Agenda - Executive Policy Committee - June 22, 2005

Report - Alternate Service Delivery Committee - June 20, 2005

Moved by Councillor

That Rule 9.3 of the Procedure By-law be suspended in order that the following item, which was received too late to be placed on the regular agenda, may also be considered by Committee at this time.

Item No. 3 Annual Selection Report 2005 - Winnipeg Golf Services Special Operating Agency
File GL-5.6.1

STANDING COMMITTEE RECOMMENDATION:

On June 20, 2005, the Alternate Service Delivery Committee concurred in the administrative recommendation and submits the following to Council:

1. That the 2005 to 2009 operating plan for the Winnipeg Golf Services Special Operating Agency, which contains the budget for 2005 and the forecast for 2006 to 2009, as summarized within the report of the Director of Planning, Property and Development dated June 14, 2005, be approved.

2. That golf course fees for the 2005 season as outlined in Appendix B to the report from the Director of Planning, Property and Development dated June 14, 2005, be received as information.

3. That the Winnipeg Golf Services 2004 Annual Audit Report as outlined in Appendix C to the report from the Director of Planning, Property and Development dated June 14, 2005, be received as information.

4. That the Chief Operating Officer of Winnipeg Golf Services be authorized to negotiate a one year extension to the contract with the Cross Country Ski Association of Manitoba for the operation of the Windsor Park Nordic Ski Centre and that the Chief Administrative Officer be authorized to enter into said extension should it be negotiated to her satisfaction.

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

Agenda - Executive Policy Committee - June 22, 2005

Report - Alternate Service Delivery Committee - June 20, 2005

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On June 20, 2005, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Re: 2005 Selection Report – Winnipeg Golf Services Special Operating Agency

For submission to: Alternative Services Delivery Committee

Original report signed by: Director of Planning, Property and Development

Report date: June 14, 2005

Recommendation(s):

1. **That the 2005 to 2009 operating plan for Winnipeg Golf Services Special Operating Agency as summarized within this report, and the 2005 budget and 2006 to 2009 forecasts as tabled in Appendix A, be approved.**

2. **That golf course fees for the 2005 season as outlined in Appendix B be received as information.**

3. **That the Winnipeg Golf Services 2004 Annual Audit Report as presented in Appendix C be received as information.**

4. **That the COO of Winnipeg Golf Services be authorized to negotiate a one year extension to the contract with the Cross Country Ski Association of Manitoba for the operation of the Windsor Park Nordic Ski Centre and that the Chief Administrative Officer be authorized to enter into said extension should it be negotiated to her satisfaction.**

REPORT SUMMARY

Key Issues:

- The contract for the operation of the Windsor Park Nordic Ski Centre is recommended to be extended for one season (as opposed to a longer term contract) to facilitate flexibility when considering future operation and management options of golf course assets.

Implications of the Recommendation(s):

General implications:

X	**None**
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s):

-

Policy implications:

X	**No**
	Yes

Comment(s):

-

Environmental implications:

X	**No**
	Yes

Comment(s):

-

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required

Comment(s):

-

REASON FOR THE REPORT:
The Winnipeg Golf Services Operating Charter stipulates that a Selection Report (summary of annual business plan) be submitted to Council each year.

The Winnipeg Golf Services Operating Charter stipulates that an annual report be provided to Council each year for information.

HISTORY:
Winnipeg Golf Services was designated as a Special Operating Agency effective January 1, 2002.

DISCUSSION:
The year 2004 was the third year of operation for Winnipeg Golf Services. The Agency encompasses the operation and contract management of 12 golf course properties in Winnipeg generally categorized as follows:

City Operated and Maintained
Kildonan Park Golf Course
Windsor Park Golf Course
Crescent Drive Golf Course

Leased Properties
Rossmere Golf Course
St. Boniface Golf Course
Transcona Golf Course
Wildwood Club Golf Course
Assiniboine Golf Course

Contracted Courses
John Blumberg Golf Course
Canoe Club Golf Course
Tuxedo Golf Course

Joint City/Contractor
Harbour View GC and Recreation Complex (contractor operated; City maintained)

Winnipeg Golf Services continues to make its presence known as a competitor in the Winnipeg golf market. Recent emphasis on physical asset improvements, improved customer service and marketing initiatives have demonstrated the Agency's commitment to providing a quality golf experience. The 2005 to 2009 business plan calls for continued work in the aforementioned areas as well as the exploration of technology innovations in the areas of automated tee time booking systems and point of sale software.

Strategic Direction

The Agency will continue to manage golf courses as valuable City assets and shift the strategic and operational focus from recreation service provision to that of maximizing the financial return to the City.

Operational Review

The existing mix of leased, contractor managed and City operated golf courses will be maintained pending the results of a review of alternative strategic options for Winnipeg Golf Services. This review will be conducted in 2005 and the results will provide valuable information with which to make decisions regarding the long-term use and operation of golf course properties.

Fees for the 2005 golf season

Fees for the 2005 golf season are contained in Appendix B. For comparison purposes, fees for 2004, 2003, 2002 and 2001 are illustrated.

Adult and Senior fees are increasing by $1.00 per 18-hole round. Junior fees for 18 holes increase by $0.50 per round.

The 9-hole rate increases by $0.50 per round for the Adult, Senior and Junior categories. The 9-hole rate increase was kept to a minimum in order to encourage additional play at the 9-hole sites due to decreasing rounds in recent years.

Miscellaneous Services fees remain substantially unchanged. These fees are set in accordance with that which is considered achievable in the local market.

The proposed fee increases are modest and it is expected that they will not cause a decline in the number of rounds played. The Municipal courses continue to have the most economical fee structure among public and semi-public courses in the Winnipeg market. This is a major contributor to the relatively high number of rounds played at these courses and is a position that Winnipeg Golf Services wishes to maintain.

Extension of contract for operation of Windsor Park Nordic Ski Centre

It is proposed that the contract with the Cross Country Ski Association for the operation of the Windsor Park Nordic Ski Centre be extended for one season (2004/05). The Ski Association has operated the Windsor Park Ski Centre under contract since the 2000/01 season. Their contract expired March 15, 2005. The Ski Association is receptive to a one year extension. The previous contract was cost neutral to Winnipeg Golf Services. The Ski Association operated the site as a competition centre/public ski facility and paid expenses of operation (staff; utilities; cleaning; snow removal). The recommended extension will ensure the continued operation of the Centre for the 2005/06 winter season and provide the City with the opportunity to consider the future of cross country skiing at this site along with the study golf course assets as a whole. Terms and conditions will be subject to negotiation but it is anticipated that the principle of cost recovery will be maintained.

Service Goals and Strategies

The following summarizes goals and key strategies the Agency employs in its business operations:

GOAL	STRATEGIES	STATUS
Maximize green fee revenues	1. Increase green fees in accordance with market demand	Assessed annually and changes made as market allows
	2. Target market to highest revenue consumers	Promotion targeted to adult regulars
	3. Gradually increase proportionate amount of seniors fees	Senior fees increased 26.92% compared to adult fee increase of 20% over 5 years
	4. Establish Municipal courses as user friendly	Promotion depicts fun, inviting atmosphere for women, juniors and new golfers
Improve golf course playability	1. Engage golf course architect to prepare improvement master plan	Master Plan complete
	2. Assess maintenance practises, methods and schedules to optimize playing conditions	Continuously assessed and improvements implemented. New equipment purchased to improve playability
	3. Make immediate maintenance improvements to demonstrate intent	Greens covers purchased to improve spring playability; greens cut prior to the start of daily play; minor drainage improvements undertaken; master plan recommendations implemented in 2004 and will continue in 2005
Provide high quality customer service	1. Develop customer service strategy	Manitoba Best customer service program adopted
	2. Customer service training	Manitoba Best training for clubhouse staff prior to start of 2003 and 2004 season. Managing Excellence to be attended by supervisory staff in 2005
	3. Customer feedback to evaluate effectiveness	E-mail marketing program tested in 2004. E-mail marketing will be expanded to 3 courses in 2005
	4. Standardize counter service techniques	Clubhouse staff and starters provide consistent service as per training
Sustainable environmental initiatives	1. Minimize use of harmful chemicals	Staff trained and certified on chemical application and use; chemical application minimized
	2. Naturalization strategies	Habitat assessment complete; European Buckthorn removed; reassessments will be conducted periodically
	3. Environmental assessment of each golf course	Manitoba Golf Superintendents Association Environmental Assessment

GOAL	STRATEGIES	STATUS
		complete and recommendations being implemented. Reassessments currently underway
Improve image of Municipal golf courses	1. Establish WGS visual identity and positioning statement	Design expertise to be contracted
	2. Establish and implement etiquette and speed of play guidelines	Golfers are continuously educated on golf etiquette; starters acting in capacity of course marshals help improve speed of play; full scale marshal program being considered
	3. Establish a golf advisory board	Advisory board to be established in 2005
	4. Sponsor community events and charities	Donations and sponsorships given to charities and events that promote the golf courses
Corporate sponsorship	1. Sponsorship of WGS events and annual tournament	Major beverage sponsor has been secured. Various sponsors contribute to annual Municipal tournament
	2. Attain sponsorship for new programs	Sponsors solicited for special events and tournaments. Tee marker sign advertising is growing
	3. Review existing sponsor contracts	Contracts assessed annually
Improve merchandise sales	1. Introduce new items for sale	Clothing line introduced; new product lines continually assessed
	2. Partner with other retailers for volume discounts	Not feasible at this time – will continue to investigate
	3. Redesign / redecorate pro shops	Pro shops modernized in 2002; displays changed regularly
	4. Market to non golfers	Community flyers and mobile signs attract non golfers to courses and pro shops; golf lessons offered at all sites
	5. Major promotions	Fathers Day, fall, Christmas, end of season clearance promotions
Improve food and beverage sales	1. Assessment of food and beverage operation	Complete – new concession operator contracted
	2. Monitor food and beverage service	Daily monitoring done by golf course staff; weekly reviews held with contractor during the season
	3. Cross promotions	Golf / food cross promotions tested. New concession operator aggressive in promoting food specials for tournaments.

GOAL	STRATEGIES	STATUS
	4. Visual upgrade of concessions	General appearance improved with new signage and visual enhancements
Increase auto cart revenues	1. Assess auto cart usage and financial return	Existing auto cart fleet purchased at termination of lease; Auto cart fleet increased by 10 units in 2002. Additional 15 units will be purchased in 2005
Administer golf course leases	1. Renegotiate leases as they expire	All expired leases have been renegotiated and executed
Administer agreements for contracted courses	1. Review green fees in consultation with contractors	Consultation done annually and fees adjusted as market allows
	2. Review Harbour View operation to streamline reporting relationships	Ongoing
	3. Issue proposal calls for contracts as they expire	Concession contract proposal call issued and contract awarded
Manage Cross Country Ski operations and trail grooming	1. Administer agreement with Cross Country Ski Association of Manitoba	Contractor adhering to all terms and conditions
	2. Assess future viability of trail grooming in parks	Trail grooming in parks turned over to Public Works

Financial Performance

Pro forma financial statements including a projected balance sheet, statement of projected changes in financial position, and statement of projected revenues and expenses are attached as Appendix A.

In 2004, the Agency's operating deficit was $434,243. Shortfalls in revenues were experienced in green fees, equipment rentals and merchandise sales. Modest surpluses were attained in concessions and miscellaneous revenues. Expense savings were realized in several areas but were insufficient to offset revenue shortfalls.

The adverse weather conditions experienced in 2004 attributed to the poor financial performance of the Agency. Environment Canada reported that May and June were the coldest in 60 years and the 3rd coldest on record. June, July and August were recorded as the coldest in history. In May a snowstorm closed the golf courses for 5 days and resulted in poor playing conditions for approximately 10 additional days. On August 26th Winnipeg received a record one day rainfall of 70mm. This, in addition to already saturated soil conditions from previous rainfalls, resulted in poor playing conditions for much of the balance of the 2004 season.

The years 2005 to 2009 show net income growth for the Agency.

Human Resource

The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this compliment is anticipated for 2005. In order to reduce staff costs the Agency is decreasing through attrition its regular seasonal maintenance staff compliment and replacing these positions with lower paid student laborers. A spare list has been created for the clubhouse operation. This is intended to reduce overtime costs associated with sick time replacements and when additional staff are required for special events.

All terms of the CUPE collective agreement apply to Winnipeg Golf Services. Discussions have been ongoing over the past 3 years on a supplementary agreement. These discussions have been suspended pending the completion of the operational review. Should the City elect to continue to operate golf courses in their current form a supplementary agreement may need to be negotiated.

Information Technology

The Planning, Property and Development Department provides Information Technology services to the Agency. A 2005 technology upgrade will see the golf course sites further automate financial/statistical reporting and daily timekeeping as well as gain access to the City network for communication and information purposes. In addition, the computerized golf handicapping system and the Shoot for the Green e-mail marketing program will be improved. Systems and equipment will continue to be upgraded through existing resources.

Physical Asset Management

The Agency manages a variety of material assets in overseeing the operation of 12 sites. These assets are categorized as follows:

- Land
- Buildings and other physical structures
- Turf maintenance equipment
- Furnishings, tools and other miscellaneous small equipment

In 2005 the Province of Manitoba will be reconstructing the Trans Canada Hwy from Winnipeg to Headingly. This will include the installation of a centre median that will address safety issues related to vehicles making left hand turns into and out of John Blumberg Golf Course. It will also have a minor impact on the golf course's third hole where an existing bridge will be removed and replaced with a culvert crossing. Details of this work are currently being finalized with the Province. The Real Estate Division of Planning Property and Development is providing expertise on land related matters.

St. Boniface Golf Course replaced their clubhouse building in 2004. Council approved this new construction on November 26, 2003. It was financed entirely by St. Boniface Golf Club Ltd. The new facility represents a substantial improvement to what will become a City asset upon termination or expiration of the lease at this site.

Winnipeg Golf Services is responsible for the servicing and administration of its turf maintenance equipment. Equipment servicing is done by a combination of internal (Golf Services mechanic) and external (equipment service contractors) methods. Equipment is replaced and upgraded on an as required basis. In 2005 15 new golf auto carts will be purchased. Based on current demand for auto carts a 2 year payback period is expected.

In 2004 a tee improvement program was initiated. A new first tee at Kildonan GC was constructed and four tee expansions were initiated at Windsor GC. The Windsor tees were not completed in 2004 due to inclement weather. They will be completed in 2005. A new tee was constructed at Crescent Drive GC in 2004 and a second tee redevelopment was started. It will be completed in 2005.

An improvement plan for 2005 to 2009 is in place. Projects tentatively planned for 2005 include:

- Bridge replacements at John Blumberg
- An auto cart storage facility at Kildonan
- Completion of tee improvements at Windsor
- Drainage improvements at Windsor and Kildonan
- Starter shed improvements at Harbour View
- Patio and aesthetic upgrades at Kildonan and Windsor
- Cart path improvements at Kildonan and Windsor
- Reforestation at all sites

Performance Measurement

The following summarizes performance indicators and measures of success the Agency will strive to achieve through the 2005 to 2009 term:

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	• Meet the forecasted financial return to the City over the course of the 5-year business plan. • Meet or exceed the net income targets for the Agency • Increased value of the physical assets through infrastructure improvements.
Customer Service Continually improve the image that we portray to customers.	• Respond promptly to customer complaints and enquiries, take appropriate action and provide timely feedback. • Improved staff appearance through adherence to uniform guidelines. Assessed through observation and independent checks. • Consistent use of appropriate greetings over the counter and on the telephone measured through observation, independent assessment and customer feedback. • Positive customer survey results with satisfaction levels of 80%+.

Indicator	Measure of Success
	• Aesthetic and amenity improvements that meet with customer satisfaction as determined through survey results.
Associated Services Improved service and image through provision of golf related services.	• Introduction of Corporate Sponsorship in selected areas. • Increased merchandise sales. • Increased sales of food and beverage in clubhouses and on courses. • Increased auto cart rentals.
Environment Reduce harmful affects of maintenance practices and contribute to the long-term viability of golf courses.	• Reduced use of harmful chemicals. • Increased native vegetation and wildlife on golf course properties. • Recognition as an environmentally friendly golf course operation.

Issues and Challenges

Competition: Winnipeg Golf Services actively competes in the golf market. Green fees are reflective of market pricing and additional sources of revenue are continually explored. The municipal golf courses presently are at the high end of rounds played among public golf courses in the Winnipeg market. However, new public courses coming into the market could impact on the rounds played at municipal courses. A significant increase in marketing and promotion as well as playability and aesthetic improvements is planned in order to retain the current customer base and make the municipal courses an attractive choice for new golfers.

Capital Improvements: The Municipal courses have had effectively no capital improvements done in the last decade or more. As a result, the condition of the courses and clubhouses has fallen below the standard generally acceptable for public courses. A capital master plan is complete and an improvement program was implemented in 2004 to bring the courses and clubhouses up to a reasonable standard. This program will do little more than catch up with improvements that have been deferred over the years. The financial success of the operation will determine if additional improvements can be made that will allow the municipal courses to stand out among public golf courses in the Winnipeg market.

John Blumberg Golf Course

Several unexpected issues have arisen associated with John Blumberg Golf Course.

1. The sewage treatment plant on-site is outdated and will soon be unusable. In consultation with the Water and Waste Department it has been determined that it would be more economical in the long term to access water and sewer service from Headingly than to replace the treatment plant or to connect to Winnipeg sewer and water. If possible this decision will be delayed until completion of the operational review. If the City is to continue to own and operate John Blumberg, the water and waste system will then be addressed.

2. Four bridges crossing the west creek on the golf course have been determined by the City's Bridge Engineer to be unsafe for continued use. These bridges will be replaced with culvert crossings at an estimated cost of $12,500 each ($50,000)

3. The reconstruction of Hwy #1 has necessitated the relocation of a bridge on the golf course adjacent to the highway. This is estimated to cost $40,000. Details are being negotiated with the Province.

Acceptance of Change Initiatives: A number of operational changes have been implemented since the inception of the SOA. Staff will continue to be challenged to be innovative and energetic in carrying out their functions. Staff are becoming more accustomed to and accepting of the businesslike approach to the operation.

Workplace Safety and Health Act
Recent changes to the Workplace Safety and Health Act will result in additional training and equipment related expenses. It is hoped that the new legislation will result in fewer injuries and a resulting reduction in work time lost.

Financial Impact Statement

Date: May 31, 2005

Project Name:

2005 Selection Report - Winnipeg Golf Services Special Operating Agency

First Year of Program 2005

	2005	2006	2007	2008	2009
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs					
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts					
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The financial impact to the City of Winnipeg of the Golf Services SOA's 2004 operations is a net return of $720,000. This amount consists of the following items listed on the audited Statement of Operations and Deficit for the year ended December 31, 2004: debt and finance charges ($222,000), municipal tax equivalency charge ($264,000), rent ($17,000), and transfer to the City of Winnipeg - General Revenue Fund ($217,000). For the purposes of this statement, it is assumed that a $720,000 recovery was budgeted corporately. Note: Five year financial projections are attached in Appendix A of this report.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

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

N/A

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Winnipeg Golf Services
Prepared by: Michael Sterdan
PPD File #:

Document name: o:\reports directive\golf services\golf services soa 2005 selection report and 2004 annual report.doc

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APPENDIX A

WINNIPEG GOLF SERVICES

FINANCIAL PROJECTIONS

2004 (audited)
and
5 years ending December 31, 2009

Golf Services - Special Operating Agency
Projected Balance Sheet
December 31

	2004 Actual (Audited)	2005 $	2006 $	2007 $	2008 $	2009 $
ASSETS (Note 7)						
Current						
Cash	384	384	384	384	384	384
Due from City of Winnipeg	-	1,280	-	-	-	2,940
Accounts Receivable	3,280	3,280	3,280	3,280	3,280	3,280
Inventory (Note 2)	110,833	88,321	88,321	88,321	88,321	88,321
Prepaid Expenses	4,583	4,583	4,583	4,583	4,583	4,583
	119,080	97,848	96,568	96,568	96,568	99,508
Land, buildings and equipment: (Schedule 1)						
Land (Note 2)	20,376,565	20,376,565	20,376,565	20,376,565	20,376,565	20,376,565
Buildings (Note 2)	2,426,823	2,526,823	2,526,823	2,526,823	2,726,823	3,076,823
Golf Course Improvements (Note 2)	133,439	528,439	853,439	1,128,439	1,283,439	1,283,439
Furniture and Other Equipment (Note 2)	1,214,320	1,384,320	1,454,320	1,524,320	1,594,320	1,814,320
	24,151,147	24,816,147	25,211,147	25,556,147	25,981,147	26,551,147
Less: accumulated depreciation	571,778	817,758	1,095,738	1,395,718	1,717,448	2,068,553
	23,579,369	23,998,389	24,115,409	24,160,429	24,263,699	24,482,594
	23,698,449	24,096,237	24,211,977	24,256,997	24,360,267	24,582,102
LIABILITIES (Note 7)						
Current						
Due to City of Winnipeg	243,958	-	23,209	1,103	1,060	-
Accounts payable and accrued liabilities	8,896	8,896	8,896	8,896	8,896	8,896
Vacation Liability	47,196	42,476	38,228	34,405	30,965	27,869
Current portion of long-term debt (Schedule 2)	11,721	21,149	90,865	96,317	102,095	225,538
	311,771	72,521	161,198	140,721	143,016	262,303
Long Term						
Retirement allowance	146,000	131,400	118,260	106,434	95,791	86,212
Long-term debt	3,267,279	3,891,130	3,800,265	3,703,948	3,601,853	3,486,315
	3,413,279	4,022,530	3,918,525	3,810,382	3,697,644	3,572,527
RETAINED EARNINGS						
Contributed Surplus	20,574,661	20,574,661	20,574,661	20,574,661	20,574,661	20,574,661
Operating Surplus/Deficit	(601,262)	(573,475)	(442,407)	(268,767)	(55,054)	172,611
	19,973,399	20,001,186	20,132,254	20,305,894	20,519,607	20,747,272
	23,698,449	24,096,237	24,211,977	24,256,997	24,360,267	24,582,102

Golf Services - Special Operating Agency
Statement of Projected Revenues and Expenses
For the Years Ended December 31

	Council Adopted 2004	2004 Actual (Audited)	Variance	2005 Previously Approved	2005	2006	2007	2008	2009
Revenues: (Note 4)									
Green Fees (Schedule 3)	2,747,878	2,101,718	(646,160)	2,910,347	2,872,762	2,917,022	3,028,923	3,112,245	3,258,216
Equipment Rentals (Schedule 4)	237,703	176,005	(61,698)	302,582	302,582	309,823	309,823	320,039	320,039
Concessions (Schedule 5)	120,000	128,393	8,393	120,000	120,000	144,000	144,000	158,400	158,400
Merchandise Sales (Schedule 6)	149,350	120,900	(28,450)	153,832	153,831	158,447	163,200	168,095	168,095
Other (Schedule 7)	27,500	127,931	100,431	30,000	30,000	30,000	30,000	30,000	30,000
Miniature Golf (Schedule 8)	-	-	-	14,252	-	14,252	30,257	30,257	34,795
Net Revenue-Leasing Operations (Schedule 9)	12,337	12,337	(0)	37,717	37,717	64,417	67,699	66,784	65,835
Total Revenues	3,294,768	2,667,284	(627,484)	3,568,730	3,516,892	3,637,961	3,773,902	3,885,820	4,035,380
Expenses: (Note 5)									
Salaries & Employee Benefits (Schedule 10)	1,282,267	1,293,567	11,300	1,320,734	1,320,734	1,360,354	1,401,163	1,443,200	1,486,496
Services (Schedule 11)	588,656	509,016	(79,640)	626,316	711,316	625,108	643,862	688,177	733,822
Materials,Parts,Supplies (Schedule 12)	265,973	266,316	343	273,953	273,953	282,167	290,635	299,354	308,335
Interest on Short Term Debt	9,157	8,045	(1,112)	12,000	10,879	12,000	12,000	12,000	12,000
Interest on Long Term Debt - Capital Plan	20,400	12,450	(7,950)	38,059	34,909	53,556	52,287	48,006	46,768
Total Expenses	2,166,453	2,089,395	(77,058)	2,271,062	2,351,791	2,333,185	2,399,947	2,490,737	2,587,421
Net Revenue	1,128,315	577,888	(550,427)	1,297,668	1,165,101	1,304,776	1,373,955	1,395,083	1,447,959
Allocated to the City: (Note 6)									
Property Tax Equivalents (Schedule 13)	207,071	215,354	8,283	213,284	213,284	219,682	226,272	233,060	240,052
Departmental Support Costs (Schedule 14)	42,656	42,656	-	43,936	43,936	45,254	46,612	48,010	49,451
Office Accommodation Costs	17,236	17,190	(46)	17,313	17,313	17,323	17,265	17,783	18,316
Provision for Payroll Taxes	18,900	23,115	4,215	19,467	19,467	20,051	20,652	21,272	21,910
Provision for Business Taxes	25,100	25,100	-	25,853	25,853	26,628	27,426	28,249	29,097
Interest on Long Term Debt - Acquired Assets	238,541	181,181	(57,360)	238,541	181,181	181,181	181,181	180,011	178,770
City's Return on Investment	292,497	280,000	(12,497)	300,000	380,000	375,000	370,000	320,000	320,000
Total allocated to the City	842,001	784,595	(57,406)	858,394	881,034	885,119	889,408	848,385	857,596
Other:									
Depreciation, Fixed Assets (Schedule 1A)	272,708	221,536	(51,172)	303,083	245,980	277,980	299,980	321,730	351,105
Annual Audit Fee	10,000	6,000	(4,000)	10,300	10,300	10,609	10,927	11,255	11,593
Total Other and Allocated to the City	1,124,709	1,012,131	(112,578)	1,171,777	1,137,314	1,173,708	1,200,315	1,181,370	1,220,294
Net Income	3,606	(434,243)	(437,849)	125,891	27,787	131,068	173,640	213,713	227,665

Initial Business Plan Approval (2002)	**23,206**	**150,704**	**219,540**	**n/a**	**n/a**	**n/a**
2003 Approval	**16,508**	**128,145**	**203,072**	**126,370**	**n/a**	**n/a**
2004 Approval	**3,606**	**125,891**	**170,606**	**151,706**	**176,946**	**n/a**

Golf Services - Special Operating Agency
Statement of Projected Changes in Financial Position
For the Years Ended December 31

	2004 Actual (Audited)	2005	2006	2007	2008	2009
Net inflow (outflow) of cash related to the following activities:						
OPERATING						
Net earnings (loss) for the year	(217,152)	347,356	443,532	479,137	466,765	478,063
Non-cash items relating to operations:						
Amortization	221,536	245,980	277,980	299,980	321,730	351,105
Increase in Retirement Allowance	25,000	(14,600)	(13,140)	(11,826)	(10,643)	(9,579)
Working capital from operations	29,384	578,736	708,372	767,291	777,852	819,589
Changes in non-cash operating working capital items						
Accounts receivable	12,490	0	-	-	-	-
Inventory	(30,713)	22,512	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Accounts payable and accrued liabilites	1,805	0	-	-	-	-
Vacation Liab	12,535	(4,720)	(4,248)	(3,823)	(3,440)	(3,096)
	25,501	596,528	704,124	763,468	774,412	816,493
FINANCING						
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	200,108	(245,238)	24,489	(22,106)	(43)	(4,000)
Incr in Long-term debt - Required for Capital Plan	109,310	633,279	(21,149)	(90,865)	(96,317)	7,905
Transfer to City of Winnipeg - General Revenue Fund	(217,091)	(319,569)	(312,464)	(305,497)	(253,052)	(250,398)
	92,327	68,472	(309,124)	(418,468)	(349,412)	(246,493)
INVESTING						
Purchase of Land	-	-	-	-	-	-
Purchase of Buildings	-	(100,000)	-	-	(200,000)	(350,000)
Purchase of Golf Course Improvements	(87,463)	(395,000)	(325,000)	(275,000)	(155,000)	-
Purchase of Furniture and Other Equipment	(33,365)	(170,000)	(70,000)	(70,000)	(70,000)	(220,000)
Proceeds from disposal of equipment						
	(120,828)	(665,000)	(395,000)	(345,000)	(425,000)	(570,000)
NET CASH INFLOW (OUTFLOW)	(3,000)	(0)	-	-	(0)	(0)
CASH POSITION, BEGINNING OF YEAR	3,000	-	(0)	(0)	(0)	(0)
CASH POSITION, END OF YEAR	-	(0)	(0)	(0)	(0)	(1)

Golf Services - Special Operating Agency
Notes to the Financial Projection
For Five Years ending December 31, 2009

1 DESCRIPTION OF BUSINESS

The SOA manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

2 ACCOUNTING POLICIES

The projected financial statements are prepared on the basis of generally accepted accounting principles.

The projections include the following significant accounting policies:

Inventory

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

Land

Land is recorded at values as determined by the City of Winnipeg Property Assessment Department as of January 1, 2002

Buildings

Buildings are recorded at January 1, 2002 assessed values and projected additions are valued at estimated construction or acquisition cost. Buildings are depreciated on a straight-line basis at 4% annually.

Golf Course Improvements

Improvements are recorded at estimated total cost of construction. Improvements are depreciated on a straight line basis at the rate of 5%.

Furniture and other Equipment

These assets are being depreciated on a straight line basis at the rate of 10%.

3 HYPOTHESES

The financial projections have been based on the following hypothesis:

Green Fees

Green fees represent approximately 82% of total revenues. Projections included assume that time available for play on all courses will remain constant in each of the five years. Weather variables, over which management has no control, represents the largest risk to attaining projected revenues.

4 ASSUMPTIONS - REVENUE

a) Green Fees

Green fees will be increased by $1.00 in each of the years 2005 to 2009. The number of rounds is projected to remain relatively constant over the term of the business plan.

b) Equipment Rentals

The auto cart fleet consists of 48 units (all owned). An additional 14 units are to be purchased and will go into full service in 2005. The number of auto cart rentals over the period is projected to increase from 10,620 in 2005 to 10,930 in 2009. The fee per use will increase from the current $25.00 to $26.00 in 2008. Other rental equipment includes individual clubs, club sets and pull carts. Modest revenue increases are projected on these items. Allowance has been made for the leveling of pull cart revenue as the projected popularity of auto carts increases. Club set revenues will increase moderately as the courses are more actively marketed to beginner golfers.

c) Merchandise Gross Profits

Golf Services will be aggressive in merchandise sales. Pro shops at the 18 hole facilities have been expanded and clothing lines have been introduced. Gross profits are projected to increase by 9.27% over the term of the business plan and the average profit margin will remain constant at 33.04%. The focus will be on the beginner and recreational golfer market but high-end sales will also be accommodated through selective purchasing and special orders. The effect of new major golf merchandise retailers in the Winnipeg market will be monitored.

d) Concessions

A new concession contractor has been engaged and it is expected to take 2 years to restore quality and customer confidence in concession services. Concession revenue in 2005 is expected to remain at the 2004 level and then show growth from 2006 to 2009.

e) Miniature Golf

A miniature golf course is planned to be developed at Crescent Drive Golf Course in 2006. This site offers the advantage of not requiring additional operating staffing as it will be located in close proximity to the existing clubhouse and starter building. The current staff compliment can service the mini golf. Revenues are being conservatively estimated with the number of rounds growing modestly over the term of the plan. The construction of the course will be dependant upon availability of funding and its relative priority in comparison to other capital projects.

f) Other

Other revenues include the City's share of sport activity sales at Harbour View complex and miscellaneous income from promotions and special events. Revenues in this category are flat over the term of the plan.

g) Leasing Operations

Revenues from leased and privately contracted courses (net of property taxes and leasing support costs) is returned to the golf operation.

5 ASSUMPTIONS - EXPENSES

a) Salaries and employee benefits

The SOA operates with the following staff compliment over the 5 year period assuming that the mix of leased / contracted courses versus City operated courses does not change:

1 Chief Operating Officer (full time) WAPSO Exempt

1 Operations Assistant (full time) CUPE

1 Foreman II/III (full time) CUPE

51 seasonal CUPE Utility, Maintenance and Clerk positions (may vary due to operational requirements)

Salaries are based on existing grades with provision for increments. Projections include a 3% inflation factor. Employee benefits are estimated at 17%.

b) Professional & Consultative Services

The SOA is responsible for the Manager's retainer fee for Harbour View Golf Course and Recreation Complex. A one time consulting fee has been budgeted in 2005 to cover expenses related to the Golf Services Operational Review.

c) Special Services - Non-Professional

Provision for cash pick up and security services as well as miscellaneous service requirements.

d) Allocated Departmental Costs

The SOA receives building maintenance services from the Public Works Department. In 2005 approximately $50,000 is budgeted for routine and preventative maintenance and approximately $100,000 is budgeted for equipment repairs and replacements. As well this account funds special projects that are required to maintain current code, health and occupancy regulations and standards. The Agency will continually assess the cost of Public Works providing building maintenance service against that of alternative methods of service delivery and will make adjustments based on cost effectiveness and service quality over the five-year period.

e) Auto Allowance

Three employees are on auto allowance, two in the "required" category and one on "regular".

f) Utilities

Heat, power and water charges are paid by Golf Services for all clubhouse and maintenance buildings.

g) Telephone

Telephone, cellular phone and alarm system charges are expected to remain constant. An inflationary increase has been projected.

h) Advertising

Advertising costs will vary over the term of the business plan. Special events, launches and promotions will dictate advertising costs.

I) Rentals

Rental of auto carts, mobile concession carts, portable toilets and various maintenance equipment is required in situations where it is not practical or cost effective to purchase the equipment.

j) Training

Employees are trained in pesticide application, turf maintenance, customer service, supervisory skills and other programs that contribute to a more effective operation.

k) Other Parts and Accessories

Parts for aging equipment and irrigation systems.

6) ASSUMPTIONS - AMOUNTS ALLOCATED TO CITY

a) Property tax Equivalents and Departmental Support Costs

Property tax equivalents have been estimated based on existing assessments and mill rates that would apply to Golf Course operations. Support Costs from the Planning, Property and Development Department consist of estimated variable costs of providing Financial, Human Resources/Payroll and Information Technology Services.

b) Office Accommodation Costs

The costs are as allocated by the Civic Accommodations Utility and apply to the office space allocated to at 65 Garry Street.

c) Provisions for Payroll and Business Taxes

These imputed costs have been estimated based on the prevailing rates of taxation.

d) City's Return on Investment

The amounts projected include general government charges of 2% of total expenses, and have been set at a level that (with respect to total allocated costs) will provide a reasonable return on investment to the City.

7) ASSUMPTIONS - ASSETS AND LIABILITIES

a) Accounts Receivable

Since the Agency's year end normally occurs 1.5 to two months after the completion of the golf season, there are no trade receivables outstanding as at December 31.

b) Accounts payable and accrued liabilities

Normal trade accounts payable and accruals are projected to be nil based on the year end timing referred to in a) above.

c) Due To/Due From the City of Winnipeg

The City extends an operating line of credit through the General Revenue Due To/Due From account at prevailing rates of interest, and pays interest to the Agency at prevailing rates at such times in which the City owes money on current account to the Agency. The limit of this line of credit will be $400,000.00.

d) Retirement allowance and vacation liability

The initial liability of $155,661 is based on the estimated monetary value of unused sick time and accrued vacation time at December 31, 2001. It is assumed that further vacation time will be taken as earned. An expense estimate of sick time payouts has been projected for that portion of possible payouts that have not been accrued as at December 31, 2001.

e) Long Term Debt

The City provides funds for golf course capital improvements using the Golf Course Reserve as the sourc of funds. Interest is scheduled at the rate of 6% and principle repayment is scheduled over ten years commencing in two years after borrowing. A long-term loan has been provided by the City to finance the depreciable assets listed in Schedule 1. This loan, in the amount of $3,975,690 will generate interest at the rate of 6%, and will be repayable commencing in 2007.

8) FINANCIAL PROJECTIONS

These projections have been prepared using assumptions that reflect Golf Service's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgment.

The reader should be cautioned that the actual results achieved for the period covered will vary from the information presented and that the variations may be material.

APPENDIX B

WINNIPEG GOLF SERVICES

2005 FEES

WINNIPEG GOLF SERVICES

2005
GREEN FEES AND MISCELLANEOUS SERVICES

KILDONAN / WINDSOR		**2001**	**2002**	**2003**	**2004**	**2005**
ADULT		20.00	21.00	22.00	23.00	24.00
SENIOR (weekday / weekend after 2:30)		13.00	14.00	15.00	15.50	16.50
JUNIOR (weekday / weekend after 2:30)		11.00	11.50	12.00	12.50	13.00
TWILITE	adult / senior	12.00	13.00	14.00	15.00	15.00
	junior	11.00	11.50	12.00	12.50	13.00
SUNRISE (Windsor)	adult / senior	12.00	12.00	12.00	13.00	13.00
	junior	11.00	11.50	12.00	12.50	13.00
JOHN BLUMBERG (18 hole)						
ADULT		22.00	23.00	24.00	25.00	26.00
SENIOR (weekday / weekend after 2:30)		15.00	16.00	17.00	17.50	18.50
JUNIOR (weekday / weekend after 2:30)		12.00	13.00	14.00	14.50	15.00
TWILITE	adult / senior	13.00	14.00	15.00	16.00	16.00
	junior	12.00	13.00	14.00	14.50	15.00
SUNRISE	adult / senior	12.00	13.00	13.00	14.00	14.00
	junior	11.00	12.00	13.00	14.00	14.00
JOHN BLUMBERG (9 hole)						
ADULT		12.00	12.50	12.50	12.50	13.00
2nd round		10.00	10.00	10.00	10.50	11.00
SENIOR		9.00	9.50	9.50	9.50	10.00
2nd round		5.50	5.50	5.50	6.00	6.50
JUNIOR		9.00	9.50	9.50	9.50	10.00
2nd round		4.50	4.50	4.50	5.00	5.50
CRESCENT DRIVE / HARBOUR VIEW						
ADULT		10.00	10.50	11.00	11.00	11.50
2nd round		8.50	9.00	9.00	9.50	10.00
SENIOR		8.00	8.50	8.50	8.50	9.00
2nd round		5.00	5.50	5.50	6.00	6.00
JUNIOR		7.50	8.00	8.00	8.00	8.50
2nd round		3.50	3.50	4.00	4.00	4.50
SUNRISE	adult / senior	8.00	8.50	8.50	8.50	9.00
	junior	7.50	8.00	8.00	8.00	8.50
MISCELLANEOUS SERVICES (Windsor, Kildonan, Crescent Drive)						
Auto cart	18 hole	23.00	24.00	24.00	25.00	25.00
	9 hole	12.00	12.00	12.00	12.50	12.50
User fee private auto cart	18 hole	11.00	12.00	12.00	12.50	12.50
	9 hole	6.50	7.00	7.00	7.00	7.00
Rental clubs 7 piece	18 hole	6.50	7.00	7.00	7.00	8.00
	9 hole	4.50	5.00	5.00	5.00	6.00
11 piece	18 hole	10.00	11.00	11.00	11.00	12.00
Pull Cart	18 hole	4.00	4.50	3.95	4.50	4.50
	9 hole	**2.50**	**3.00**	**3.00**	**3.00**	**3.00**

APPENDIX C

WINNIPEG GOLF SERVICES

2004 ANNUAL REPORT
AND
2004 AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS

2004 ANNUAL REPORT

Our vision is to be recognized as a leader in the delivery of municipal golf services.

Our mission is to make Winnipeg municipal golf courses the location of choice by providing responsive customer service, maintaining the highest possible standard of play and continually striving to improve our product in the golf market.

2004 Highlights

Tournaments and Special Events

In August the 82nd Municipal Golf Tournament was held at the three 18 hole Municipal courses (Kildonan Park, Windsor Park and John Blumberg) with the Grand Final being staged at Kildonan Park Golf Course. The Municipal tournament is the longest running golf event in Manitoba. It is unique in that it is open to public players only. This year 289 golfers entered representing an 11% increase in participation over the past three years. Sponsorships from Coke and Labatts made the tournament extra special for local golfers. The Pro Am tournament held in conjunction with the Municipal Grand Final was very successful. Nine local golf professionals teamed up with invited guests for a fun afternoon. A banquet for all tournament and Pro Am players was held at the Viscount Hotel.

In July the Platinum Jets Charity Golf Tournament was held at Kildonan Golf Course with 150 golfers taking part. The combined efforts of tournament organizers, golf course staff and a host of sponsors resulted in $89,800 being raised and donated to local charities and north end Winnipeg high schools.

In June the Victoria General Hospital held their 2nd annual capital campaign fundraising tournament at Crescent Drive Golf Course. The fun format of the event turned out to be a tremendous success.

Customer Service

Clubhouse staff attended the Manitoba Tourism and Education Council *"Manitoba Best"* customer service refresher program prior to the start of the season. This was a follow up to the Service Excellence program attended by clubhouse staff in 2003. Customer service training has assisted staff in dealing with routine matters in a positive customer friendly manner and provided them with tools to deal more effectively with difficult situations.

Customer service remains one of the highest priority areas for continuous attention and improvement. Future plans include having all supervisory staff attend the Manitoba Best "Managing Excellence" program.

Marketing and Promotion

Winnipeg Golf Services continued to put forward a positive public image in all visual and print materials. Posters and advertisements are professionally prepared and presented.

Research into the feasibility and value of an e-mail marketing program designed to identify and retain the Winnipeg Golf Services customer base resulted in the establishment of the "Shoot for the Green" program. This new e-mail marketing program was piloted at Windsor Park Golf Course in 2004 and proved to be very popular among regular and casual golfers. The program provides an immediate reward (discount coupon) when a golfer enters a token number that they receive at the golf course on the Shoot for the Green web site. In addition, each token registered entitles the golfer to an entry for the year end grand prize draw. The Shoot for the Green loyalty program will be expanded to Kildonan Park and Crescent Drive Golf Courses in 2005.

Turf Maintenance

Turf maintenance remains a high priority. Research and literature review of maintenance practices and new equipment on the market is carried out on a continual basis.

Greens covers purchased in recent years have resulted in a more consistent quality of turf when the courses open in the spring. Additional covers will be purchased as funding permits.

Environment

Natural environment management, preservation and control measures continue to be applied to golf course sites with the assistance of the City Naturalist.

Recommendations from the 2002 Manitoba Golf Superintendents Association Environmental Assessment continue to be implemented on a priority basis.

The reestablishment of native plant species through elimination of European Buckthorn continued in 2004. This will continue to be a priority for several years.

Electric auto carts are proving to be very popular among golfers. Gas carts will continue to be replaced with electric.

Golf Course Improvements

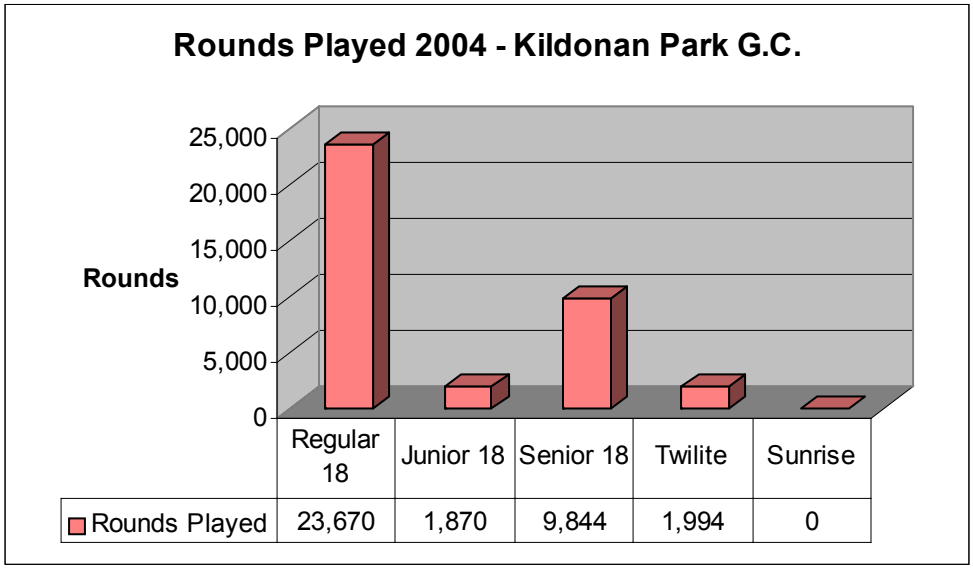
The master plan for golf course improvements saw the first of its recommendations implemented in 2004. A new and greatly expanded 1st tee box was constructed at Kildonan Park Golf Course. It is expected to be open for play in early 2005. As well, four new tee boxes were started at Windsor Park Golf Course. These tee boxes will be completed in 2005 and be ready for play by mid to late summer. Crescent Drive Golf Course had one tee box replaced with a much larger tee surface and another tee box project started.

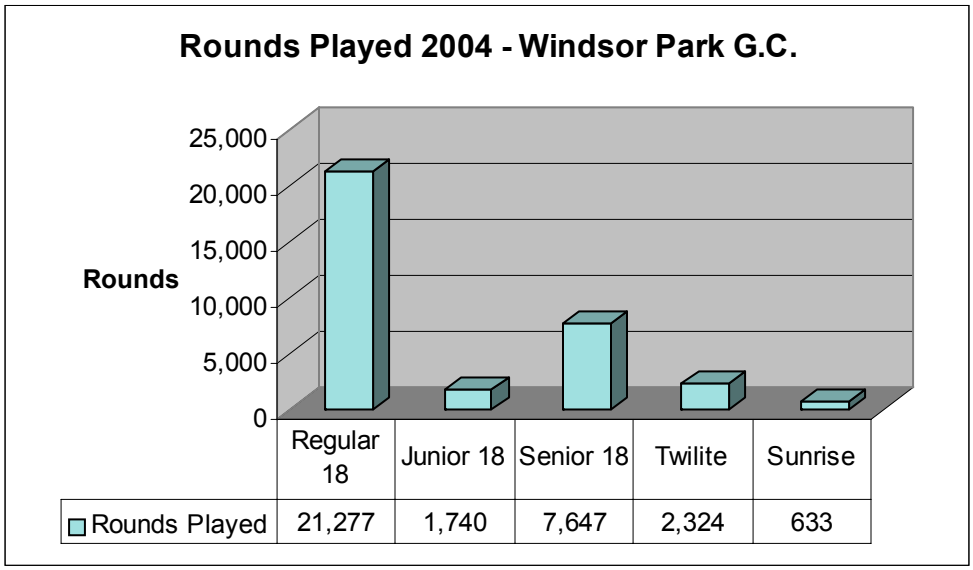
Master plan improvement projects will continue to be implemented on a priority basis as funds permit.

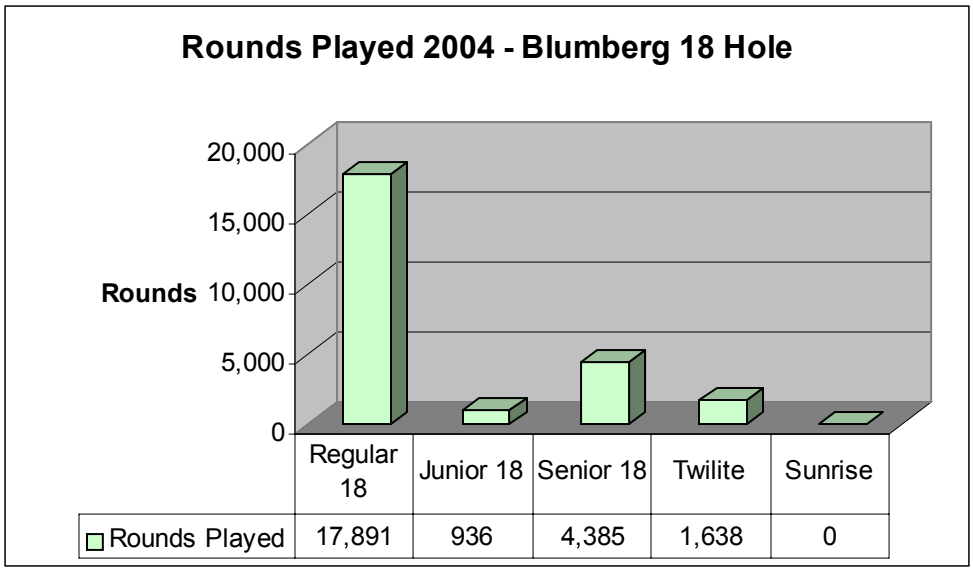
Statistics – 2004

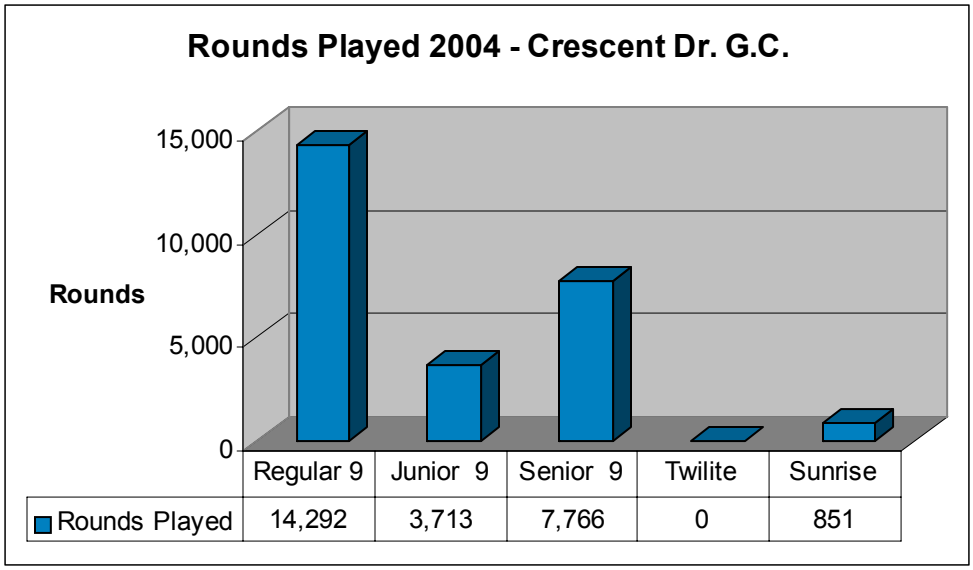
Rounds played in 2004 were down by 14.94% from the average number of rounds played since the inception of the Golf SOA. This reduction in rounds is almost exclusively attributed to adverse weather conditions. A snowstorm in May closed the courses for five days and resulted in poor playing conditions for an additional ten days. May and June were recorded by Environment Canada as the coldest in 60 years and the 3rd coldest on record. June, July and

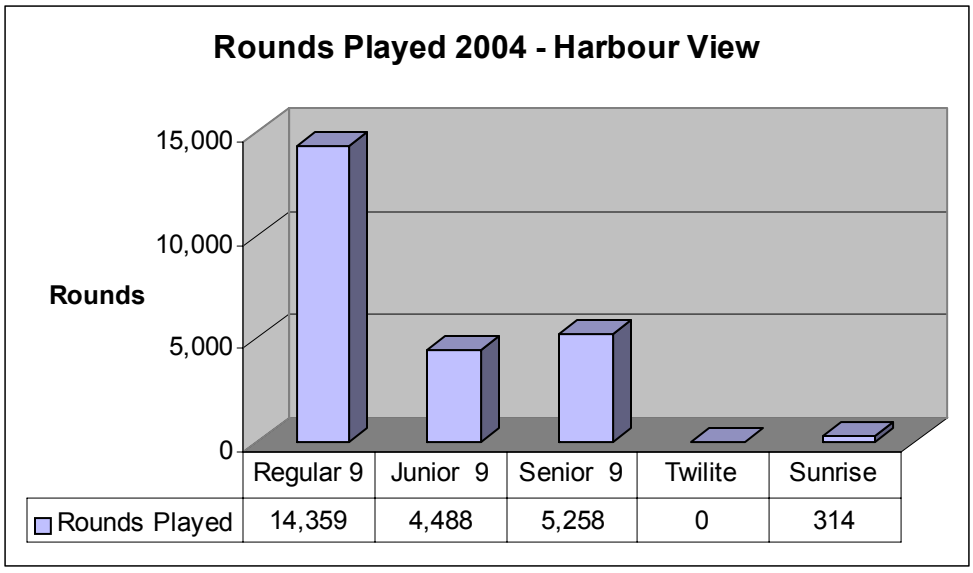
August were the coldest on record. On August 26th a record 70mm rainfall contributed to poor playing conditions for the balance of the 2004 season. Following is a graphic illustration of rounds played at each course.

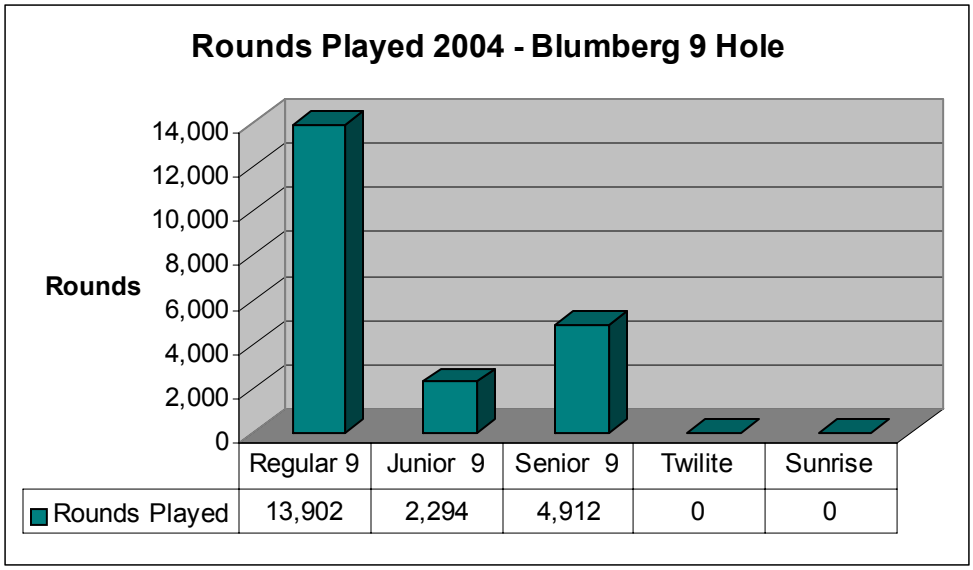


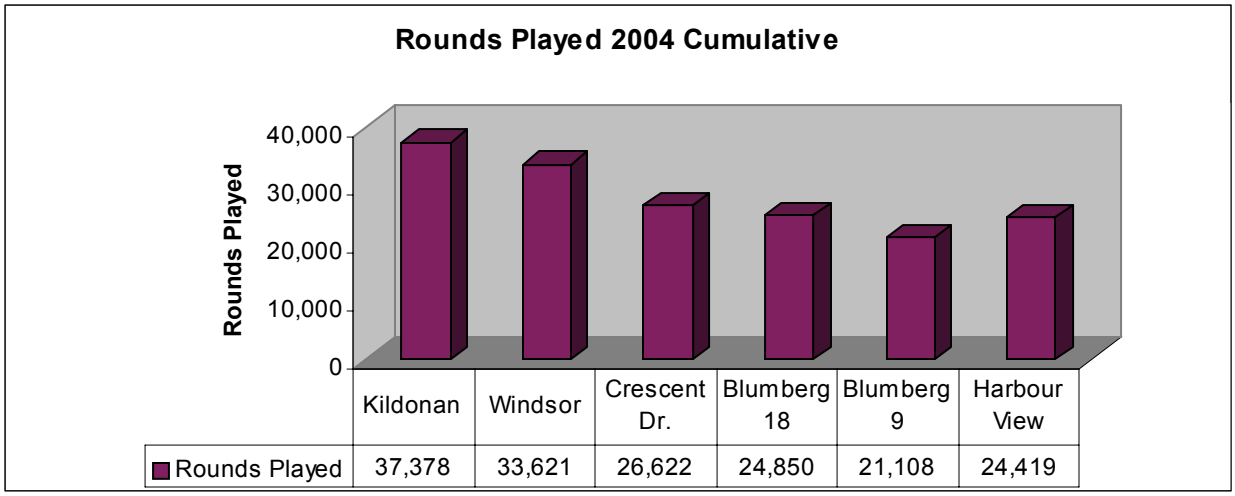



Rounds Played 2004 - Blumberg 18 Hole
20,000
15,000
10,000
5,000
0
Rounds
Regular 18
Junior 18
Senior 18
Twilite
Sunrise
Rounds Played
17,891
936
4,385
1,638
0


Rounds Played 2004 - Crescent Dr. G.C.
15,000
10,000
5,000
0
Rounds
Regular 9
Junior 9
Senior 9
Twilite
Sunrise
Rounds Played
14,292
3,713
7,766
0
851


Rounds Played 2004 - Harbour View
15,000
10,000
5,000
0
Rounds
Regular 9
Junior 9
Senior 9
Twilite
Sunrise
Rounds Played
14,359
4,488
5,258
0
314


Rounds Played 2004 - Blumberg 9 Hole
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Rounds
Regular 9
Junior 9
Senior 9
Twilite
Sunrise
Rounds Played
13,902
2,294
4,912
0
0


Rounds Played 2004 Cumulative
40,000
30,000
20,000
10,000
0
Rounds Played
Kildonan
Windsor
Crescent Dr.
Blumberg 18
Blumberg 9
Harbour View
Rounds Played
37,378
33,621
26,622
24,850
21,108
24,419

Financial Performance

In 2004 the Agency generated a surplus on operations of $350,352. After allocations to the City of $784,595 the Agency incurred an overall deficit of 434,243.

Lower than projected green fee revenue and equipment rental income were the major contributors to the shortfall.

Expenses were less than that budgeted, however, many expenses are fixed so overall savings were minimal.

The Auditor's Report and 2004 audited financial statements follow.

AUDITORS' REPORT

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

We have audited the statement of financial position of **The City of Winnipeg Golf Services – Special Operating Agency** as at December 31, 2004 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg Golf Services – Special Operating Agency** as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
March 8, 2005

Chartered Accountants

ERNST & YOUNG

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2004	2003 (Restated Note 10)
ASSETS		
Current		
Cash	$ -	$ 3
Accounts receivable	3	17
Inventory	111	80
Prepaid expenses	5	5
	119	105
Capital assets (Note 3)	23,579	23,679
	$ 23,698	$ 23,784
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	$ 244	$ 44
Accounts payable and accrued liabilities	9	7
Vacation payable (Note 5a)	47	35
Current portion of long-term debt (Note 6)	12	6
	312	92
Retirement allowance (Note 5b)	146	121
Long-term debt - City of Winnipeg (Note 6)	3,267	3,164
	3,725	3,377
SURPLUS		
Contributed surplus	20,574	20,574
Deficit	(601)	(167)
	19,973	20,407
	$ 23,698	$ 23,784

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	2004	2003 (Restated Note 10)
REVENUES		
Green fees	$ **2,101**	$ 2,474
Equipment rentals	**176**	251
Concessions	**128**	231
Merchandise sales (Note 7)	**121**	150
Other	**120**	50
Net revenue from leasing operations	**12**	-
Total Revenues	**2,658**	3,156
EXPENSES		
Salaries and employee benefits (Note 5)	**1,294**	1,329
Services (Note 8)	**591**	579
Material, parts and supplies (Note 7)	**265**	402
Municipal tax equivalency charge (Note 9)	**264**	251
Debt and finance charges	**222**	202
Amortization (Note 3)	**222**	191
Rent (Note 8b)	**17**	17
Other	**-**	9
Total Expenses	**2,875**	2,980
Net (loss) income from operations	**(217)**	176
DEFICIT, BEGINNING OF YEAR	**(167)**	(144)
Transfer to The City of Winnipeg - General Revenue Fund	**217**	199
DEFICIT, END OF YEAR	$ **(601)**	$ (167)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2004	2003 (Restated Note 10)
OPERATING		
Net (loss) income for the year	**$ (217)**	$ 176
Non-cash items related to operations		
Increase in retirement allowance	**25**	-
Amortization	**222**	191
Working capital from operations	**30**	367
Net change in working capital	**(3)**	30
	27	397
FINANCING		
Increase (decrease) in due to City of Winnipeg - General Revenue Fund	**200**	(186)
Increase in long-term debt - City of Winnipeg	**109**	75
Transfer to City of Winnipeg - General Revenue Fund	**(217)**	(199)
	92	(310)
INVESTING		
Purchase of capital assets	**(122)**	(84)
(DECREASE) INCREASE IN CASH POSITION	**(3)**	3
CASH POSITION, BEGINNING OF YEAR	**3**	-
CASH POSITION, END OF YEAR	**$ -**	$ 3

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004
(in thousands of dollars)

1. ***Description of Business***

On February 23, 2000, Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency ("Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

2. ***Summary of Significant Accounting Policies***

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

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

Capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by the City of Winnipeg Property and Assessment Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002, is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over the estimated useful life using the following rates and methods:

Building	4%	Straight-line
Equipment	10%	Straight-line
Golf course improvements	5%	Straight-line

Revenue Recognition

Green fees and equipment rental income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product.

Financial Instruments

Financial instruments include accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. ***Capital Assets***

	Cost	Accumulated Amortization	Net Book Value 2004	2003 (Restated Note 10)
Land	$ 20,376	$ -	$ 20,376	$ 20,376
Building	2,427	290	2,137	2,233
Equipment	1,214	276	938	1,025
Golf course improvements	133	5	128	45
	$ 24,150	$ 571	$ 23,579	$ 23,679

In 2004, it was discovered that buildings located on St. Boniface, Transcona, and Tuxedo Golf Courses at the inception of the Agency were not owned by the City of Winnipeg. The net book value of buildings as at December 31, 2003 was reduced by $880 thousand to correct this error. Related amortization expense was reduced by $38 thousand.

4. ***Due to City of Winnipeg - General Revenue Fund***

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is $400 thousand at a rate of 6.5%. The interest paid in 2004 was $8 thousand (2003 - $4 thousand).

5. ***Employee Benefits***

a) Vacation

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

b) Retirement allowance

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the retirement allowance liability as at December 31, 2004, at $146 thousand (2003 - $121 thousand).

c) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $54 thousand (2003 - $57 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has an actuarial surplus.

6. ***Long-Term Debt - City of Winnipeg***

	2004	2003 (Restated Note 10)
Golf Course Reserve		
Golf course improvements loan, interest at 6%, with principal repayments scheduled over 10 years, commencing in 2004	**$ 259**	$ 150
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $264 thousand, commencing in 2007	**3,020**	3,020
	3,279	3,170
Current portion of long-term debt	**(12)**	(6)
	$ 3,267	$ 3,164

a) Principal repayments due within the next five years are as follows:

2005	$ 12
2006	21
2007	42
2008	44
2009	47
Thereafter	3,113
	$ 3,279

b) Interest on the golf course improvements loan during the year was $12 thousand (2003-$7 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $181 thousand (2003 - $181 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $193 thousand (2003 - $188 thousand).

7. ***Comparative Figures***

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

8. ***Related Party Transactions***

In addition to those transactions described elsewhere in the notes, included in the Agency's revenues/expenses are the following amounts which occurred in the normal course of operations and are recorded at the exchange amount:

a) In Services, an amount of $63 thousand (2003 - $61 thousand) for general government charges has been included and paid to the General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

b) An amount of $17 thousand (2003 - $17 thousand) has been charged by the Civic Accommodations Fund for the rental of office space.

c) An amount of $50 thousand (2003 - $48 thousand) has been charged by the General Revenue Fund for various supporting services provided by the Planning, Property and Development Department.

d) An amount of $85 thousand (2003 - $106 thousand) has been charged by the Building Services Fund for services provided at the various Golf Courses.

e) An amount of $4 thousand has been charged by the Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by Golf Services.

9. ***Municipal Tax Equivalency Charge***

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by the City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and mill rates that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses.

10. Correction Of Prior Period Error

During 2004, it was discovered that capital assets in the amount of $956 thousand recorded by the Agency, at its inception on January 1, 2002, were not owned by the City of Winnipeg. The correction was accounted for retroactively with restatement of all prior periods reported. The effect of these changes on the 2003 comparative figures is as follows:

Financial Statement Item	Previously Reported	Change	Balance As Restated
Statement of Financial Position			
Capital assets	$ 24,559	$ (880)	$ 23,679
Due to City of Winnipeg - General Revenue Fund	158	(114)	44
Long-term debt - City of Winnipeg	4,120	(956)	3,164
Deficit	(357)	190	(167)
Statement of Operations			
Debt and finance charges	$ 259	$ (57)	$ 202
Amortization	229	(38)	191
Statement of Cash Flows			
Net (loss) income for the year	$ 81	$ 95	$ 176
Net change in working capital	(27)	57	30
Increase (decrease) in due to City of Winnipeg - General Revenue Fund	(72)	(114)	(186)