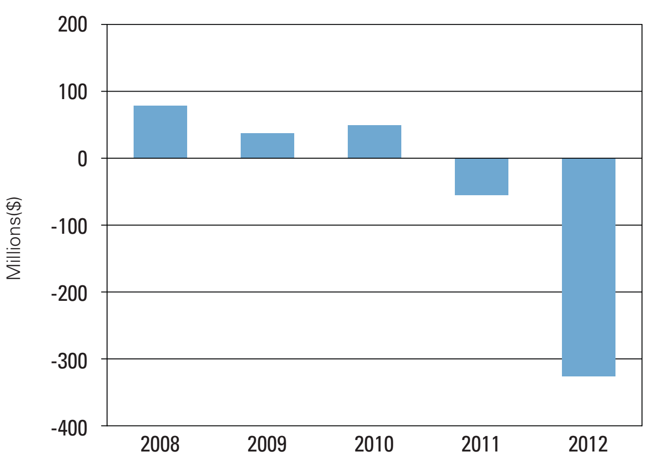
FINANCIAL POSITION

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2012, 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 Consolidated Statement of Financial Position highlights four key indicators that describe the City's financial position at the financial statement date. These indicators are: cash resources; net financial position; non-financial assets; and accumulated surplus.

Cash and Cash Equivalents

The cash resources of the City are its cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. During 2012, the City's cash decreased by $45.3 million. This decrease resulted primarily from cash invested in tangible capital assets exceeding cash generated through operating and financing activities.

NET FINANCIAL POSITION



Net Financial Position

Net financial position is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2012, the City was in a net financial liability position of $325.6 million (2011–$55.2 million). The change in net financial position during the year resulted primarily from the assumption of debt for investment in tangible capital assets.

Non-Financial Assets

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

The acquisition of tangible capital assets is the result of a capital budget plan. The challenge in creating a capital budget is balancing infrastructure needs and protecting the environment while ensuring fiscal responsibility. On December 13, 2011, City Council adopted the 2012 annual capital budget and the 2013 to 2017 five-year forecast. The six-year plan authorizes over $2.3 billion in City capital projects, with $393.2 million earmarked in 2012. Some of the projects included in the 2012 capital budget are: total street projects of $149.9 million, including $77.0 million–Plessis Road twinning and grade separation over the Canadian National Rail line, $30.9 million–regional and local streets renewal, $11.5 million–Sturgeon Road Bridge (Sturgeon Creek), and $5.8 million–Osborne Street Bridge (Assiniboine River); $49.5 million–East Yard Complex development; $13.5 million–transit buses; and $9.6 million–redevelopment of Assiniboine Park through the Assiniboine Park Conservancy Inc.

Also included in the capital investment plan over the six-year period is anticipated funding of $243.3 million under the Federal Gas Tax Agreement, $249.2 million of provincial funding and $446.9 million of cash funding.

During 2012, the City spent $654.0 million on tangible capital assets (2011–$486.3 million), which included $479.9 million for tax-supported projects (73%). Spending on tax-supported projects was primarily on roads and bridges.

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.

Roads and underground networks contributed to the City totalled $72.2 million (2011–$58.6 million), and were capitalized at their fair value at the time of receipt. Interest costs of $3.0 million (2011–$2.6 million) have also been capitalized.

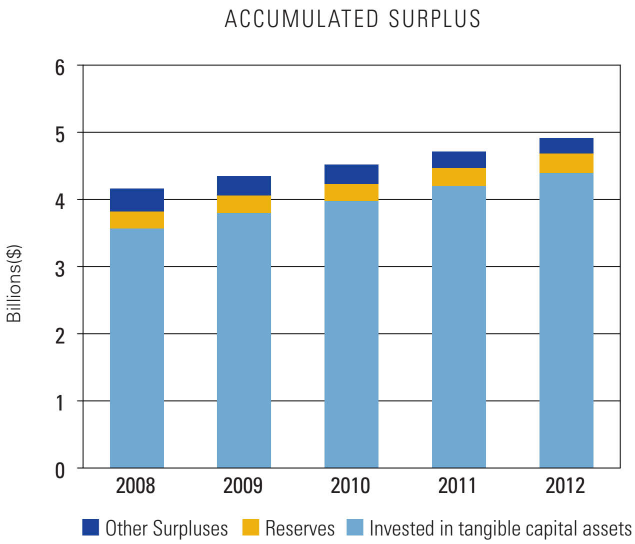
The City has identified comprehensive asset management as a key initiative to help address challenges associated with infrastructure maintenance and development and to set the stage to improve performance and organizational sustainability. Asset management can be defined as an integrated optimization 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 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 regularly reviewed throughout the year to determine whether any surplus capital funds are available for other capital project purposes, or will impact future capital program budgets.

TANGIBLE CAPITAL ASSETS

As at December 31 (in thousands of dollars)	2012	2011
General		
Land	$ 211,731	$ 202,897
Buildings	321,653	318,846
Vehicles	176,634	178,251
Computer	35,271	40,754
Other	164,657	120,934
Infrastructure		
Plants and facilities	594,574	598,277
Roads	1,102,727	987,930
Underground and other networks	1,864,604	1,815,433
Bridges and other structures	522,596	384,570
	4,994,447	4,647,892
Assets under construction	209,178	99,903
	$ 5,203,625	$ 4,747,795

TANGIBLE CAPITAL ASSETS BY FUND

As at December 31 (in thousands of dollars)	2012		2011	
General Capital Fund	$ 3,015,008	58%	$ 2,653,033	56%
Waterworks System Fund	871,827	17%	860,975	18%
Sewage Disposal System Fund	835,317	16%	814,124	17%
Transit System Fund	291,368	6%	270,709	6%
Other Funds and Entities	190,105	3%	148,954	3%
	$ 5,203,625		$ 4,747,795	



Accumulated Surplus

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

Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2012–90%; 2011–89%). The investment in tangible capital assets 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 obligations.

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

Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables at 53% (2011–53%). Approximately 43% of trade accounts and other receivables results from services rendered in the Waterworks System and Sewage Disposal System. Management has determined credit risk to be low on the outstanding receivables in these two Funds and has provided an allowance for doubtful accounts of $401 thousand (2011–$404 thousand).

As at December 31, 2012, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 17% (2011–16%) of total receivables. Taxation revenue is 39% (2011–39%) of total consolidated revenues.

TAXES RECEIVABLE

As at December 31 (in thousands of dollars)	2012	2011	2010	2009	2008
Taxes receivable	$ 37,960	$ 34,747	$ 34,387	$ 30,036	$ 29,893
Allowance for tax arrears	(3,351)	(2,629)	(3,080)	(3,784)	(3,657)
	$ 34,609	$ 32,118	$ 31,307	$ 26,252	$ 26,236

INVESTMENTS

As at December 31 (in thousands of dollars)	2012	2011
Marketable securities		
Provincial	$ 6,713	$ 6,680
Municipal	75,726	61,475
	82,439	68,155
Manitoba Hydro long-term receivable	220,238	220,238
Other	1,172	4,102
	$ 303,849	$ 292,495
Market value of marketable securities	$ 86,221	$ 72,927

During 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale included annual payments commencing in 2002, which declined gradually to $16 million annually thereafter in perpetuity starting in 2011. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province. The long-term receivable has been fixed at the December 31, 2010 value, which coincides with the payments remaining at $16 million in perpetuity.

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 approved an Investment Policy to provide the Public Service with a framework for managing its investment program. The Investment Policy provides guidance and parameters for developing a portfolio strategy; a performance measurement section, including benchmarks and objectives; an enhanced reporting framework; and additional categories of investments that can be made. Safety of principal remains the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

DEBT

As at December 31 (in thousands of dollars)	2012	2011
Sinking fund debentures	$ 688,000	$ 563,000
Equity in sinking funds	(264,037)	(242,528)
	423,963	320,472
Serial and installment debt	56,884	78,332
Bank, Province of Manitoba and other loans	116,427	83,108
Capital lease obligations	26,592	26,488
Service concession arrangement obligations	158,759	50,000
	782,625	558,400
Unamortized premium on debt	10,536	–
	$ 793,161	$ 558,400

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

During 2012, the City issued two sinking fund debentures–$50.0 million and $75.0 million. These debt instruments carry a 3.9% and 3.8% interest rate, respectively, and both will mature on November 15, 2051.

DEBT RETIRED OVER THE NEXT FIVE YEARS

As at December 31 (in thousands of dollars)	2013	2014	2015	2016	2017	Thereafter
Sinking fund debentures	$ 90,000	$ 85,000	$ 88,000	$ –	$ 30,000	$ 395,000
Other debt	70,717	24,327	19,813	22,231	15,274	206,300
	$ 160,717	$ 109,327	$ 107,813	$ 22,231	$ 45,274	$ 601,300

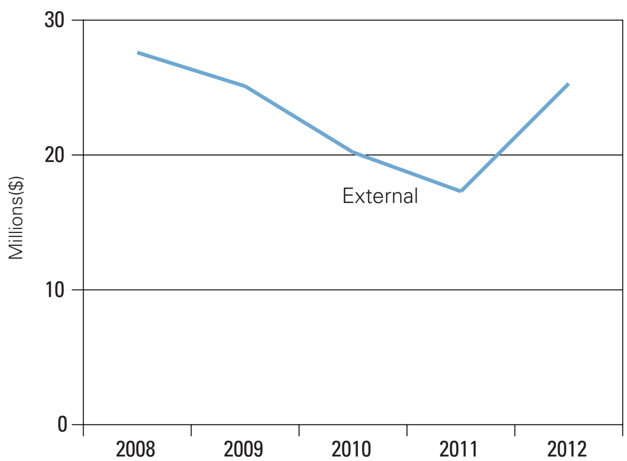
The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.7% (2011–4.8%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on capital loans totalling $6.6 million (2011–$6.9 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.

Included in the bank, Province of Manitoba and other loans category is debt outstanding to the Canada Mortgage and Housing Corporation ("CMHC"). As at December 31, 2012, the amount outstanding to CMHC was $12.1 million, which is comprised of two debt issues. The first loan agreement–$9.2 million, has a maturity date of February 1, 2026 and an interest rate of 3.7%. This loan is for the replacement or building of new fire paramedic stations at four locations throughout the city. The second loan agreement–$2.9 million, has a maturity date of October 1, 2025, an interest rate of 3.4% and is for the replacement of water lines that have a history of freezing during the cold winter months and that are failing due to age and material.

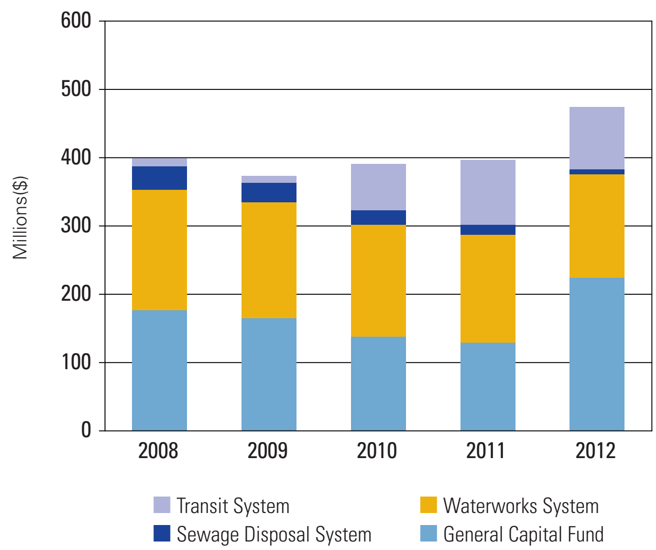
Late in 2012, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was attributed to "robust liquidity, stable and highly diversified economy, and healthy budgetary performance". However, S&P noted these strengths are offset somewhat by limited budgetary flexibility and an expected increase in debt levels resulting from Winnipeg's capital plan. Moody's Investors Service announced on March 14, 2013 it would also be maintaining the City's credit rating at Aa1.

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

GENERAL CAPITAL FUND
INTEREST EXPENSE



NET SINKING FUND DEBENTURES,
SERIAL AND INSTALLMENT DEBT



During 2012, the General Capital Fund experienced a sharp increase in interest expense due to the near completion of the Disraeli and Chief Peguis Trail projects. The interest expense that is reported in the General Capital Fund is funded by the General Revenue and Federal Gas Tax Revenue Reserve Funds.

In addition, the 2005 to 2013 capital budgets for the utilities and their 2014 to 2018 capital forecasts anticipate $659.3 million of future debt to fund projects mandated by the Province. During 2003, at the request of the Minister of Conservation, the Clean Environment Commission ("CEC") conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants. The Licences place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan. In addition, in 2011, "The Save Lake Winnipeg Act" (Bill 46) was passed, which further enforces limits and imposes treatment options for the North End Sewage Treatment Plant. With this direction, a wastewater upgrade program is underway, which will address nutrient control, combined sewer overflow mitigation and biosolids management. 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 $58.9 million at December 31, 2012), the Canada Strategic Infrastructure Fund ("CSIF") and accumulated surplus.

The Disraeli Bridges and Chief Peguis Trail Extension are major infrastructure projects that have been constructed using a design, build, finance and maintain model ("DBFM"). Plenary Roads Winnipeg GP ("PRW") was chosen to deliver a replacement to the Disraeli Bridges. The Disraeli Bridges Project was commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge to follow in 2013. Therefore, the service concession asset and debt were recognized in the 2012 Statements.

Key features of the project include:

- An undertaking that during construction, traffic not be interrupted at peak travel times;
- Replacement of the existing bridges by new structures;
- Realignment of the roadway and redesign of the exits and entrances to allow for smoother traffic and pedestrian flow; and
- Construction of a separate new pedestrian bridge utilizing the existing facility's river bridge piers.

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2012, $169.4 million was capitalized for commissioned works. A total amount of $14.3 million is included for the pedestrian bridge and final roadwork expected to be completed in 2013. Monthly capital and interest performance-based payments for the service concession obligation to PRW, totalling $9.8 million annually, commenced in October 2012, with the commissioning of the project. These payments are to continue to the termination of the contract with PRW, along with monthly performance-based maintenance payments of $1.7 million annually to be adjusted by the Consumer Price Index.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Deloitte completed a final Value for Money (VFM) for this project. A VFM assessment is a comparison of the costs of delivering an infrastructure project under a service concession arrangement as opposed to a "traditional" procurement method such as design, bid, build. It is designed to quantify the best overall value solution to the taxpayer. Staff from the City, with in-depth knowledge concerning these types of projects, provide the input necessary to quantify the risks associated with the various project delivery methodologies. Throughout the process, there are checkpoints to quantify the VFM to ensure that the proposed arrangement remains beneficial to the City. Estimated savings of $47.7 million compared against the traditional form of infrastructure procurement, a 17.1% savings.

DBF2 Limited Partnership was chosen to design, build, finance and maintain the Chief Peguis Trail Extension, which was opened for use December 2, 2011, approximately one year ahead of schedule. The service concession asset and debt were originally recognized in the 2011 Statements.

Key features of the project include:

- A grade separation at Rothesay;
- Active transportation pathways including a separate new active transportation bridge at Gateway; and
- Significant investment in sound attenuation and landscaping.

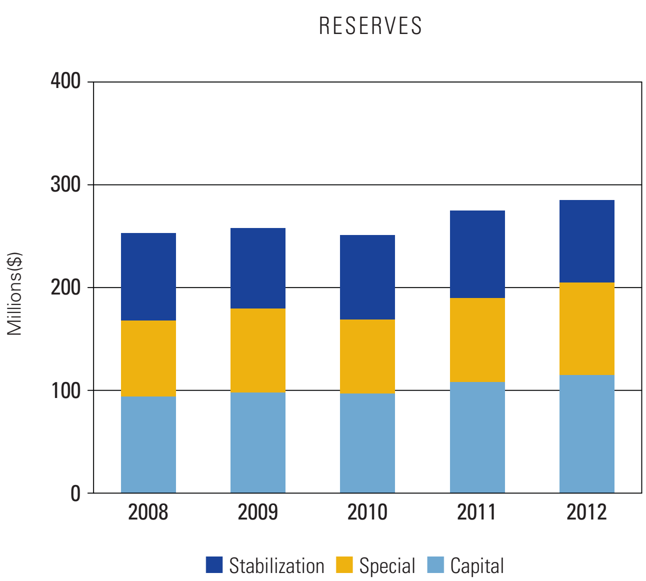
The $108.5 million project was financed through a grant of $23.9 million from PPP Canada, a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2012, $104.7 million was capitalized for commissioned works under this service concession arrangement. Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2, along with monthly performance-based maintenance payments of $1.4 million annually to be adjusted by the Consumer Price Index.

One of the benefits of pursuing the DBFM approach was that PPP Canada could participate in the project. Considering the government transfer from that organization along with the other financing on the project, the effective interest rate on the project as a whole was 4.6%. Deloitte also prepared a final VFM for this project, demonstrating that the DBFM approach provided the City with estimated savings of approximately $31.0 million against the traditional form of infrastructure procurement, a 17.6% saving.

Some of the benefits of a DBFM delivery model for these two projects are the following:

- The majority of the construction risk was transferred to the private sector, protecting taxpayers from potential construction cost overruns;
- Maintenance responsibility (including rehabilitative maintenance) over the 30-year period of the agreement has been largely transferred to the private sector. PRW/DBF2 face significant deductions from their monthly payments if they do not meet their performance obligations;
- The land and facilities are owned by the City at all times and must be operated to standards set by the City;
- The facilities must be well maintained and returned to the City in good condition at the end of the 30-year concession. The project agreements allow the City to hold back significant amounts to ensure the hand-back requirements are met; and
- Both projects have been independently assessed and the DBFM method was determined to have significant VFM in comparison to the traditional design, bid, build delivery model.

Both projects have progressed with transparency and openness. Public consultations and open houses were held prior and subsequent to the procurement process. This resulted in the inclusion of a grade separation at Rothesay for the Chief Peguis Trail Extension Project, addition of active transportation for both projects and avoidance of the closure of the Disraeli Bridges for an extended period of time. VFM assessments were prepared and City Council approved these projects to proceed using the DBFM approach.



Reserves

Reserve balances have increased overall by $10.5 million (2011–$24.1 million) from the prior year. The City's Special Purpose Reserves and Capital Reserves balances increased by $8.2 million and $7.2 million, respectively, while the Stabilization Reserve decreased by $4.9 million. Even with the decrease, the Stabilization Reserve's accumulated surplus is still $8.4 million over its targeted level of 8% of the General Revenue Fund's adopted budget expenses.

Effective January 1, 2013, a new reserve will be established to track dedicated revenue for the sole purpose of funding the renewal of local streets, back lanes and sidewalks. The long-term proposal, subject to annual City Council approval, is to fund the Local Street Renewal Reserve Fund by dedicated annual 1% property tax increases over eight years. In the ninth year the funding from property tax increases would be 0.5% with the introduction of a $0.25 increase in the current frontage levy. The current frontage levy is $3.75 per foot frontage, which is proposed to increase annually commencing in 2022 by $1.00 per frontage foot for approximately 13 years.

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 obligations 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	2012	2011	2010	2009	2008
Sustainability indicators					
Assets-to-liabilities	4.85	5.62	6.00	6.05	5.88
Financial assets-to-liabilities	0.75	0.95	1.05	1.04	1.09
Flexibility indicators					
Public debt charges-to-revenues	0.04	0.03	0.03	0.04	0.04
Own-source revenues-to-taxable assessment	0.02	0.02	0.02	0.03	0.03
Vulnerability indicators					
Operating government transfers-to-operating revenues	0.12	0.13	0.12	0.12	0.11
Total government transfers-to-total revenues	0.19	0.20	0.19	0.19	0.17

Sustainability is the degree to which the City can maintain its existing services and meet its financial commitments without increasing the relative debt or tax burden on the economy. Sustainability indicators include the City's assets-to-liabilities ratio, which exceeds one in 2012 and the previous four years. This positive ratio indicates the City has not been financing its operations by issuing debt. In 2011, the financial assets-to-liabilities ratio dipped below one, indicating that some future financial resources may be required to meet current obligations. At a current ratio of .75, the City can cover any shortfall were it to arise. The City's net financial position changed mainly because of total liabilities increasing year-over-year by $253.6 million while financial assets remained relatively constant. One of the major reasons for the increase in liabilities is new debt. Even though the equity in the sinking funds increased by $21.5 million, the City incurred a service concession arrangement obligation of $109.2 million and $25.0 million of sinking fund debentures for the Disraeli Bridges project. The City also issued an additional $100.0 million in sinking fund debentures to fund the police headquarters and the East Yards.

Continued sustainability was addressed in the updated Financial Management Plan (the "Plan") adopted by City Council on March 23, 2011. The Plan outlines the City's strategy for guiding financial decision-making, meeting long-term obligations and improving its economic position and financial stability. It sets forth guidelines upon which current and future financial performance can be measured. One of the eight targets included in the Plan is a manageable level of debt. Thus, a review of the City's forecasted net debt and debt servicing costs, including the financial implications of service concession arrangements, was conducted. This review established a prudent level of debt to support the City's capital infrastructure program, while maintaining an appropriate credit rating, long-term financial flexibility and sustainability.

Flexibility is the degree to which the City can issue more debt or increase taxes 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 a level between 0.03 to 0.04. This trend indicates the City has chosen to rely upon other sources of revenues such as transfers from senior levels of government instead of borrowing to meet its financial and service commitments and it also reflects the rate of interest on debt instruments has declined over the past several years. Another flexibility indicator is the ratio of own-source revenues-to-taxable assessment. This ratio has remained constant over the last few years, with a drop in 2010 due to the revaluation (general property reassessment) of property values. As well, this ratio reflects the City's policy of not raising property taxes for an unprecedented 14 years, with an increase of 3.5% in 2012. This indicates 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 remained relatively constant.

On June 22, 2011, City Council approved the Debt Strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2012 and the forecasted peak based on the City Council-approved borrowing and 2013 Capital Budget and Five-Year Forecast:

Debt Metrics	Maximum	As At December 31, 2012	Forecasted Peak
Debt as a % of revenue			
City	85.0%	52.1%	64.3%
Tax-supported and other funds	60.0%	43.8%	58.3%
Self-supporting utilities	220.0%	56.7%	153.2%
Debt-servicing as a % of revenue			
City	11.0%	4.7%	6.5%
Tax-supported and other funds	10.0%	5.1%	6.1%
Self-supporting utilities	20.0%	8.9%	12.7%
Debt per capita			
City	$ 2,050	$ 1,110	$ 1,699
Tax-supported and other funds	$ 1,050	$ 831	$ 1,049
Self-supporting utilities	$ 950	$ 248	$ 711

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

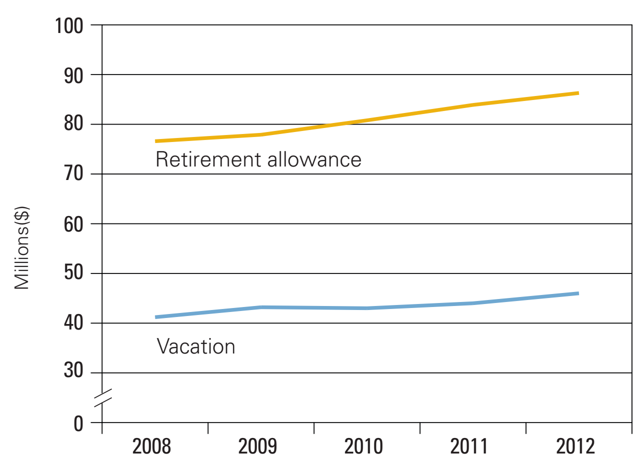
ACCOUNTING POLICIES

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, group life insurance, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions including the long-term rate of investment return on plan assets, inflation, salary escalation, the discount rate used to value liabilities and certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality. Management applies judgment in the selection of these assumptions based on past experience and on forecasts of future economic and investment conditions. As these assumptions relate to factors that are long-term in nature,

LIABILITY



they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension, sick leave and severance pay benefits expense reported in future financial statements.

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

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

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

The future service cost of the Winnipeg Civic Employees' Benefits Program in 2012 is 20.5% of pensionable earnings.

The Winnipeg Police Pension Plan is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2012, the market value of this pension fund's assets was $953.3 million (2011–$894.6 million), which is $27.1 million less (2011–$38.9 million less) than the accrued pension obligation.

The cost of guaranteed benefits accrued under this Plan is 22.1% of pensionable earnings. Until May 2012, the Plan's financial status allowed the City to match the employees' contribution rate of 8% of earnings. Under the Plan terms, the cost in excess of 16% was funded by this Plan's Contribution Stabilization Reserve. This was also compliant with pension legislations as long as the funding excess exceeds 5% of solvency liabilities. If the funding excess falls below this limit, contributions must cover the full cost of benefits. This minimum limit was no longer met as of May 2012 and, as such, the employer's contribution rate increased to 14.1%.

An actuarial valuation of the Plan as of December 31, 2012 is to be prepared and filed with the Pension Commission of Manitoba in 2013. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. It is anticipated that the actuarial valuation will show that the Plan has a solvency deficiency at December 31, 2012 under this wind-up scenario, which would need to be addressed over the next five years by the City either through an increase in contributions starting in 2013, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively required. City Council has approved the letter of credit option.

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 asset. 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 of tangible capital assets is considered when the reduction in the estimated useful life is expected to be permanent.

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 future 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.

BUSINESS RISKS

Labour Negotiations

For the year ended December 31, 2012, 54% (2011–52%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,080, the majority being represented by the eight unions and associations noted as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,334	January 17, 2015
CUPE	4,618	December 27, 2014
MGEU	312	February 13, 2014
UFFW	923	December 26, 2013
WAPSO	641	October 11, 2011
WFPSOA	44	August 27, 2011
WPA	1,956	December 23, 2012
WPSOA	32	December 19, 2012

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

FINANCIAL ACCOUNTABILITY

The City's Audit Department plays a key role in providing independent assurance regarding the performance of civic services in support of open, transparent and accountable government. In 2012, the Audit Department conducted two performance audits of the Winnipeg Police Service ("WPS"). The first project involved the WPS' professional services contract with the Winnipeg Airports Authority. Recommendations were made to improve the contract by clarifying language regarding service expectations and compensation. The second project was an audit of the WPS civilianization efforts. Recommendations were made to develop and implement a civilian staffing strategy complete with objective criteria, a formal review process and measurable goals. Other recommendations included addressing the wage disparity between WPS civilian staff and other City staff in comparable positions. The Audit Department conducted several other performance audits in 2012 and the reports can be found on the City's website.

The Fraud Hotline commenced operations in April 2012. This initiative reflects the City's proactive efforts to ensure and demonstrate its commitment to corporate accountability, transparency, responsibility, and sound and ethical operating practices. It supports a high level of integrity of City employees in the workplace, and also protects City property, resources and information. The Fraud Hotline is a confidential and anonymous service that allows staff to report complaints 24 hours a day, 7 days a week. Accessibility to the hotline will be expanded to include access to citizens in 2013.

In the fall of 2012, the Audit Department was requested to manage operational reviews of the WPS and the Public Works Departments. In addition, the Audit Department launched a review of the new Fire Paramedic Stations construction project and a real estate management audit. These four projects are being conducted by external firms and the report from each of the reviews will be released in 2013.

ACCOUNTING PRONOUNCEMENTS

In 2010 and 2011, PSAB issued several pronouncements which may impact the City's future financial statements. The pronouncements that the City is currently reviewing to determine their impact on the Statements are as follows:

- In February 2010, PSAB issued an accounting standard concerning Tax Revenue, Section PS 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.
- In March 2010, PSAB approved Section PS 3260, Liability for Contaminated Sites for fiscal years on or after April 1, 2014. The objective of this accounting standard addresses when these obligations meet the definition of a liability; recognition and measurement criteria; and any unique disclosure requirements.
- In March 2011, PSAB issued Section PS 3410, Government Transfers. The standard replaces the existing standard that was issued in 1990 when governments were applying the modified accrual basis of accounting. With the subsequent change to full accrual accounting, the government community identified a need for additional guidance and clarification to ensure consistent interpretation of Section PS 3410. The new standard applies to the fiscal period beginning January 1, 2013.
- In March 2011, PSAB approved two new standards, Section PS 3450, Financial Instruments and Section PS 2601, Foreign Currency Translation, and related financial statement presentation changes to Financial Statement Presentation, Sections PS 1200 and 1201. Both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2015.

LOOKING FORWARD

On January 29, 2013, City Council adopted both budgets for The City of Winnipeg – the 2013 annual capital budget and 2014 to 2018 five-year forecast, and the 2013 to 2015 operating budget. This is the first time both budgets have been approved together. Combining the tabling of the budgets and the processes resulting in their development allows for better integration, supporting improved decision-making. This approach also facilitates an earlier adoption of the operating budget.

The 2013 annual capital budget and the 2014 to 2018 five-year forecast authorize over $2.4 billion in City capital projects, with $374.7 million earmarked in 2013. Some of the projects included in the 2013 capital budget are: total street projects of $109.1 million, including, $50.4 million–regional and local streets renewal, $30.0 million–Polo Park infrastructure improvements, $9.3 million – Waverley West Arterial Roads, and $7.4 million–Panet Road/Molson Street twinning Munroe Avenue to Grassie Boulevard; $14.8 million–transit buses; $12.6 million–redevelopment of Assiniboine Park and infrastructure and sustainability through Assiniboine Park Conservancy Inc.; and $6.8 million–library facility redevelopment. Section 284(2) of The City of Winnipeg Charter requires that before December 31st of each fiscal year, City Council must adopt a capital budget for that year and a capital forecast for the next five fiscal years.

The 2013 operating budget includes a 1.0% property tax increase dedicated solely to establish a new reserve called the Local Street Renewal Fund and a 2.87% property tax increase to address inflationary pressures and increased service costs. The 2013 budget plan also includes the continuation of the small business tax credit program to provide a full municipal business tax rebate for 41.4% of all businesses. The budget remains focused on the continued priorities of public safety and city streets. Section 284(1) of The City of Winnipeg Charter requires City Council to approve the tax-supported budget before March 31st of each fiscal year.

GENERAL REVENUE FUND - BUDGET

For the years ended December 31 (in thousands of dollars)	2013	2012	2011	2010	2009
Revenues					
Property tax	$ 482,885	$ 459,564	$ 435,934	$ 431,113	$ 428,692
Government transfers	113,050	113,265	106,106	102,768	101,663
Sale of goods and services	67,788	62,761	58,146	76,142	73,772
Frontage levy and other taxation	63,363	70,072	71,726	63,198	46,107
Business tax	58,371	57,584	57,584	57,584	57,584
Transfer from other funds	46,586	52,309	38,203	40,631	32,940
Regulation fees	40,852	37,634	36,540	35,385	37,272
Interest	11,432	11,394	9,245	10,142	9,328
Other	38,345	35,377	33,840	723	1,372
	922,672	899,960	847,324	817,686	788,730
Expenses					
Police service	242,548	220,184	202,173	189,909	178,997
Public works	181,976	169,043	170,157	161,509	166,132
Fire paramedic service	167,888	154,750	143,013	137,648	129,452
Community services	111,691	112,793	100,479	103,479	98,869
Corporate	48,825	59,166	63,891	59,437	60,367
Planning, property and development	42,064	41,221	38,353	38,791	39,104
Water and waste	33,703	44,052	34,695	33,823	30,093
Corporate support services	31,147	31,312	30,899	33,079	30,541
Assessment and taxation	18,209	25,572	23,841	22,565	17,987
Street lighting	11,618	11,100	10,685	10,854	10,520
City clerk's	10,930	10,897	10,316	11,913	12,475
Corporate finance	9,412	8,547	8,074	7,543	7,288
Other departments	12,661	11,323	10,748	7,136	6,905
	922,672	899,960	847,324	817,686	788,730
	$ –	$ –	$ –	$ –	$ –

Prior year figures have not been reclassified to conform with the 2013 figures.

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. Questions concerning the information provided in these reports should be addressed to Paul D. Olafson, CA - Corporate Controller, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.

Michael Ruta, FCA
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 public sector accounting standards.

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

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

KPMG LLP, 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
Chief Financial Officer

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of The City of Winnipeg ("the City"), which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2012, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants
May 22, 2013
Winnipeg, Canada

Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)	2012	2011
Financial Assets		
Cash and cash equivalents (Note 3)	**$ 392,041**	$ 437,346
Accounts receivable (Note 4)	**208,579**	197,927
Land held for resale	**13,664**	14,861
Investments (Note 5)	**303,849**	292,495
Investment in government businesses (Note 6)	**31,446**	23,783
	949,579	966,412
Liabilities		
Accounts payable and accrued liabilities (Note 7)	**205,789**	186,463
Deferred revenue (Note 8)	**55,079**	64,825
Debt (Note 9)	**793,161**	558,400
Other liabilities (Note 10)	**56,990**	55,435
Accrued employee benefits and other (Note 11)	**164,165**	156,465
	1,275,184	1,021,588
Net Financial Liabilities	**(325,605)**	(55,176)
Non-Financial Assets		
Tangible capital assets (Note 13)	**5,203,625**	4,747,795
Inventories	**15,977**	16,385
Prepaid expenses and deferred charges	**18,511**	6,086
	5,238,113	4,770,266
Accumulated Surplus (Note 14)	**$ 4,912,508**	$ 4,715,090
Commitments and contingencies (Notes 10, 15 and 16)		

See accompanying notes and schedules to the consolidated financial statements

Approved on behalf of the Audit Committee:

Mayor

Chairperson
Standing Policy Committee On Finance

Consolidated Statement of Operations and Accumulated Surplus

For the years ended December 31 (in thousands of dollars)	Budget 2012	Actual 2012	Actual 2011
	(Unaudited)		
Revenues			
Taxation (Note 16)	$ 587,519	$ 587,578	$ 563,779
Sales of services and regulatory fees (Note 17)	470,348	483,339	460,452
Government transfers (Note 18)	161,673	158,975	159,475
Investment income	37,844	40,865	40,449
Land sales and other revenue (Note 6)	63,475	32,897	48,269
Total Revenues	1,320,859	1,303,654	1,272,424
Expenses			
Protection and community services	415,871	416,265	388,089
Utility operations	353,364	338,028	334,154
Public works	280,998	283,042	287,847
Property and development	132,165	105,685	103,436
Finance and administration	80,102	71,390	70,404
Civic corporations	48,649	51,518	47,257
General government	47,179	33,795	42,047
Total Expenses (Note 19)	1,358,328	1,299,723	1,273,234
Annual Surplus (Deficit) Before Other	(37,469)	3,931	(810)
Other			
Government transfers related to capital (Note 18)	122,506	121,262	138,611
Developer contributions-in-kind related to capital (Note 13)	58,000	72,225	58,575
	180,506	193,487	197,186
Annual Surplus	$ 143,037	197,418	196,376
Accumulated Surplus, Beginning Of Year		4,715,090	4,518,714
Accumulated Surplus, End of Year		$ 4,912,508	$ 4,715,090

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)	2012	2011
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating		
Annual Surplus	**$ 197,418**	$ 196,376
Non-cash charges to operations		
Amortization	**188,432**	175,765
Write-down of tangible capital assets	**–**	5,779
Other	**9,862**	21,562
	395,712	399,482
Net change in non-cash working capital balances related to operations	**(14,205)**	52,467
Cash provided by operating activities	**381,507**	451,949
Capital		
Acquisition of tangible capital assets	**(653,993)**	(486,320)
Proceeds on disposal of tangible capital assets	**4,462**	2,451
Cash used in capital activities	**(649,531)**	(483,869)
Financing		
Increase in sinking fund investments	**(21,509)**	(23,841)
Debenture and serial debt retired	**(21,448)**	(20,672)
Sinking fund and serial debenture issued	**137,784**	50,000
Service concession arrangements financing	**109,362**	50,000
Other	**32,820**	6,594
Cash provided by financing activities	**237,009**	62,081
Investing		
Increase of investments	**(14,290)**	(14,940)
Cash used in investing activities	**(14,290)**	(14,940)
(Decrease) increase in cash and cash equivalents	**(45,305)**	15,221
Cash and Cash Equivalents, Beginning of Year	**437,346**	422,125
Cash and Cash Equivalents, End of Year	**$ 392,041**	$ 437,346

See accompanying notes and schedules to the consolidated financial statements

Consolidated Statement of Change In Net Financial Liabilities

For the years ended December 31 (in thousands of dollars)	Budget 2012	Actual 2012	Actual 2011
	(Unaudited)		
Annual Surplus	$ 143,037	$ 197,418	$ 196,376
Amortization of tangible capital assets	185,528	188,432	175,765
Proceeds on disposal of tangible capital assets	30,160	4,462	2,451
Write-down of tangible capital assets	–	–	5,779
Loss on sale of tangible capital assets	1,053	5,269	2,525
Change in inventories, prepaid expenses and deferred charges	(800)	(12,017)	(355)
Acquisition of tangible capital assets	(456,027)	(653,993)	(486,320)
Increase In Net Financial Liabilities	(97,049)	(270,429)	(103,779)
Net Financial (Liabilities) Assets, Beginning of Year	(55,176)	(55,176)	48,603
Net Financial Liabilities, End of Year	$ (152,225)	$ (325,605)	$ (55,176)

See accompanying notes and schedules to the consolidated financial statements

Notes to the Consolidated Financial Statements

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of The City of Winnipeg

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

2. Significant Accounting Policies

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

a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control 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:

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

ii) Government businesses

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

iii) Employees' pension funds

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

iv) Group life insurance funds

The group life insurance funds of the City are administered by the EBB for the payment of life insurance and accordingly are not included in the consolidated financial statements.

b) Basis of accounting

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

2. Significant Accounting Policies (continued)

c) 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.

d) Cash equivalents

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

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 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.

g) Unamortized premium on debt

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

h) Solid waste landfills

The obligation to close and maintain solid waste landfill sites is based on estimated future expenses in current dollars, adjusted for estimated inflation, and is 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 acquisition and construction of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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.

2. Significant Accounting Policies (continued)

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

i) Tangible capital assets

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

Buildings	10 to 50 years
Vehicles	
Transit buses	18 years
Other vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Other	
Machinery and equipment	10 years
Land improvements	10 to 30 years
Water and waste plants and facilities	
Underground networks	50 to 100 years
Sewage treatment plants and lift stations	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and other structures	25 to 75 years

Assets under construction are not amortized until the asset is available for productive use. In certain circumstances, capital project work is charged an administration fee equal to 1% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by the City.

a) Contributions of tangible capital assets

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

b) Leases

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

c) Service concession arrangements

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

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

2. Significant Accounting Policies (continued)

ii) Inventories

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

m) Assessment appeals

Property taxation revenue is based on market assessments that are subject to appeal therefore, a provision has been estimated for assessment appeals outstanding as at December 31. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2o).

n) 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 not 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.

o) 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, the useful life of tangible capital assets, assessment appeals, lawsuits and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

p) Budget

The 2012 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actuals presented herein.

3. Cash and Cash Equivalents

	2012	2011
Cash	**$ 11,894**	$ 7,753
Cash equivalents	**380,147**	429,593
	$ 392,041	$ 437,346

The average effective interest rate for cash equivalents at December 31, 2012 is 1.3% (2011–1.3%). Cash and cash equivalents exclude $109.7 million (2011–$189.5 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $41.2 million (2011–$41.6 million).

4. Accounts Receivable

		2012		2011
Property, payments-in-lieu and business taxes receivable	$	**37,960**	$	34,747
Allowance for property, payments-in-lieu and business tax arrears		**(3,351)**		(2,629)
		34,609		32,118
Trade accounts and other receivables		**110,503**		105,768
Province of Manitoba		**51,182**		57,505
Government of Canada		**21,280**		10,294
Allowance for doubtful accounts		**(8,995)**		(7,758)
		173,970		165,809
	$	**208,579**	$	197,927

5. Investments

		2012		2011
Marketable securities				
Provincial bonds and bond coupons	$	**6,713**	$	6,680
Municipal bonds		**75,726**		61,475
		82,439		68,155
Manitoba Hydro long-term receivable		**220,238**		220,238
Other		**1,172**		4,102
	$	**303,849**	$	292,495

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2012 is $86.2 million (2011–$72.9 million) and their maturity dates range from 2013 to 2042.

b) Manitoba Hydro long-term receivable

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

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

6. Investment in Government Businesses

a) North Portage Development Corporation

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

The condensed supplementary financial information of NPDC is as follows:

		2012		2011
Financial position				
Property, plant and equipment and investment in properties and infrastructure enhancements	$	75,171	$	76,574
Short-term investments		12,536		12,891
Other assets		3,565		3,107
	$	91,272	$	92,572
Deferred contributions from shareholders	$	17,179	$	17,862
Long-term mortgage payable		11,753		12,075
Current and other liabilities		5,337		5,019
		34,269		34,956
Net equity		57,003		57,616
	$	91,272	$	92,572
Comprehensive income				
Revenues	$	11,075	$	11,385
Expenses		9,472		9,465
Operating income before the following		1,603		1,920
Interest expense		(718)		(745)
Amortization		(2,381)		(2,240)
Other		883		757
Net loss for the year	$	(613)	$	(308)

b) River Park South Developments Inc.

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

6. Investment in Government Businesses (continued)

c) Winnipeg Housing Rehabilitation Corporation

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

The condensed supplementary financial information of WHRC is as follows:

		2012		2011
Financial position				
Capital assets	$	26,925	$	28,284
Current and other assets		6,505		6,347
	$	33,430	$	34,631
Long-term debt	$	24,568	$	25,861
Current and other liabilities		4,019		4,279
		28,587		30,140
Replacement Reserves		4,011		3,780
WHRC Building and Acquisition Reserve		1,026		993
Unrestricted deficit		(194)		(282)
		4,843		4,491
	$	33,430	$	34,631
Results of operations				
Revenues	$	7,656	$	7,573
Expenses		7,568		7,477
Excess of revenues over expenses for the year		88		96
Change to Replacement Reserves during the year		231		124
Change to WHRC Building and Acquisition Reserve during the year		33		16
	$	352	$	236

During the year, the City paid WHRC an operating grant of $200 thousand (2011–$200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2011–$2.0 million). As at March 31, 2012, WHRC has utilized $585 thousand of this line of credit.

Summary of investment in government businesses

		2012		2011
North Portage Development Corporation (1/3 share)	$	19,001	$	19,292
River Park South Developments Inc. (1/2 share)		7,602		–
Winnipeg Housing Rehabilitation Corporation		4,843		4,491
	$	31,446	$	23,783

Summary of results of operations

		2012		2011
North Portage Development Corporation (1/3 share)	$	(291)	$	(16)
River Park South Developments Inc. (1/2 share)		3,985		–
Winnipeg Housing Rehabilitation Corporation		352		236
	$	4,046	$	220

6. Investment in Government Businesses (continued)

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue. NPDC and WHRC report their activities based on a March 31 year-end.

7. Accounts Payable and Accrued Liabilities

	2012	2011
Accrued liabilities	**$ 97,688**	$ 86,721
Trade accounts payable	**94,843**	86,292
Accrued interest payable	**13,258**	13,450
	$ 205,789	$ 186,463

8. Deferred Revenue

	2012	2011
Federal gas tax transfer	**$ 28,924**	$ 39,049
Province of Manitoba	**15,433**	14,765
Other	**10,722**	11,011
	$ 55,079	$ 64,825

9. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt 2012	Amount of Debt 2011
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
2010-2041	June 3	5.150	WB	183/2008	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	72/06, 183/08 and 150/09	**50,000**	50,000
2012-2051	Nov. 15	3.853	WC	93/2011	**50,000**	–
2012-2051	Nov. 15	3.759	WC	120/09, 93/11 and 138/11	**75,000**	–
					688,000	563,000
Equity in The Sinking Funds (Notes 9a and b)					**(264,037)**	(242,528)
Net sinking fund debentures outstanding					**423,963**	320,472
Other debt outstanding						
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.70% (2011–4.78%)					**56,884**	78,332
Bank loans, Province and other with varying maturities up to 2026 and a weighted average interest rate of 2.90% (2011–3.46%)					**116,427**	83,108
Capital lease obligations (Note 9c)					**26,592**	26,488
Service concession arrangement obligations (Notes 9d and 15d)					**158,759**	50,000
					782,625	558,400
Unamortized premium on debt (Note 9e)					**10,536**	–
					$ 793,161	$ 558,400

Debt segregated by fund/organization:

	2012	2011
General Capital Fund	**$ 430,019**	$ 215,302
Waterworks System	**154,529**	161,142
Transit System	**91,180**	94,551
Special operating agencies and other	**86,525**	72,635
Solid Waste Disposal	**13,025**	262
Sewage Disposal System	**7,347**	14,508
	$ 782,625	$ 558,400

9. Debt (continued)

Debt to be retired over the next five years:

	2013	2014	2015	2016	2017	2018+
Sinking fund debentures	$ 90,000	$ 85,000	$ 88,000	$ –	$ 30,000	$ 395,000
Other debt	70,717	24,327	19,813	22,231	15,274	206,300
	$ 160,717	$ 109,327	$ 107,813	$ 22,231	$ 45,274	$ 601,300

a) As at December 31, 2012, sinking fund assets have a market value of $270.9 million (2011–$254.0 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 $28.1 million (2011–$27.3 million) and a market value of $29.4 million (2011–$28.9 million).

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

c) Future minimum lease payments together with the balance of the obligation due under the capital leases are as follows:

	Capital Leases
2013	$ 2,473
2014	2,476
2015	2,476
2016	2,476
2017	2,502
Thereafter	37,579
Total future minimum lease payments	49,982
Amount representing interest at a weighted average rate of 8.18%	(23,390)
Capital lease obligations	$ 26,592

d) Service concession arrangement obligations are as follows:

	2012	2011
DBF2 Limited Partnership - Chief Peguis Trail	**$ 49,577**	$ 50,000
Plenary Roads Winnipeg GP - Disraeli Bridges	**109,182**	–
	$ 158,759	$ 50,000

9. Debt (continued)

Chief Peguis Trail Extension

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

The $108.5 million project will have been financed through a grant of $23.9 million from PPP Canada, a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2012, $104.7 million was capitalized (Note 13). Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full $108.5 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

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

Disraeli Bridges

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

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2012, $169.4 million was capitalized for commissioned works (Note 13). A total amount of $14.3 million is included for the pedestrian bridge and final roadwork expected to be completed in 2013. Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

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

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

e) Included in the Consolidated Statement of Financial Position are investments of $12.8 million that will be used for making semi-annual debt service payments on the sinking fund debentures issued in 2012.

f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2012 is $53.6 million (2011–$44.0 million) and cash paid for interest during the year is $53.8 million (2011–$43.6 million).

10. Other Liabilities

		2012		2011
Environmental liabilities	**$**	**20,000**	$	19,200
Developer deposits		**8,599**		8,228
Expropriation and other		**28,391**		28,007
	$	**56,990**	$	55,435

Included in environmental liabilities is $19.3 million (2011–$18.3 million) for 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% (2011–6.0%).

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 inspection 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 93% of its total capacity and its remaining life is approximately 93 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, 2012, the reserve had a balance of $4.6 million (2011–$4.3 million).

11. Accrued Employee Benefits and Other

		2012		2011
Retirement allowance - accrued obligation	**$**	**94,554**	$	96,497
Unamortized net actuarial loss		**(8,295)**		(12,646)
Retirement allowance - accrued liability		**86,259**		83,851
Vacation		**46,392**		44,216
Workers' compensation		**16,963**		14,675
Compensated absences		**8,568**		7,990
Other		**5,983**		5,733
	$	**164,165**	$	156,465

Under the retirement allowance programs, 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 13.0 years, which represents the expected average remaining service life of the employee group. Amortization is calculated 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 of the obligation was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2012 using year-end assumptions.

11. Accrued Employee Benefits and Other (continued)

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

	2012	2011
Retirement allowance - accrued liability		
Balance, beginning of year	$ 83,851	$ 80,829
Current service cost	5,130	5,068
Interest cost	3,471	3,422
Amortization of net actuarial loss	1,745	1,372
Benefit payments	(7,938)	(6,840)
Balance, end of year	$ 86,259	$ 83,851

Retirement allowance expense consists of the following:

	2012	2011
Current service cost	$ 5,130	$ 5,068
Interest cost	3,471	3,422
Amortization of net actuarial loss	1,745	1,372
	$ 10,346	$ 9,862

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

	2012	2011
Discount rate on liability	3.60%	3.60%
General increases in pay	3.50%	3.50%

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

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

12. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

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

During 2012, members contributed 8.55% of their Canada Pension Plan earnings and 10.6% of pensionable earnings in excess of Canada Pension Plan earnings. Members' contribution rates are scheduled to increase to an average of 9.5% of pensionable earnings in 2013 and 10.0% of pensionable earnings in 2014 and future years. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Program was prepared as at December 31, 2011, which indicated an excess of actuarial value of program assets over actuarial liabilities of $216.0 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute actuarial surpluses to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

The balance of the City Account at December 31, 2012 was $60.1 million (2011–$70.2 million).

Total contributions by the City to the Program in 2012 were $23.1 million (2011–$22.7 million), which were expensed as incurred.

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, when permitted under provincial pension legislation. The Plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve 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, 2011. The valuation revealed a funding deficiency, which, in accordance with the terms of the Plan, was resolved through a reduction in the contribution stabilization reserve and by reducing the rate of cost-of-living adjustments to pensions from 71.2% to 66.2% of the inflation rate.

12. Pension Costs and Obligations (continued)

An actuarial valuation of the Plan as of December 31, 2012 is to be prepared and filed with the Pension Commission of Manitoba in 2013. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. It is anticipated that the actuarial valuation will show that the Plan has a solvency deficiency at December 31, 2012 under this wind-up scenario, which would need to be addressed over the next five years by the City either by an increase in contributions starting in 2013, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively otherwise required. City Council has approved the letter of credit option.

The results of the December 31, 2011 actuarial valuation of the Plan were extrapolated to December 31, 2012. In accordance with the terms of the Plan, extrapolated deficiencies are resolved through transfers from the contribution stabilization reserve and reductions in the rate of cost-of-living adjustments to pensions. The principal long-term assumptions on which the extrapolation was based were: discount rate of 6.00% per year (2011–6.25%); inflation rate of 2.00% per year (2011–2.00%); and general pay increases of 3.50% per year (2011–3.50%). 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:

	2012	2011
Plan assets:		
Fair value, beginning of year	$ 894,619	$ 922,233
Employer contributions	17,129	9,758
Employee contributions and transfers	11,376	9,870
Benefits and expenses paid	(43,229)	(39,904)
Net investment income	73,396	(7,338)
Fair value, end of year	953,291	894,619
Actuarial adjustment	27,121	58,297
Actuarial value, end of year	$ 980,412	$ 952,916
Accrued pension obligation:		
Beginning of year	$ 933,487	$ 896,897
Current period benefit cost	32,689	28,748
Benefits and expenses paid	(43,229)	(39,904)
Interest on accrued pension obligation	57,459	55,403
Actuarial loss (gain)	6	(7,657)
End of year	$ 980,412	$ 933,487
Funded status	$ –	$ 19,429
Less: contribution stabilization reserve	–	(19,429)
Actuarial surplus	$ –	$ –
Expenses related to pensions:		
Current period benefit cost	$ 32,689	$ 28,748
Amortization of actuarial gains	(2,546)	(6,471)
Less: employee contributions and transfers	(11,376)	(9,870)
Pension benefit expense	18,767	12,407
Interest on accrued benefit obligation	57,459	55,403
Expected return on plan assets	(59,097)	(58,052)
Pension interest expense	(1,638)	(2,649)
Total expenses related to pensions	$ 17,129	$ 9,758

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.

12. Pension Costs and Obligations (continued)

Total contributions made by the City to the Plan in 2012 were $17.1 million (2011–$9.8 million). Total employee contributions to the Plan in 2012 were $11.4 million (2011–$9.9 million). Benefits paid from the Plan in 2012 were $42.2 million (2011–$39.1 million).

The expected rate of return on Plan assets in 2012 was 6.25% (2011–6.25%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2012 was 8.27% (2011–-0.80%).

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 Consolidated 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 2012, the City paid out $0.4 million (2011–$0.4 million). An actuarially determined pension obligation of $3.9 million (2011–$3.9 million) has been reflected in the Consolidated Statement of Financial Position.

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

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg. An accrued pension obligation has been reflected in the Consolidated Statement of Financial Position.

d) Group Life Insurance Plan

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

An actuarial valuation of the plan was prepared as of December 31, 2010 and the results were extrapolated to December 31, 2012. The principal long-term assumptions on which the valuation was based were: discount rate of 3.80% per year (2011–3.90%); and general pay increases of 3.50% per year (2011–3.50%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the plan is as follows:

		2012		2011
Group life insurance plan assets, at actuarial value	**$**	**135,613**	$	134,992
Accrued post-retirement life insurance obligations	**$**	**119,377**	$	111,580

13. Tangible Capital Assets

	Net Book Value 2012	Net Book Value 2011
General		
Land	$ **211,731**	$ 202,897
Buildings	**321,653**	318,846
Vehicles	**176,634**	178,251
Computer	**35,271**	40,754
Other	**164,657**	120,934
Infrastructure		
Plants and facilities	**594,574**	598,277
Roads	**1,102,727**	987,930
Underground and other networks	**1,864,604**	1,815,433
Bridges and other structures	**522,596**	384,570
	4,994,447	4,647,892
Assets under construction	**209,178**	99,903
	$ **5,203,625**	$ 4,747,795

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

During the year, $nil (2011–$5.8 million) of tangible capital assets were written-down. Interest capitalized during 2012 was $3.0 million (2011–$2.6 million). In addition, roads and underground networks contributed to the City totalled $72.2 million in 2012 (2011–$58.6 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $274.1 million (2011–$97.4 million) of tangible capital assets that were acquired through service concession arrangements.

14. Accumulated Surplus

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

	2012	2011
Invested in tangible capital assets	**$ 4,397,884**	$ 4,197,895
Reserves		
Capital Reserves		
Environmental Projects	**58,927**	45,547
Sewer System Rehabilitation	**29,630**	31,801
Rapid Transit Infrastructure	**9,882**	11,147
Transit Bus Replacement	**6,678**	8,655
Other	**9,790**	10,566
	114,907	107,716
Special Purpose Reserves		
General Purpose	**15,921**	11,063
Perpetual Maintenance Fund - Brookside Cemetery	**13,935**	12,944
Destination Marketing	**12,729**	10,186
Insurance (Note 20)	**6,604**	5,103
Multi-Family Dwelling Tax Investment	**6,073**	4,683
Land Operating	**4,803**	10,901
Commitment	**4,598**	2,345
Heritage Investment	**2,920**	5,468
Other	**22,636**	19,288
	90,219	81,981
Stabilization Reserve		
Financial Stabilization	**80,404**	85,305
Total Reserves	**285,530**	275,002
Surplus		
Manitoba Hydro long-term receivable	**220,238**	220,238
Sewage Disposal System	**76,878**	77,144
Waterworks System	**56,422**	62,161
North Portage Development Corporation	**19,001**	19,292
CentreVenture Development Corporation	**13,980**	15,587
Solid Waste Disposal	**8,034**	4,630
Equipment and Material Services	**3,247**	3,227
Other	**21,977**	23,002
Unfunded expenses		
Canadian Museum for Human Rights grant	**(10,756)**	(11,025)
Environmental liabilities	**(19,980)**	(19,160)
Accrued employee benefits and other	**(159,947)**	(152,903)
Total Surplus	**229,094**	242,193
	$ 4,912,508	$ 4,715,090

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

15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2012 are as follows:

a) Operating leases

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

	Operating Leases
2013	$ 5,328
2014	4,387
2015	3,901
2016	3,738
2017 and thereafter	48,218
	$ 65,572

b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2012 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

c) Loan guarantees

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2012 is $6.6 million (2011–$6.9 million).

d) Service concession arrangements

(i) As disclosed in Note 9d, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling $1.7 million annually is to be adjusted by CPI and is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

(ii) As disclosed in Note 9d, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment, totalling $1.4 million annually is to be adjusted by CPI and is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

e) Veolia agreement

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

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

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

15. Commitments and Contingencies (continued)

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

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

Compensation to Veolia under the Agreement includes the following components:

1. Reimbursement of Veolia's actual direct costs related to the Program ("Direct Costs");

2. An agreed-upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost ("Fee");

3. For operations and capital projections under the Program, a target cost is to be set. Veolia is to receive a share of the savings when actual operating costs and/or capital costs are below target costs ("Gainshare"). Veolia is to receive a share of expense when actual operating costs and/or capital costs are above target costs ("Painshare"); and

4. Key performance indicators ("KPIs") will be established under the Program. Veolia is to earn amounts for exceeding established KPIs ("KPI earnings"), and to be deducted amounts for failing to achieve minimum KPIs ("KPI Deductions").

The agreement only guarantees payment to Veolia in respect of the Direct Costs incurred by it in providing services as indicated in Item 1 described in the above paragraph.

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

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

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

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

f) Forgivable loans

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2012, the forgivable loans totalled $6.2 million (2011–$6.6 million).

16. Taxation

		2012		2011
Municipal and school property taxes	$	932,410	$	888,178
Payments-in-lieu of property (municipal and school) and business taxes		42,883		40,291
		975,293		928,469
Payments to Province and school divisions		(521,322)		(497,237)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes		453,971		431,232
Business tax and license-in-lieu of business taxes		56,783		55,534
Local improvement and frontage levies		42,776		42,542
Electricity and natural gas sales taxes		17,984		18,004
Amusement and accommodation taxes and mobile home licence		16,064		16,467
	$	587,578	$	563,779

The property tax roll includes school taxes of $495.0 million (2011–$473.8 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2012 totalled $26.3 million (2011–$23.4 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

17. Sales of Services and Regulatory Fees

		2012		2011
Water sales and sewage services	$	230,040	$	216,084
Other sales of goods and services		116,201		114,063
Transit fares		72,672		69,946
Regulatory fees		64,426		60,359
	$	483,339	$	460,452

18. Government Transfers

	2012	2011
Operating		
Province of Manitoba		
Ambulance, libraries and other	$ 60,822	$ 63,314
Building Manitoba Fund	56,604	56,704
Transit	33,164	30,820
Unconditional	19,888	19,888
Support	11,893	11,535
Support for provincial programs	(23,650)	(23,650)
	158,721	158,611
Government of Canada		
Other	254	864
Total Operating	158,975	159,475
Capital		
Province of Manitoba	63,187	79,018
Government of Canada		
Federal gas tax revenue	50,577	28,174
Other capital funding	7,498	9,210
PPP Canada	–	22,209
	58,075	59,593
Total Capital	121,262	138,611
	$ 280,237	$ 298,086

In accordance with the recommendations of the Public Sector Accounting Board, 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

	2012	2011
Salaries and benefits	$ 695,849	$ 664,221
Goods and services	344,217	357,008
Amortization of tangible capital assets	188,432	175,765
Interest	53,587	43,954
Other expenses	17,638	32,286
	$ 1,299,723	$ 1,273,234

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.

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

Community Services

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

Planning

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

Public Works and Water

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

21. Segmented Information (continued)

Transit System Fund

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

Water and Waste Funds

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

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

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

22. Funds Held in Trust

Trust funds administered by the City for the benefit of external parties, which total $0.4 million (2011–$0.4 million), are not included in the consolidated financial statements.

Consolidated Schedule of Tangible Capital Assets SCHEDULE 1

As at December 31 (in thousands of dollars)

	General					Infrastructure					Totals	
	Land	Buildings	Vehicles	Computer	Other	Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2012**	2011
Cost												
Balance, beginning of year	$ 202,897	$ 592,533	$ 335,198	$ 138,371	$ 197,851	$ 819,067	$ 1,862,434	$ 2,716,082	$ 600,814	$ 99,903	**$ 7,565,150**	$ 7,107,156
Add: Additions during the year	11,130	25,712	20,735	5,458	62,477	12,376	166,758	88,277	151,795	109,275	**653,993**	486,320
Less: Disposals during the year	2,296	12,533	8,731	2,771	2,870	–	4,527	4,126	28,756	–	**66,610**	28,326
Balance, end of year	211,731	605,712	347,202	141,058	257,458	831,443	2,024,665	2,800,233	723,853	209,178	**8,152,533**	7,565,150
Accumulated amortization												
Balance, beginning of year	–	273,687	156,947	97,617	76,917	220,790	874,504	900,649	216,244	–	**2,817,355**	2,659,161
Add: Amortization	–	20,753	22,043	10,941	18,755	16,079	49,642	38,134	12,085	–	**188,432**	175,765
Less: Accumulated amortization on disposals	–	10,381	8,422	2,771	2,871	–	2,208	3,154	27,072	–	**56,879**	17,571
Balance, end of year	–	284,059	170,568	105,787	92,801	236,869	921,938	935,629	201,257	–	**2,948,908**	2,817,355
Net Book Value of Tangible Capital Assets	$ 211,731	$ 321,653	$ 176,634	$ 35,271	$ 164,657	$ 594,574	$ 1,102,727	$ 1,864,604	$ 522,596	$ 209,178	**$ 5,203,625**	$ 4,747,795

Consolidated Schedule of Segment Disclosure–Service SCHEDULE 2

For the year ended December 31, 2012 (in thousands of dollars)

	General Revenue Fund									
	Protection	Community Services	Planning	Public Works and Water	Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
Revenues										
Taxation	$ 238,241	$ 76,910	$ 1,908	$ 165,578	$ 103,051	$ –	$ –	$ 14,619	$ (12,729)	$ 587,578
Sales of services and regulatory fees	52,641	16,391	27,116	5,712	11,661	75,228	256,549	90,521	(52,480)	483,339
Government transfers (Note 18)	65,604	10,718	2,989	19,647	12,969	45,055	14,842	152,169	(43,756)	280,237
Transfer from other funds	8,718	2,824	11,896	22,359	4,879	67,418	32,328	319,524	(469,946)	–
Other	14,500	4,279	2,004	8,546	12,217	1,292	36,907	84,333	(18,091)	145,987
	379,704	111,122	45,913	221,842	144,777	188,993	340,626	661,166	(597,002)	1,497,141
Expenses (Note 19)										
Salaries and benefits	325,106	36,870	20,847	68,063	36,300	89,389	59,692	49,788	9,794	695,849
Goods and services	36,159	8,395	4,943	106,481	12,600	43,324	94,729	86,976	(49,390)	344,217
Interest	1,382	284	1,351	12,525	653	7,370	19,109	28,106	(17,193)	53,587
Transfer to other funds	12,785	45,710	15,785	41,950	70,164	13,593	82,131	172,909	(455,027)	–
Other	4,272	19,863	2,987	(7,177)	25,060	17,210	35,666	169,717	(61,528)	206,070
	379,704	111,122	45,913	221,842	144,777	170,886	291,327	507,496	(573,344)	1,299,723
Annual Surplus	$ –	$ –	$ –	$ –	$ –	$ 18,107	$ 49,299	$ 153,670	$ (23,658)	$ 197,418

Consolidated Schedule of Segment Disclosure–Service SCHEDULE 2

For the year ended December 31, 2011 (in thousands of dollars)

	General Revenue Fund									
	Protection	Community Services	Planning	Public Works and Water	Finance and Administra-tion	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
Revenues										
Taxation	$ 217,581	$ 67,609	$ –	$ 175,786	$ 107,261	$ –	$ –	$ 13,687	$ (18,145)	$ 563,779
Sales of services and regulatory fees	47,076	17,542	22,576	10,963	11,838	72,222	241,497	85,311	(48,573)	460,452
Government transfers (Note 18)	66,870	10,932	–	20,289	18,606	41,482	14,617	151,480	(26,190)	298,086
Transfer from other funds	3,313	954	17,275	16,999	3,257	56,992	34,970	805,942	(939,702)	–
Other	13,687	4,001	292	8,527	12,374	1,638	25,802	98,080	(17,108)	147,293
	348,527	101,038	40,143	232,564	153,336	172,334	316,886	1,154,500	(1,049,718)	1,469,610
Expenses (Note 19)										
Salaries and benefits	295,694	37,497	20,582	71,478	38,176	84,040	58,537	48,358	9,859	664,221
Goods and services	35,451	8,262	2,622	118,083	12,865	43,864	94,431	89,667	(48,237)	357,008
Interest	1,234	248	794	12,307	1,650	6,234	19,208	20,006	(17,727)	43,954
Transfer to other funds	10,702	35,983	13,616	36,351	67,654	13,892	76,348	669,968	(924,514)	–
Other	5,446	19,048	2,529	(5,655)	32,991	14,117	39,856	160,723	(61,004)	208,051
	348,527	101,038	40,143	232,564	153,336	162,147	288,380	988,722	(1,041,623)	1,273,234
Annual Surplus	$ –	$ –	$ –	$ –	$ –	$ 10,187	$ 28,506	$ 165,778	$ (8,095)	$ 196,376

Consolidated Financial Statements
Five-Year Review

December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)		2012	2011	2010	2009	2008
1.	Population (as restated per Statistics Canada)	**704,800**	694,100	682,800	673,200	664,900
	Unemployment rate (per Statistics Canada)					
	Winnipeg	**5.5%**	5.8%	5.7%	5.4%	4.4%
	National average	**7.2%**	7.4%	8.0%	8.3%	6.1%
2.	Average annual headcount	**10,080**	10,039	9,942	9,827	9,623
3.	Number of taxable properties	**218,973**	216,997	215,224	213,574	211,048
	Payments-in-lieu of taxes – Number of properties	**1,317**	1,181	1,238	903	908
4.	Assessment (see note)					
	Residential	**$ 50,738,087**	44,052,618	43,431,201	24,048,221	23,666,110
	Commercial and industrial	**13,310,247**	12,054,712	12,033,087	8,242,789	8,161,490
	Farm and golf	**244,951**	179,736	183,279	128,611	131,414
		$ 64,293,285	56,287,066	55,647,567	32,419,621	31,959,014
	Assessment per capita (in dollars)	**$ 91,222**	81,094	81,499	48,157	48,066
	Commercial and industrial as a percentage of assessment	**20.70%**	21.42%	21.62%	25.43%	25.54%
5.	Tax arrears	**$ 37,960**	34,747	34,387	30,036	29,893
6.	Tax arrears–per capita (in dollars)	**$ 53.86**	50.06	50.36	44.62	44.96
7.	Municipal mill rate	**14.056**	15.295	15.295	25.448	25.448
	Adjustment for tax increase	**3.5%**	0.0%	0.0%	0.0%	0.0%
	Adjustment for general assessment	**-11.2%**	0.0%	-39.9%	0.0%	0.0%
8.	Winnipeg consumer price index (per Statistics Canada) (annual average)					
	2002 base year 100	**119.9**	118.1	114.8	113.9	113.3
	Percentage increase	**1.5%**	2.9%	0.8%	0.5%	2.3%
9.	Consolidated revenues					
	Taxation	**$ 587,578**	563,779	550,994	534,571	521,684
	User charges	**483,339**	460,452	425,164	413,243	412,984
	Government transfers	**280,237**	298,086	251,886	256,823	213,310
	Interest and other revenue	**145,987**	147,293	125,812	139,011	123,280
		$ 1,497,141	1,469,610	1,353,856	1,343,648	1,271,258
10.	Consolidated expenses by function					
	Municipal operations	**$ 910,177**	891,823	851,469	842,003	773,303
	Public utilities	**338,028**	334,154	301,637	278,848	258,788
	Civic corporations	**51,518**	47,257	31,532	29,582	29,383
		$ 1,299,723	1,273,234	1,184,638	1,150,433	1,061,474
11.	Growth in accumulated surplus	**$ 197,418**	196,376	169,218	193,215	209,784

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2010 and 2012. In the year of a general assessment, the mill rate is adjusted to offset the effect of market value changes of the entire assessment base.

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12. Consolidated expenses by object					
Salaries and benefits	$ **695,849**	664,221	623,232	598,576	565,071
Goods and services	**344,217**	357,008	324,119	314,746	291,061
Amortization	**188,432**	175,765	165,857	155,382	141,099
Interest	**53,587**	43,954	46,233	49,588	50,952
Other expenses	**17,638**	32,286	25,197	32,141	13,291
	$ **1,299,723**	1,273,234	1,184,638	1,150,433	1,061,474
13. Payments to school authorities	$ **521,322**	497,237	497,907	474,445	465,001
14. Debt					
Tax-supported	$ **560,073**	334,359	274,838	294,449	378,872
Transit	**109,709**	110,449	81,408	22,088	24,914
City-owned utilities	**296,868**	285,799	290,605	288,899	304,834
Other	**80,012**	70,321	68,238	73,081	44,472
Total gross debt	**1,046,662**	800,928	715,089	678,517	753,092
Less: Sinking Funds	**264,037**	242,528	218,687	199,025	276,158
Total net long-term debt	$ **782,625**	558,400	496,402	479,492	476,934
Percentage of total assessment	**1.22%**	0.99%	0.89%	1.48%	1.49%
15. Acquisition of tangible capital assets	$ **653,993**	486,320	333,851	384,110	330,344
16. Net financial (liabilities) assets	$ **(325,605)**	(55,176)	48,603	36,903	77,850
17. Accumulated surplus					
Invested in tangible capital assets	$ **4,397,884**	4,197,895	3,983,440	3,803,787	3,568,485
Reserves					
Capital	**114,907**	107,716	97,376	98,329	94,156
Special Purpose	**90,219**	81,981	71,973	81,941	73,574
Stabilization	**80,404**	85,305	81,582	78,397	84,680
	285,530	275,002	250,931	258,667	252,410
Surpluses					
Manitoba Hydro long-term receivable	**220,238**	220,238	220,238	226,640	232,679
Other surpluses	**199,539**	205,043	236,686	230,630	253,225
Unfunded expenses	**(190,683)**	(183,088)	(172,581)	(170,228)	(150,518)
	229,094	242,193	284,343	287,042	335,386
	$ **4,912,508**	4,715,090	4,518,714	4,349,496	4,156,281
18. Government-specific indicators					
Assets-to-liabilities	**4.85**	5.62	6.00	6.05	5.88
Financial assets-to-liabilities	**0.75**	0.95	1.05	1.04	1.09
Public debt charges-to-revenues	**0.04**	0.03	0.03	0.04	0.04
Own-source revenues-to-taxable assessment	**0.02**	0.02	0.02	0.03	0.03
Government transfers-to-revenues	**0.19**	0.20	0.19	0.19	0.17

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