

MANITOBA FLOODWAY AND EAST SIDE ROAD AUTHORITY



2010 ANNUAL REPORT

FOR THE YEAR ENDED
MARCH 31, 2010

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CEO'S MESSAGE

On June 11, 2010, the Red River Floodway and Expansion Project was recognized as a National Historic Civil Engineering Site by the Canadian Society for Civil Engineering. The commemoration was a tribute to all those that have worked on the floodway over the years and, especially, former Manitoba Premier, Charles Dufferin Roblin, who recently passed away and was credited with championing the construction of the original floodway.



Although reluctant to take credit for his many achievements, Mr. Roblin has left a long-lasting legacy for the people of Manitoba. Today, the floodway is recognized as one of the most important public infrastructure projects in Manitoba's history. For this reason, it is a great honour to have been given the responsibility to build upon Mr. Roblin's legacy and to further increase Winnipeg's flood protection.

In the spring of 2009, the Red River Floodway Expansion Project achieved its main objective of one-in-700 year flood protection. Since then, the Manitoba Floodway Authority (MFA) has entered the final stages of the floodway project including the replacement of the PTH 15 and PTH 44 Highway Bridges, expansion of the West Dike and planned improvements to the Inlet Control Structure. In addition, the MFA is also moving forward on providing a recreational legacy for the expanded floodway including a service access road that can be used as a trail, a pedestrian overpass bridge and various landscaping improvements including tree planting and native and naturalized grasses.

While the floodway project nears completion, the Government of Manitoba has also passed **Bill 31-The Manitoba Floodway Authority Amendment Act** which officially expands the mandate of the Manitoba Floodway Authority and establishes the **Manitoba Floodway and East Side Road Authority** (MFESRA) to oversee construction of an all-season road on the east side of Lake Winnipeg.

As part of the East Side Transportation Initiative, MFESRA is undertaking the construction of a 160-kilometre, all-season road from PR 304 to Berens River First Nation and a Large Area Transportation Network Study (LATNS) to examine potential transportation infrastructure improvements for the remainder of the region. While these initiatives are underway, MFESRA is also entering into Community Benefits Agreements with local east side communities in an effort to build capacity and provide jobs, training and economic development opportunities for east side residents. As plans and preparations for the construction of the all-season road proceed, we look forward to working with local residents to generate jobs, training and economic opportunities while improving transportation in the region.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ernie Gilroy'. The signature is fluid and cursive, with a long horizontal line extending to the right.

Ernie Gilroy
Chief Executive Officer

LEGISLATION

In October 2003, the Government of Manitoba initially established the Manitoba Floodway Expansion Authority (MFEA) as an incorporated interim agency to prepare for the expansion of the existing Red River Floodway. In March 2004, the Province of Manitoba introduced the **Floodway Authority Act** to establish the Manitoba Floodway Authority (MFA) to act as an independent crown agency and to assume the operations of the MFEA. The Floodway Authority Act received Royal Proclamation on November 1, 2004.

The role of the MFA is to act as a separate, independent, publicly accountable agency to manage the design, construction, and maintenance of the expansion project. Specific responsibilities of the MFA include ongoing project pre-design and engineering, environmental assessment and licensing and identification of potential economic and recreational possibilities that may result from the project.

In the November 2008 Throne Speech, the Government of Manitoba announced its intention to build an all-season road on the east side of Lake Winnipeg. To move forward with this initiative and to build on the success of the floodway's Aboriginal Set-Aside Initiative, the province announced that the MFA's mandate would be expanded to manage the construction of the road. Pending formal legislation to expand its mandate, an interim agency, called the East Side Road Authority, Inc. was established to proceed with the East Side Transportation Initiative.

On April 30, 2009, the Government of Manitoba introduced **Bill 31, the Manitoba Floodway Authority Amendment Act**, to officially expand the mandate of the MFA to assume responsibility for the construction and maintenance of an all-season road on the east side of Lake Winnipeg. On December 1, 2009, Bill 31 was officially proclaimed establishing the ***Manitoba Floodway and East Side Road Authority (MFESRA)***.

GOVERNANCE

On November 1, 2004, a Board of Directors was established consisting of senior civil servants including Secretary of the Community Economic Development Committee (CEDC), the Secretary to Treasury Board, the Deputy Ministers of Intergovernmental Affairs and Trade, Finance, Infrastructure and Transportation, Competitiveness Training and Trade, and Water Stewardship. The role of the Board is to oversee the operations of the MFA as it manages the floodway expansion project. The Deputy Minister of Aboriginal and Northern Affairs and the Secretary to the Aboriginal Issues Committee of Cabinet have been added to the Board in support of the East Side Transportation Initiative.

THE MANITOBA FLOODWAY AND EAST SIDE ROAD AUTHORITY AMENDMENT ACT

The Act officially expands the mandate of the Manitoba Floodway Authority (MFA) and establishes the **Manitoba Floodway and East Side Road Authority** (MFESRA) to expand the floodway and to construct and maintain the east side road.

MANDATE

As stipulated in the **Manitoba Floodway and East Side Road Authority Amendment Act**:

5(1) The authority's mandate is to:

- a) expand the capacity of the floodway and maintain the land and structures that make up the floodway;
- b) construct and maintain the east side road;
- c) ensure that the expansion of the floodway and the construction of the east side road are carried out in a manner that provides increased benefits; and
- d) maximize the benefits the floodway and east side road will provide.

The Act also outlines the responsibilities of the MFESRA in fulfilling its mandate:

5(2) In carrying out its mandate, the MFESRA is to:

- a) obtain all approvals required for expansion of the floodway and the construction of the east side road;
- b) retain the services of persons to perform work on the expansion of the floodway and the construction of the east side road, and support training for those workers;
- c) co-ordinate and supervise work on the expansion of the floodway and the construction of the east side road; and
- d) establish arrangements with the Department of Water Stewardship to co-ordinate the floodway expansion with the department's ongoing operation of the floodway.

MISSION STATEMENT

MANITOBA FLOODWAY AUTHORITY

- To provide the maximum flood protection to the most people while respecting our neighbours and the environment.
- To provide excellence in project management by demonstrating sound financial management, achieving project guidelines, following an inclusive people management philosophy, encouraging innovation and maximizing economic benefits.

EAST SIDE ROAD AUTHORITY

- To set a world class example of how large infrastructure projects can respect Aboriginal people and the environment that is worthy of UNESCO recognition.
- To manage construction of the proposed all-weather road along the east side of Lake Winnipeg in a manner which maximizes the economic development potential for existing communities and their residents, generating sustainable and recognizable improvements in their economic standard of living.

VISION STATEMENT

- A global leader in engineering and project management through people, innovation, integrity, and quality.

VALUES

- Trust, respect, ingenuity, integrity and participation are the core values that will guide corporate behaviour to achieve global leadership in engineering and project management.
- To set a world class example of how large infrastructure projects can respect Aboriginal people and the environment that is worthy of UNESCO recognition.
- To manage construction of the proposed all-weather road along the east side of Lake Winnipeg in a manner which maximizes the economic development potential for existing communities and their residents, generating sustainable and recognizable improvements in their economic standard of living.

PART A - THE RED RIVER FLOODWAY EXPANSION PROJECT

HISTORY



Over the years, Manitobans, especially residents of the Red River Valley and the City of Winnipeg, have experienced the devastation of spring floods first hand. Significant Red River flooding in 1950, 1956, 1966, 1979, 1996 and, in particular 1997 – when the Floodway came within inches of its limit – reinforced this reality and the need to prepare for larger floods in the future.

Construction of the original floodway started on October 6th, 1962 and was completed in March, 1968 at a cost of \$63 million. At the time, the project was the second largest earthmoving project in the world – larger than the Suez Canal and next only to the Panama Canal. Since its construction, the floodway has operated 28 of the 40 years and has prevented over \$30 billion in flood damages, as well as the significant social and environmental costs that accompany major floods.

In 1997 Manitoba experienced the “Flood of the Century” which stretched the floodway’s capacity to its limit. After the flood, extensive studies and consultations were conducted to identify and evaluate alternatives to improve flood protection for the Winnipeg area. The International Joint Commission (IJC) reviewed flood protection and concluded that the “risk of failure of Winnipeg’s existing flood protection infrastructure is high under flow conditions similar to or greater than those experienced in 1997.” In the IJC’s final report, *Living with the Red*, the IJC called for the highest flood protection that can be economically justified or at least sufficient protection to deal with an event similar to the 1826 flood. At the same time, Canada and Manitoba invested \$110 million to improve flood protection in communities in rural Manitoba.

After reviewing all the facts and options, the federal and provincial governments chose the expansion of the current floodway as the most cost-effective and viable solution. As a result, the Government of Canada has recognized the project as a national priority and has partnered with the Province of Manitoba to expand the floodway to protect against a 1-in-700 year flood.

On April 3, 2003, the governments of Canada and Manitoba announced \$80 million each towards the Red River Floodway expansion project. In August 2003, the Government of Canada declared the expansion of the floodway as a national priority project under the Canada Strategic Infrastructure Fund. At the same time, Canada and Manitoba increased their commitments to the project by \$40 million each. On July 6, 2006, Canada and Manitoba announced an additional \$84 million, bringing total project funding to \$324 million. Subsequently, on February 23, 2007, both governments announced \$341 million in funding for the remainder of the project, bringing total investments for the project to \$665 million.

Since its inception, the MFA has worked on project design and securing environmental approvals for the project. In July, 2005, MFA received environmental approval and federal authorization to allow the project to proceed. Subsequently, construction on the project officially began in September. Since that time, the MFA has been managing and coordinating construction on all of the components of the project.

THE PROJECT

The Red River Floodway Expansion Project will increase flood protection for residents of the City of Winnipeg, East St. Paul and West St. Paul. By providing 1-in-700 year flood protection, the project will protect more than 450,000 Manitobans, over 140,000 homes, over 8,000 businesses, and prevent more than \$12 billion in damages to the provincial economy.

The floodway operates by diverting a portion of the Red River floodwaters around Winnipeg through the floodway channel immediately south of Winnipeg back to the Red River near Lockport. Prior to the start of the project, the floodway provided a 1-in-90 year flood protection while the expanded floodway has increased this level of protection to 1-in-700. It is estimated that the risk of Winnipeg flooding with the original floodway is 37 percent over the next fifty years and with an expanded floodway this risk is reduced to 7 percent.

On September 23, 2005, construction of the Red River Floodway Expansion Project was officially kicked off by Manitoba Premier Gary Doer and former Premier Duff Roblin at a historic groundbreaking ceremony along the floodway near Grand Pointe, Manitoba. On April 5, 2007, the governments of Canada and Manitoba announced that the floodway project had already delivered a 1-in-300 year level of flood protection, or equivalent to the greatest flood on record in Manitoba history – the flood of 1826. Further progress was achieved in the spring of 2009 when excavation of the floodway channel was completed and the project achieved 1-in-700 year flood protection

PROJECT COMPONENTS

The Floodway Expansion Project involves a major expansion of the existing flood protection system including excavation of the floodway channel; the replacement and upgrading of highway and rail bridges that cross the floodway; modifications to the inlet and outlet structures; utilities and services; and improvements to the West Dike. Floodway expansion will more than double the amount of water diverted around Winnipeg by increasing the capacity of the floodway channel from 1,700 cubic metres (60,000 cubic feet) of water per second to 4,000 cubic metres (140,000 cubic feet) per second.

The floodway expansion budget includes the following proposed and approved Project Components that will be undertaken over the life of the project:

- **Project Design and Environmental Assessment (PDEA)** – Preliminary design studies were required to be completed that will be refined to define the project in detail and assess the environmental impacts. This component has included an environmental licensing process including public consultation, establishment of an Environmental Impact Statement (EIS) and financial support for the licensing process, including provision for the Clean Environment Commission public hearings, and participant assistance funding.
- **Final Design** – Final design engineering will be undertaken based on the PDEA process to define and identify the detailed design of the project and to incorporate environmental mitigation measures identified during the PDEA stage.
- **Administration** – Ongoing administration costs for the MFA including operations, insurance, establishment of site office, etc.
- **Excavation** – The floodway channel will be enlarged by widening in varying amounts along its 48 kilometre (30 mile) length. The total volume of excavation is estimated to be 21 million cubic metres (27 million cubic yards). The outlet channel will be expanded and reshaped to permit the increased floodway flow to re-enter the Red River with minimum impact on the riverbanks. As required and appropriate by the expansion, drainage structures, transmission

lines, miscellaneous crossings (including pipelines) and the Aqueduct under the floodway, will be extended, adjusted or replaced.

- **Outlet Structure** – The retaining walls of the existing structure will be demolished, and the Outlet Structure will be widened approximately 52 meters (170 feet) towards the east. Side walls will also be constructed in the channel to prevent erosion, and chute and baffle blocks will be constructed on the downstream end of the outlet to further reduce the speed of water re-entering the Red River. These improvements will help to ensure that the speed of water passing through the outlet remains largely unchanged from the pre-expansion condition
- **Inlet Control Structure** – The improvements required include: the selective placement of additional riprap on the downstream slopes and upstream face of embankments adjacent to the concrete structure to protect them from erosive damage; installation of a fire protection system, addition of redundant emergency backup electrical and mechanical systems, and refurbishment of the Gate Control servo motors.
- **Road and Rail Bridges** – Four highway bridges over the floodway channel will be replaced with new structures configured to minimize hydraulic interference. Four Railway Bridges will be raised and rehabilitated.
- **Expansion of the West Dike** – The freeboard of the existing West Dike, which extends over 45 kilometres (28 miles) from the Floodway Inlet Control Structure and ties into high ground at the west side of the Red River Valley, will be increased and the length of the Dike will be extended. The dike will be increased in height in varying amounts up to 1.5 metres (6 feet), and extended beyond the current location at the west end by between 10 kilometres (6 miles) and 15 kilometres (9 miles) in length. Once completed, the West Dike will be capable of protecting against 1-in-100 year wind storm which could occur concurrently with a 1-in-700 year Red River Flood.

To date, progress on the project consists of the following:

Completed Construction Components

- 1) Channel excavation resulting in the widening of the 48 kilometre channel;
- 2) Expansion of the Outlet Control Structure;
- 3) Excavation of the Floodway Embankment Gap East of Grande Pointe;
- 4) Replacement and upgrade of the Trans-Canada Highway #1 East Bridge;
- 5) Replacement and upgrade of the PTH 59 South Bridge;
- 6) Replacement and upgrade of the CN Sprague Railway Bridge;
- 7) Replacement and upgrade of the CN Redditt Railway Bridge;
- 8) Replacement and upgrade of the CP Keewatin Railway Bridge;
- 9) Replacement and upgrade of the CP Emerson Railway Bridge;
- 10) Prairie Grove Road Culvert Replacement;
- 11) Erosion Protection of the West Bank of the Red River across from Outlet;
- 12) Relocation of the City of Winnipeg Aqueduct; and
- 13) Seine River Siphon Improvements.

Ongoing Construction Components

- 1) Improvements to the Inlet Control Structure;
- 2) Improvements to the West Dike;
- 3) Replacement and upgrade of the PTH 15 Highway Bridge; and
- 4) Replacement and upgrade of the PTH 44 Highway Bridge.

With this work underway, over 3000 people and over 150 companies have and continue to work on the floodway project.

PROJECT ACTIVITIES

On an ongoing basis, MFESRA will continue to focus on the following activities related to both the floodway expansion and all-season road projects:

- **Public Outreach and Consultation** – MFESRA is committed to ongoing engagement with local municipalities, First Nations and Métis communities, non-government organizations, labour and the construction industry as the projects proceed.
- **Communications** – MFESRA is committed to ongoing communications throughout the life of both projects to raise public awareness, promote the project, recognize the partnership and contribution of both levels of government, and maximize the level of visibility and importance of the program for all Manitobans.

FUNDING

The \$665 million Red River Floodway Expansion Project is 50/50 cost-shared between the Governments of Canada and Manitoba.



Improvements to the Inlet Control Structure include the replacement of hydraulic cylinders that raise and lower the floodway gates that regulate the diversion of flow into the channel.

2009/10 PRIORITIES

For 2009/10, the MFA identified the following strategic core and emerging priorities:

THE FLOODWAY EXPANSION PROJECT

- **Final Design** – Continue the on-going Final Design engineering in 2009/10.
- **Aboriginal Set-Aside Initiative** – Continue to undertake an Aboriginal Set-Aside Initiative in an effort to help address the future skilled labour shortage and to provide economic development opportunities for the Aboriginal construction industry.
- **Recreation and Economic Development** – Continue to move forward with recreation and economic development opportunities on the expanded floodway.

CONSTRUCTION

- Maintain the construction schedule on work already underway:
 - Improvements to the Inlet Control Structure;
 - Expansion of the Outlet Control Structure;
 - Replacement and upgrade of the CP Keewatin Railway Bridge;
 - Replacement and upgrade of the CP Emerson Railway Bridge;
 - Improvements to the West Dike; and
 - Landscaping and Recreational Trail Development.
- Commence construction on new components included in the preliminary tender plan:
 - Replacement and upgrade of the PTH 15 Highway Bridge;
 - Replacement and upgrade of the PTH 44 Highway Bridge;
 - East dike construction along Courchaine Road;
 - Improvements to the Seine River Siphon; and
 - The remainder of the West Dike.

ENVIRONMENTAL LICENSING

- **Ongoing Environmental Commitment** – Ensuring ongoing compliance with conditions outlined in the Manitoba Environment Act License and Federal Government authorizations.

PUBLIC CONSULTATION

- **Ongoing public consultation** – Continue to raise public awareness regarding the project.

2009/10 MILESTONES AND ACCOMPLISHMENTS

THE RED RIVER FLOODWAY EXPANSION PROJECT

- Completed the expansion of the Outlet Control Structure.
- Tendered the final two highway bridge projects – PTH 15 and PTH 44.
- Final Design - Completed the final design engineering on project components to be constructed in 2009/10.
- Aboriginal Set-Aside Initiative - Tendered the 2009/10 West Dike works as an Aboriginal Set-Aside.
- Consulted with recreational stakeholders, local governments, and other interested parties on potential recreation and economic development opportunities.

CONSTRUCTION

- Maintained the construction schedule of on-going works including:
 - Completed construction of the Outlet Control Structure;
 - Completed construction of the CP Keewatin Railway Bridge Project;
 - Completed construction of the CP Emerson Railway Bridge;
 - Ongoing construction of the Inlet Control Structure; and
 - Completed improvements of the Seine River Siphon.

ENVIRONMENTAL LICENSING

- Continue to comply with all environmental requirements outlined in the Environment Act License and Federal Government authorizations.

PUBLIC CONSULTATION

- Continue to meet with local governments, special interest groups and other interested parties regarding the project;
- Distributed 8 editions (240,000 copies) of the MFA newsletters on the project to date; and
- Updated the Manitoba Floodway Authority Website (www.floodwayauthority.mb.ca).



Work on the Outlet Control Structure was completed in the spring of 2009.

2009/10 COMMUNICATION ACTIVITIES

RED RIVER FLOODWAY EXPANSION PROJECT

April 1, 2009	Release of the Groundwater Monitoring Activity Report and Construction Surface Water Monitoring Report
May 8, 2009	PTH 44 and PTH 15 Highway Bridge Tenders Advertised
May 11, 2009	SAFE Roads Campaign Launched
May 26, 2009	Traffic Advisory Issued related to the CP Emerson Bridge Project
June 5, 2009	2009 Access to Earth Initiative Launched
June 17, 2009	Public Safety Advisory to Avoid Floodway During Construction
June 29, 2009	St. Mary's Road Access to Earth Depot Opens
July 28, 2009	Bridge Contracts Awarded for the PTH 44 and PTH 15 Bridge Projects
July 31, 2009	Dunning Road Access to Earth Depot Opens
September 1, 2009	Traffic Advisory Issued related to the closure of Courchaine Road
October 5, 2009	Tender Awards announced for 2009 West Dike Construction
December 18, 2009	Public Safety Advisory to Avoid Floodway During Construction
January 16, 2010	Construction Industry Launches Fundraiser to assist Haiti after Earthquake
January 20, 2010	Floodway Authority supports Lockport Children's Festival
March 22, 2010	Sturgeon Creek Riparian Area Planting Public Open House

2010/11 PRIORITIES

For 2010/11, the MFESRA has identified the following strategic core and emerging priorities:

THE RED RIVER FLOODWAY EXPANSION PROJECT

- **Final Design** – Complete the on-going Final Design engineering in 2010/11.
- **Aboriginal Set-Aside Initiative** – Complete the final construction season on the Aboriginal Set-Aside Initiative
- **Recreation and Economic Development** – Continue to move forward with recreation and economic development opportunities on the expanded floodway.

CONSTRUCTION

- Maintain the construction schedule on work already underway:
 - Complete the replacement and upgrade of the PTH 15 Highway Bridge;
 - Complete the replacement and upgrade of the PTH 44 Highway Bridge;
 - Complete East dike construction along Courchaine Road;
 - Complete the planned improvements to the Seine River Siphon;
 - Complete the remainder of the West Dike;
 - Continue the planned improvements to the Inlet Control Structure; and
 - Continue with the landscaping and recreational development.

ENVIRONMENTAL LICENSING

- **Ongoing Environmental Commitment** – Ensuring ongoing compliance with conditions outlined in the Manitoba Environment Act License and Federal Government authorizations.

PUBLIC CONSULTATION

- **Ongoing public consultation** – Continue to raise public awareness regarding the project.

A banner image showing a snowy landscape with evergreen trees and a white truck. The text 'EAST SIDE TRANSPORTATION INITIATIVE' is overlaid in large white and blue letters.

EAST SIDE TRANSPORTATION INITIATIVE

PART B - THE EAST SIDE TRANSPORTATION INITIATIVE

HISTORY

The east side of Lake Winnipeg is a unique region of Manitoba that contains vast stands of boreal forests, an abundance of fish and wildlife and a vibrant traditional Aboriginal culture, all of which combine to make the East Side a truly remarkable provincial jewel. The east side region covers approximately 83,000 square kilometers and contains one of the largest stands of intact boreal forests in North America. Over 30 communities with approximately 36,000 residents call the region their home.

Currently, there is no permanent all-season road on the east side of Lake Winnipeg. Transportation throughout the region is severely limited, leaving many of the communities isolated throughout much of the year. During a short window of time, typically between eight and twelve weeks, communities rely on winter roads for transportation. It is during this time that many remote communities bring fuel, food, construction and other supplies into their communities since road transportation is generally cheaper than air transportation. It is estimated that approximately 2,500 shipments of staple items such as fuel, groceries, construction materials and general freight are transported each year by commercial trucks on the province's 2,200 km winter road system.

In recent years, the challenge of climate change has impacted the reliability of the winter road system. For example, the winter of 2010 saw one of the shortest winter road seasons since 1998. As a result of the early thaw, over 130 local residents and truckers were stranded on the melting winter roads, many First Nation communities were unable to bring in much needed supplies, and many communities were forced to declare states of emergencies. In this regard, the unreliability of the winter road system provides great hardship for the local residents.

For many years, the First Nation people living on the east side of Lake Winnipeg have envisioned an all-season road linking the east side communities to each other and the rest of province. Such a road would improve the quality of life for residents in the region by providing better access, lowering transportation costs, enhancing services, providing greater linkages amongst communities, and providing opportunities for tourism, recreation and economic development. Specific benefits include:

- Greater reliability of the transportation network;
- Reduced transportation costs for good and services;
- Enhanced access to emergency, health and social services;
- Improved linkages between isolated and remote communities;
- Greater mobility and transportation options for local residents;
- Construction employment, training and economic opportunities for local people; and
- Enhanced opportunities for sustainable economic development including recreation and tourism and resource development;

In the November 20, 2008, Speech from the Throne, the Government of Manitoba announced that the Manitoba Floodway Authority would be given the mandate for the construction of an all-season road on the east side of Lake Winnipeg. Subsequently, on April 30, 2009, the Government of Manitoba introduced **Bill 31, the Manitoba Floodway Authority Amendment Act**, to officially expand the mandate of the MFA to assume responsibility for the construction and maintenance of an all-season road on the east side of Lake Winnipeg. On December 1, 2009, **Bill 31** was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority.

THE PROJECT

The Government of Manitoba established the East Side Transportation Initiative (ESTI) to provide improved, safe and more reliable transportation service between the communities on the east side of Lake Winnipeg and the rest of the province. ESTI includes:

- 1) The construction of a 160 kilometre, all-season road from PR 304 near Manigotagan to Bloodvein First Nation and through to Berens River First Nation. Upgrading and maintenance work is currently underway on the existing Rice River Road and, pending environmental approval, construction will start in the fall of 2010.
- 2) The East Side Large Area Transportation Network Study is designed to examine transportation improvements for the remainder of the east side region. The study is currently underway and is expected to be completed and recommend an all-season road route alignment by the end of 2010.

PROJECT COMPONENTS

The East Side Transportation Initiative will provide all-season road access to 23 communities located on the east side of Lake Winnipeg.

The all-season road project budget includes the following proposed components:

- **All-Season Road from PR 304 to Berens River First Nation** – This project involves the construction of a 160 kilometre, all-season gravel road from Provincial Road 304 to Berens River First Nation. The project will include construction of gravel road and various water crossings (i.e. bridges and culverts). An Environmental Impact Assessment (EIA) for the all-season road was filed in November, 2009 and, pending environmental approval from federal and provincial regulators, construction is scheduled to begin in the fall of 2010.
- **East Side Large Area Transportation Study** - SNC Lavalin, on behalf of ESRA, is currently undertaking the LATNS to examine various route options for an all-season road in the remainder of the east side of Lake Winnipeg region. The study includes a technical process and a community input process. The study will make recommendations for an all-season road route and is scheduled to be completed by end of 2010.
- **Community Benefits & Aboriginal Engagement Strategy** – A major focus of the ESTI is to ensure that local residents, particularly First Nation people living on the east side of Lake Winnipeg, benefit from the construction of the all-season road. Through Community Benefits Agreements, MFESRA will work with First Nation communities to generate jobs, training and economic opportunities related to pre-construction and construction of the all-season road.
- **Project Design and Environmental Assessment (PDEA)** – Preliminary design studies are required to be completed that will be refined to define the project in detail and assess the environmental impacts. This component has included an environmental licensing process

including public consultation, establishment of an Environmental Impact Statement (EIS) and financial support for the environmental licensing process.

- **Final Design** – Final design engineering will be undertaken based on the PDEA process to define and identify the detailed design of the project and to incorporate environmental mitigation measures identified during the PDEA stage.
- **Administration** – Ongoing administration costs for the Manitoba Floodway and East Side Road Authority (MFESRA) including operations, communications, insurance, transportation etc.

To date, progress on the project consists of the following:

- First Round of Community Meetings on the East Side Large Area Transportation Study (Spring, 2009)
- Filing of an Environmental Impact Assessment on the all-season road from PR 304 to Berens River Project (November, 2009).
- Proclamation of Bill 31 to establish the Manitoba Floodway and East Side Road Authority (December, 2009).
- Government of Manitoba committed \$72.5 million to the all-season road project (March, 2010).
- Community Benefits Agreements have been signed with the following First Nations:
 - \$11.25 Million CBA with Berens River First Nation (August 19, 2009)
 - \$7.75 Million CBA with Bloodvein First Nation (January 4, 2010)
 - \$2.25 Million CBA with Wasagamack First Nation (December 4, 2009)
 - \$2.25 Million CBA with Red Sucker Lake First Nation (March 15, 2009)
 - \$2.25 Million CBA with St. Theresa Point First Nation (March 16, 2009)

PROJECT ACTIVITIES

On an ongoing basis, MFESRA will continue to focus on the following activities related to both the floodway expansion and all-season road projects:

- **Public Outreach and Consultation** – MFESRA is committed to ongoing engagement with local municipalities, First Nations and Métis communities, non-government organizations, labour and the construction industry as the projects proceed.
- **Communications** – MFESRA is committed to ongoing communications throughout the life of both projects to raise public awareness, promote the project, recognize the partnership and contribution of both levels of government and maximize the level of visibility and importance of the program for all Manitobans.

FUNDING

To date, the Government of Manitoba has committed \$93 million to the East Side Transportation Initiative. Discussions between Manitoba and Canada have begun regarding the prospect of federal funding.

2009/10 MILESTONES AND ACCOMPLISHMENTS

THE EAST SIDE TRANSPORTATION INITIATIVE

- Initiated the Environmental licensing process for the all-season road from PR 304 to Berens River First Nation project
- Initiated the East Side Large Area Transportation Network Study
- Signed Community Benefits Agreements with five First Nation communities and initiated discussions with the other east side communities

ENVIRONMENTAL LICENSING

- Filed an Environmental Impact Assessment for the all-season road from PR 304 to Berens River First Nation

PUBLIC ENGAGEMENT

- Undertook the First Round of Community Meetings with local communities on the East Side Large Area Transportation Initiative
- Ongoing engagement with local communities and other interested parties regarding the project;

COMMUNICATIONS

- Distributed the first edition of the ESRA newsletters (4,500 copies) to local residents
- Distributed the 2010 East Side Guide & Day Planners to (4,500 copies) to local residents
- Established a project website (eastsideroadauthority.mb.ca)



On December 4, 2009, ESRA signed a Community Benefits Agreements with Wasagamack First Nation.

2009/10 COMMUNICATION ACTIVITIES

EAST SIDE TRANSPORTATION INITIATIVE

April 30, 2009	Floodway Authority Amendment Act Introduced in the Manitoba Legislature
June 12, 2009	Public invited to attend East Side Road Open House
June 24, 2009	Berens River First Nation signs Memorandum of Understanding for a Community Benefits Agreement
August 19, 2009	Berens River First Nation signs Community Benefits Agreement
October 14, 2009	Bloodvein First Nations signs Memorandum of Understanding for a Community Benefits Agreement
November 5, 2009	Environmental Impact Assessment filed for All-Season Road from PR 304 to Berens River First Nation
December 4, 2009	Wasagamack First Nation signs Community Benefits Agreement
January 4, 2010	Bloodvein First Nation signs Community Benefits Agreement
January, 2010	Public Distribution of the 2010 East Side Guide and Day Planner
January 27, 2010	Hollow Water First Nation signs Memorandum of Understanding for a Community Benefits Agreement
March 15, 2010	Red Sucker Lake First Nation signs Community Benefits Agreement
March 16, 2010	St. Theresa Point First Nation signs Community Benefits Agreement
March 30, 2010	Government of Manitoba commits \$72.5 million to all-season road project

2010/11 PRIORITIES

For **2010/11**, the MFESRA has identified the following strategic core and emerging priorities:

THE EAST SIDE TRANSPORTATION INITIATIVE

- Begin construction of the all-Season Road from PR 304 to Berens River in 2010/11
- Complete the East Side Large Area Transportation Network Study in 2010/11
- Continue to secure Community Benefits Agreements with First Nation communities on the east side of Lake Winnipeg
- Develop an Aboriginal Inclusion Strategy for the construction of the all-season road
- Continue the ongoing engineering for the all-season road from PR 304 to Berens River First Nation in 2010/11

CONSTRUCTION

- Establish the construction schedule for the all-season road from PR 304 to Berens River First Nation for the 2010/11 works
- Establish and implement the Aboriginal Inclusion Strategy in the construction of the all-season road from PR 304 to Berens River First Nation

ENVIRONMENTAL LICENSING

- Secure federal and provincial environmental authorizations and approvals for the all-season road for PR 304 to Berens River First Nation
- Pending completion of East Side Large Area Transportation Study, initiate the background preparations for the environmental licensing process for a proposed all-season road route alignment for the remainder of the region

PUBLIC ENGAGEMENT

- Complete Round One and Two Community Meetings for the East Side Large Area Transportation Study
- Ongoing public engagement regarding the project

COMMUNICATIONS

- Distribute updated newsletters to local residents
- Maintain the project website (www.eastsideroadauthority.mb.ca)
- Continue to raise public awareness regarding the project.

THE PUBLIC INTEREST DISCLOSURE ACT

The Public Interest Disclosure (Whistleblower Protection) Act came into effect in April 2007. The purpose of this Act is to:

- a) facilitate the disclosure and investigation of significant and serious matters (wrongdoings) in or relating to the public service, that are potentially unlawful, dangerous to the public, or injurious to the public interest; and
- b) protect persons who make those disclosures.

The Act builds on protections for employees in the Manitoba public service already in place under other statutes, as well as public service rights, policies, practices and processes.

Wrongdoing under the Act may be an act or omission that constitutes an offence under federal or provincial legislation; an act or omission that endangers public safety, public health or the environment; gross mismanagement, including public funds or assets; or, knowingly directing or counseling a person to commit a wrongdoing. The Act is not intended to deal with routine operational or administrative matters.

A disclosure under the Act is considered to be a disclosure made by an employee in good faith and with reasonable belief that wrongdoing has been or is about to be committed. Under Section 18 of the Act, any disclosures of wrongdoing must be reported in the annual report.

In accordance with Subsection 18(2) of the Act, the following is a summary of disclosures received by the Manitoba Floodway Authority for the fiscal year 2007/08.

	Information Required Annually	Fiscal Year 2008-2009
(a)	The number of disclosures received. The number of disclosures acted on. The number of disclosures not acted on.	NIL NIL NIL
(b)	The number of investigations commenced as a result of a disclosure.	NIL
(c)	The number investigations that resulted in a finding of wrongdoing, and in the case of an investigation that resulted in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken.	NIL

AUDITOR'S REPORT

AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway and East Side Road Authority

We have audited the balance sheet of the **Manitoba Floodway and East Side Road Authority** as at March 31, 2010 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 14, 2010.

Chartered Accountants

 **ERNST & YOUNG**

A member firm of Ernst & Young Global Limited

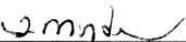
Manitoba Floodway and East Side Road Authority
Balance Sheet
As at March 31, 2010

	2010	2009 (restated-Note 1)
ASSETS		
Current Assets		
Funds on deposit with Minister of Finance	<u>\$ 28,317,835</u>	<u>\$ 21,071,000</u>
Total Assets	<u><u>\$ 28,317,835</u></u>	<u><u>\$ 21,071,000</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,784,138	\$ 18,367,980
Interest payable	1,180,611	591,742
Due to the Province of Manitoba (Note 3)	<u>15,353,086</u>	<u>2,111,278</u>
	<u>28,317,835</u>	<u>21,071,000</u>
Total Liabilities	<u><u>\$ 28,317,835</u></u>	<u><u>\$ 21,071,000</u></u>

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:


 Board of Directors Chair


 Audit & Risk Committee Chair

**Manitoba Floodway and East Side Road Authority
Statement of Operations
Year ended March 31, 2010**

	2010	2009 (restated-Note 1)
Expenses		
Salaries and Benefits	<u>\$ 3,126,888</u>	<u>\$ 2,682,924</u>
Other Operating Expenses		
Transportation	366,088	269,524
Communications	276,939	286,349
Supplies and Services	1,129,376	909,763
Minor Capital	813,136	4,468
Other Operating	<u>433,966</u>	<u>311,200</u>
	<u>3,019,505</u>	<u>1,781,304</u>
Total Expenses	<u>6,146,393</u>	<u>4,464,228</u>
Recoveries		
Capital Assets under Construction on behalf of the Province (Schedule 1)		
Floodway Expansion	3,400,286	3,540,393
East Side Transportation Initiative	1,812,585	38,640
Operating Grants (Note 5)	<u>933,522</u>	<u>885,195</u>
	<u>6,146,393</u>	<u>4,464,228</u>
Net Operating Results	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway and East Side Road Authority
Statement of Cash Flows
Year Ended March 31, 2010

	2010	2009 (restated-Note 1)
Operating transactions		
Net operating results	\$ -	\$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	13,411	283,559
Accounts payable and accrued liabilities	<u>(3,028)</u>	<u>424,049</u>
Cash provided by operating transactions	<u>10,383</u>	<u>707,608</u>
Financing transactions		
Due to the Province of Manitoba	<u>13,212,631</u>	<u>6,332,951</u>
Capital transactions		
Capital assets constructed on behalf of the Province	(86,913,536)	(114,694,831)
Net changes in non-cash working capital balances related to capital		
Accounts payable and accrued liabilities	(6,565,048)	(8,401,721)
Interest payable	588,869	(603,533)
Contributions related to capital assets	<u>86,913,536</u>	<u>114,694,831</u>
Cash used in capital transactions	<u>(5,976,179)</u>	<u>(9,005,254)</u>
Increase (decrease) in funds on deposit with Minister of Finance	\$ 7,246,835	\$ (1,964,695)
Funds on deposit with Minister of Finance, beginning of year	<u>21,071,000</u>	<u>23,035,695</u>
Funds on deposit with Minister of Finance, end of year	<u><u>\$ 28,317,835</u></u>	<u><u>\$ 21,071,000</u></u>

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway and East Side Road Authority
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31, 2010

	2010	2009 (restated-Note 1)
Funding from the Province of Manitoba (Note 4)	<u>\$ 86,913,536</u>	<u>\$ 114,694,831</u>
Capital Expenditures by Component (Note 4):		
Administration	3,400,286	3,540,393
Contract Administration and Final Design	5,768,605	9,724,945
Environmental Mitigation	5,892,007	1,184,691
Floodway Channel	5,081,575	21,040,670
Inlet Structure	5,417,593	3,013,562
Insurance	830,472	389,131
Interest	929,640	1,124,082
Land	1,878,783	689,551
Outlet Structure	2,140,576	25,405,545
Railway Bridges	13,797,865	35,210,982
Roadway Bridges	17,874,536	708,838
Seine River Siphon	2,150,621	34,745
Utility Relocations	835,385	984,122
West Dike	<u>8,651,911</u>	<u>10,700,368</u>
	74,649,855	113,751,625
East Side Transportation Initiative	<u>12,263,681</u>	<u>943,206</u>
	<u>86,913,536</u>	<u>114,694,831</u>
Net Expenditures	<u>\$ -</u>	<u>\$ -</u>

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway and East Side Road Authority
Schedule of Capital Assets
As at March 31, 2010

Schedule 2

	<u>Cost</u>	<u>Federal Contributions</u>	<u>Cost net of Federal Contributions</u>	<u>Accumulated Amortization</u>	<u>2010 Net Book Value</u>
Land	\$ 6,975,528	-	\$ 6,975,528	-	\$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	<u>64,002,351</u>	<u>32,059,155</u>	<u>31,943,196</u>	<u>19,300,312</u>	<u>12,642,884</u>
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province March 31, 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Authority -					
Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Capital Assets at March 31, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Manitoba Floodway Authority -					
Capital Assets Constructed on behalf of the Province - 2005	<u>\$ 9,854,899</u>	<u>\$ 4,658,228</u>	<u>\$ 5,196,671</u>	<u>\$ -</u>	<u>\$ 5,196,671</u>
Manitoba Floodway Authority -					
Capital Assets Constructed on behalf of the Province - 2006	<u>\$ 58,274,527</u>	<u>\$ 28,842,008</u>	<u>\$ 29,432,519</u>	<u>\$ -</u>	<u>\$ 29,432,519</u>

**Manitoba Floodway and East Side Road Authority
Schedule of Capital Assets
As at March 31, 2010**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2010 Net Book Value</u>
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007	\$ 145,664,474	-	\$ 145,664,474
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2008	\$ 149,945,209	-	\$ 149,945,209
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2009	\$ 113,751,625	-	\$ 113,751,625
Floodway Expansion	\$ 943,206	-	\$ 943,206
Manitoba Floodway and East Side Road Authority - Capital Assets Constructed on behalf of the Province - 2010	\$ 74,649,855	-	\$ 74,649,855
Floodway Expansion	\$ 12,263,681	-	\$ 12,263,681
East Side Transportation Initiative			

Note: Due to changes in public sector accounting standards in 2007, applied on a prospective basis, Federal contributions are no longer netted against the cost of the assets.

Manitoba Floodway and East Side Road Authority
Notes to the Financial Statements
For the Year ended March 31, 2010

Note 1 - Nature of Operations and Basis of Presentation

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (MFA) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for \$1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

On December 1, 2009, Bill 31, the Manitoba Floodway Authority Amendment Act was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority (the Authority). The expanded mandate includes constructing and maintaining an all-season road on the east side of Lake Winnipeg, ensuring that the expansion of the floodway and east side road construction are carried out in a manner that provides increased benefits, and maximizes the benefits provided.

The creation of the Authority reflects the merger of the MFA and the East Side Road Authority. The merger was accounted for using the continuity of interests basis of accounting. The financial statements reflect the assets, liabilities, operations and cash flows of the MFA and the East Side Road Authority at their carrying values as if they had always been combined on a historical basis.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets in excess of \$10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under \$10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province of Manitoba.

Pension Plan

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to \$121,876 (2009 - \$101,240).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and

Manitoba Floodway and East Side Road Authority
Notes to the Financial Statements
For the Year ended March 31, 2010

the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to/from the Province of Manitoba, account payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Due to the Province of Manitoba

The Authority receives interest bearing advances of approved funding from the Province of Manitoba at rates established by the Minister of Finance. At March 31, 2010, \$15,353,086 was payable to the Province of Manitoba (2009 - \$2,111,278).

Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2010 and 2009 for the floodway expansion are as follows:

	2010	2009
Administration	\$ 3,400,286	\$ 3,540,393
Contract Administration and Final Design	5,768,605	9,724,945
Environmental Mitigation	5,892,007	1,184,691
Floodway Channel	5,081,575	21,040,670
Inlet Structure	5,417,593	3,013,562
Insurance	830,472	389,131
Interest	929,640	1,124,082
Land	1,878,783	689,551
Outlet Structure	2,140,576	25,405,545
Railway Bridges	13,797,865	35,210,982
Roadway Bridges	17,874,536	708,838
Seine River Siphon	2,150,621	34,745
Utility Relocations	835,385	984,122
West Dike	8,651,911	10,700,368
Total	<u>\$ 74,649,855</u>	<u>\$113,751,625</u>

Capital expenditures incurred and transferred to the Province of Manitoba during 2010 and 2009 for the east side road transportation initiative are as follows:

	2010	2009
Administration	\$ 1,812,585	\$ 38,640
Environmental Assessment and Licensing	3,560,275	-
Preconstruction Activities	3,326,447	-
Interest	250,971	-
Preliminary Designs and Studies	2,239,001	904,566
Temporary Bridges	1,074,402	-
Total	<u>\$ 12,263,681</u>	<u>\$ 943,206</u>

Manitoba Floodway and East Side Road Authority
Notes to the Financial Statements
For the Year ended March 31, 2010

Note 5 - Transactions related to Operations and Capital

The Province of Manitoba has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province of Manitoba with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

Government transfers from the Government of Canada under this shared cost agreement in the amount of \$35,571,286 (2009 - \$55,084,547) are recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of \$587,515 (2009 - \$462,226) related to operating expenses were reflected in the operations of the Authority. In addition, \$346,007 (2009 - \$422,969) of operating grants were received as government transfers under the shared cost agreement and were recorded as revenue of the Authority.

Note 6 - Contractual Obligations

As an agent of the Province of Manitoba, the Authority has entered into various contracts in all phases of the projects. Contractual obligations relating to the projects totaled \$52,526,844 at March 31, 2010 (2009 - \$45,855,971).

Contractual obligations for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next year are as follows:

2011	\$ 151,350
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Note 7 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba.

Note 8 - Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Note 9 - Contingencies

Three individual accident claims are pending filing against the Authority. As the outcomes of these matters are not determinable and amounts cannot be reasonably estimated at this time, liabilities have not been recorded in the financial statements.

Note 10 - Comparative figures

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