REPORT OF THE

COMMITTEE ON FINANCE AND ADMINISTRATION

DATED APRIL 11, 1997

(See Minute No. 568 for disposition)

Recommendations for Amusement Tax Exemption File FL-6 (Vol. 14)

625 - 1. The Committee on Finance and Administration has considered recommendations received from the Winnipeg Arts Advisory Council for exemption to the Amusement Tax By-law.

The Committee on Finance and Administration submits draft by-law and recommends:

I. That the following list of exemptions be added to subsection 7(6) of the Amusement Tax By-law No. 3107/81, namely:

Royal Winnipeg Ballet School for:
"Spring Concert" on May 25, 1997, and "Dance Spectrum" on June 8, 1997, both at the Pantages Playhouse Theatre

Rossdale Ukrainian Dance School Inc. for:
"Annual Dance Recital" on May 3, 1997, at the Pantages Playhouse Theatre

India School of Dance, Music and Theatre Inc. for:
"Year End Recital XVII" on June 8, 1997, and "Canada's Year of Asia Pacific - Showcase '97" on May 11, 1997, both at the Gas Station Theatre

Jazz Winnipeg Inc. for:
"Manitoba Night" on June 16, 1997, at the Winnipeg Art Gallery
"Manitoba Allstar High School Big Band" on June 17, 1997, at the Winnipeg Art Gallery
"Finjan" on June 19, 1997, at the Walker Theatre

II. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Adopted by consent.

Request for Loan Guarantee - Melrose Park Community Centre Inc. File FC-2.2 (Vol. 1)

626 - 2. On September 9, 1996, the Committee on Protection, Parks & Culture recommended that approval for a loan guarantee not to exceed $50,000.00 be given to the Melrose Park Community Centre Inc. for the purpose of construction of dressing rooms. The Corporate Finance Department was requested to review the proposal to determine if it meets the requirements of the City's policy.

Section 313 of The City of Winnipeg Act states the following:

> "Subject to the approval of the Minister of Finance, the City, may on such terms and conditions as the Minister of Finance may approve, make loans and grants for, and guarantee indebtedness incurred for, any community undertaking not otherwise authorized under this Act, and the Minister of Finance may refer any application for approval under this section to The Municipal Board for its advice and recommendation."

As at December 31, 1996, the City of Winnipeg was the guarantor of eleven different loans in the total amount of $5.8 million. The City has been concerned that there has been an increasing number of requests for loan guarantees over the past few years, as loan guarantees do, in fact, constitute meaningful commitments by the City. These commitments have to be recorded in the notes to the City's financial statements, are factors in determining the City's

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potential liabilities, and are a factor in determining the City's credit rating. As a result of its concern, the City adopted a "Policy and Criteria to be used as a Guideline in the Consideration of Request for Loan Guarantees" on June 17, 1992.

The following evaluates the business plan as provided by Melrose Park Community Centre Inc. based on the policy and criteria related to requests for loan guarantees as adopted by Council on June 17, 1992.

A. *Requests for loan guarantees shall be submitted to the City Treasurer for review to determine if the request meets the requirements of the policy.*

Melrose Park Community Centre Inc. had originally requested a loan guarantee for $50,000.00, which has recently been revised to $40,000.00 due to additional external funding sources.

B. *The organization requesting the loan guarantee must provide a service which, in whole or in part, falls within the mandate of the City of Winnipeg.*

The Melrose Park Community Centre Inc. provides community-based sports and recreation activities for residents of Winnipeg in the East Kildonan area.

C. *The project for which the loan guarantee is being requested must not be in conflict with City policy. For example, if City policy stated that we already had more than enough hockey arenas for our population, the City would not guarantee a loan for the purpose of constructing a hockey arena.*

The project is not in conflict with City policy.

D. *The organization's services must be available to the community at large without restrictions based upon ethnicity, religion or race and without unreasonably restrictive membership or user fees.*

There is no unreasonable restrictions on membership or user fees.

E. *The organization must be non-profit (as defined within the City of Winnipeg's Fees and Charges Policy).*

Melrose Park Community Centre Inc. is an incorporated organization with non-profit status.

F. *The organization must produce financial records and business plan that demonstrates the organization's long term viability and capacity to meet the obligations of the loan that they are asking the City to guarantee.*

Melrose Park Community Centre Inc. has provided a business plan including historical and projected financial statements supporting the long-term viability of this project.

Melrose Park Community Centre Inc. has operated on a break-even basis, maintaining a small surplus over the past six year with any excess revenues being reinvested in improvements to the Community Centre. The Community Centre has provided historical financial statements and a five-year projection related to the operation of the community club.

The Community Centre has performed a detailed review of operations resulting in changes in operations and policies that will enable the Club to meet the debt servicing requirements. Without these amendments the Club would not have been able to service the debt.

The financial forecasts with subsequent adjustments and conservative assumptions indicate a margin of safety of approximately $4,000.00 per year, based upon a ten year amortization. Total revenues are projected at $220,000.00 for 1997.

The Community Centre is reviewing additional sources of revenue, such as rink board advertising which could generate up to $10,000.00 for the Club.

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The Board of Directors through their actions to cut expenditures and increase revenues have indicated a desire to meet the financial obligations of this project.

The Community Centre does not have any significant financial reserves nor a large cushion in the projection to protect the City. The Club however has demonstrated the ability to fund raise and finance large capital expenditures in the past.

G. *The organization structure and the principles of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization.*

Melrose Park Community Centre Inc. has demonstrated the ability to implement the business plan for the Community Centre.

H. *Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1,000,000.00.*

The loan guarantee requested is for $40,000.00 to finance construction of dressing rooms at Melrose Park Community Centre Inc.

I. *The loan that the City is being asked to guarantee should not represent more than 50% of the total funding of the project. The organization requesting the loan guarantee must have raised at least 20% of the total project cost from non-City of Winnipeg sources as a down-payment, i.e. if the organization is receiving a City grant for their project, the grant cannot be counted as part of the 20% down-payment.*

The loan the City is being asked to guarantee represents 25.4% of the project funding meeting the 50% requirement. Funds from non-City of Winnipeg sources represent 43.0% exceeding the 20% minimum requirement.

Melrose Park Community Centre Inc.	$25,000.00	15.8%
City of Winnipeg Community Incentive Grant	50,000.00	31.6%
Province of Manitoba Community Places Program	25,000.00	15.8%
Lottery Grant and Bingo Revenue	18,000.00	11.4%
Loan to be guaranteed by the City	40,000.00	25.4%
	$158,000.00	100.0%

J. *The loan that the City is guaranteeing must be related to a capital asset.*

The loan related to Melrose Park Community Centre Inc. is related to a capital asset.

K. *The capital asset must be insured to the satisfaction of the City Treasurer both during and after construction.*

The Director of Corporate Finance (City Treasurer) will ensure adequate insurance is in place if the project is approved.

The Committee on Finance and Administration recommends:

I. That the request from the Melrose Park Community Centre Inc. that the City guarantee its loan proposal in the amount of $40,000.00 be approved to allow the Club to proceed with the construction of dressing rooms.

II. That the Proper Officers of the City be instructed to do all things necessary to implement the foregoing, including obtaining approval from the Minister of Finance in accordance with Section 313 of The City of Winnipeg Act.

Adopted by consent.

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Union Bank Tower - Engineering Study
File G-3.1.1 (Vol. 3)

627 - 3. Council, at its meeting held February 21, 1996, directed that no City of Winnipeg funds be expended from either the Current or Capital Budget on 500/504 Main Street, 218/222 William Avenue, or 476/480 Main Street, for any work or renovations, demolitions, reconstruction or any other work necessary to change the current structures of these buildings, without a complete campus concept plan and cost analysis being adopted by City Council, excluding work required for safety purposes.

In a report entitled, Strategic Accommodation Plan - Downtown Campus, it was recommended that an independent architectural consultant be appointed "for the completion of a feasibility study for the potential redevelopment of the Market Square site and its physical connection to the Council Building." At its meeting held July 15, 1996, the Committee on Finance and Administration, in considering said report instructed, among other things, that a Proposal Call be issued to the private sector for a detailed conceptual plan for the redevelopment of the Union Tower Building, the Leland Hotel, and the Septimus Properties (former Big 4 building) with the City of Winnipeg being a tenant for part or all of the space; the Proposal Call to include an assessment of parking requirements. The Committee on Finance and Administration, on September 30, 1996, then amended its direction to provide that the Proposal Call apply to one, or two, or all of the buildings, and not necessarily to all of the buildings.

With the cooperation of the Corporate Finance Department, Materials Management Division, an Invitation for Offers, No. 97-020, was advertised in the two local and one national newspaper in early February 1997 with a closing date of March 18, 1997 which was later extended by Addendum to March 26, 1997.

A total of seven entities prepared submissions. The process leading to a recommendation to discuss the terms and conditions of the potential development of the subject site with one Offeror, as outlined in the Invitation to Submit Offers, has begun and includes an initial review by the Civic Buildings Department, submission of the Offers to an administrative Evaluation Team, a recommendation to the Board of Commissioners with a subsequent recommendation to the Committee on Finance and Administration.

Arising out of the responses to the Invitation to Submit Offers, all of the Offerors, as a condition precedent, have indicated that there is a need to ensure the structural integrity of the Union Bank Tower foundation.

Essentially the Offerors have three different ways of dealing with the potential that the foundation/soil conditions of the Union Bank Tower/Annex are inadequate:

One: Mothball, in a aesthetically pleasing fashion, the Union Bank Tower, thereby housing all occupants in a new adjoining building on the Bijou Park or Leland Hotel site, or both.

Two: Assume that the structure is sound enough to allow some passive use of the first three floors, thereby developing same for Civic use and either mothballing or demolishing the upper floors.

Three: A requirement that, if the Union Bank Tower is to be occupied, then the City is to be responsible for its structural integrity and the costs related thereto.

The Invitation for Offers suggested that offers would, in part, be evaluated based on economic terms but, just as importantly, the preservation of a historically significant building. The Civic Buildings Department considers that historic preservation can best be accomplished not by creating an office monument through mothballing but by restoring and reusing the entire building for modern accommodation even if this needs to be accomplished on a phased basis.

In order to accomplish this, the Civic Buildings Department recommended that the City commission, by direct assignment, an engineering study of the structural integrity of the Union Bank Tower Building. Once this is established, then the Engineering Report will be made available to all of the Offerors, who will then be asked to adjust their cost estimates for the required work, if any.

The estimated costs of this study may be charged to account number 03-118114-6396090701.

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The Committee on Finance and Administration recommends:

I. That an engineering study of the structural integrity of the Union Bank Tower Building and Annex be commissioned, by direct assignment, by the Civic Buildings Department.

II. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Adopted by consent.

Proposed Acquisition of Lands for Lane Corner Cut - 123 Hartford Avenue
File FI-2(34) (Vol. 4)

628 - 4. On February 23, 1995, the Board of Commissioners considered a report from the Director of Operations, dated February 6, 1995, and instructed the Director of the Land and Development Services Department to negotiate the acquisition identified as "Proposed Lane Opening" on Misc. Plan No. LSWK 9425. This lane corner cut has been identified as being required in order to accommodate a turning radius for refuse and snow removal vehicles.

The owner has agreed to sell the lane corner cut to the City in accordance with the terms and conditions outlined on Schedule "A". In addition, the owner has requested that a pole be installed on the property line in order to protect the garage and eavestroughs. The proposed purchase price of $500.00 is consistent with other lane corner cuts of this nature and follows current policy and procedures.

Adequate funding for the proposed acquisition is committed in Certificate No. GU 95-01 against the Land Acquisition for Unspecified General Purposes Account.

The Committee on Finance and Administration recommends:

I. That the acquisition of the subject property identified on Misc. Plan No. LSWK 9425 be approved at a price of $500.00 and in accordance with the terms and conditions outlined in Schedule "A", together with a term that would allow the installation of a guard pole.

II. That the Proper Officers of the City do all things necessary to finalize this transaction including the construction and installation of the improvements relating to the lane corner cut, together with the appropriate lane opening by-law.

Copies of Schedule "A" and Misc. Plan No. LSWK 9425 are on file in the office of the City Clerk.

Adopted by consent.

Proposed Acquisition of Canada Mortgage & Housing Corporation's and Manitoba Housing & Renewal Corporation's Interest in Remnant Parcels of Land Owned by the Urban Renewal Partnership
File FI-2(34) (Vol. 4)

629 - 5. In the late 1960's and early 1970's, the City of Winnipeg entered into three tri-party agreements with the Federal and Provincial Governments creating an Urban Renewal Partnership. The objectives of the Partnership were to acquire lands that were undesirable or unproductive and re-establish new residential development and favourable commercial development, in the area now known as the Lord Selkirk - West Kildonan Community.

The Urban Renewal Partnership was based on a number of agreements and sub-agreements between Canada Mortgage & Housing Corporation (Federal), the then Manitoba Housing & Renewal Corporation (Provincial) and the City of Winnipeg. The agreements provided for the sharing of costs and recoveries based on 50% for C.M.H.C., 25% for M.H.R.C., and 25% for the City.

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The Partnership agreements covered three projects: Project 1 - "Lord Selkirk Park Development"; Project 2 - "Midland Railways"; and Project 3 - "East of Main Street". It was agreed that the City, under direction of the Partnership, would be responsible for the planning, implementation and administration of the projects, until either these projects were completed to the satisfaction of the Partnership, or all approved funding was exhausted

Project 3 - "East of Main Street" was completed in 1973. Project 1 - "Lord Selkirk Park" and Project 2 - "Midland Railway" were completed to the extent that all funds were exhausted. At that point in time, Council along with the federal and provincial partners approved the disposal of the remaining properties. The 12 remaining properties are described in Schedule "A", and illustrated on Miscellaneous Plans LSWK 9966, LSWK 9967 and LSWK 9968.

In 1987, C. Kaufmann, formally of the City's Planning Department and the City's Urban Renewal representative, negotiated an understanding with the Partnership to purchase the remaining remnant properties. In accordance with the Lord Selkirk Park and Midland Railways Projects Agreements, the City would purchase the remaining properties in the "Lord Selkirk Project" for $0.40 per square foot and "Midland Railway Project" for $0.55 per square foot. These below market prices were set as an incentive to encourage new development in these areas. The purchase of these remnant parcels would fulfill City Council's, the federal and provincial partners' mandate to officially close the two remaining Urban Renewal projects. This was targeted for the spring of 1988.

Most recently, Gary Martin of Canada Mortgage & Housing Corporation has contacted the Land and Development Services Department, expressing his agency's desire to bring closure to the two remaining Urban Renewal Projects, (Lord Selkirk Park and Midland Railways Projects). A review of the related files indicates that several attempts have been made to bring closure to these outstanding accounts, but due to the competing priorities of the day, this task has yet to be finalized. It appears the City's best interest would be served by bringing closure to these accounts in a timely fashion, for the following reasons;

Firstly, an in-depth investigation revealed that in, March of 1993, the City has sold 38,675 square feet of land in the Lord Selkirk Park Project (Parcel #6, on Schedule "A"), to Habitat for Humanity. The land was to be developed with low cost housing, in accordance to the "Jimmy Carter Work Project". However the City has not yet forwarded the allotted moneys to the Urban Renewal Partners. The land sold at $0.40 per square foot, the price at which the City agreed to purchase land from the partnership, and Habitat's development conforms to the Urban Renewal Scheme.

Secondly, a 37,060 square foot parcel of land in the Midland Railway Project, valued at $0.55 per square foot, (Parcel #10, on Schedule "A"), is currently being used exclusively by the City of Winnipeg. As part of the Central Yard Reorganization project, the City relocated central yard's fuelling station to this location in 1986. Related files do not indicate that the Partnership formally agreed to allow the City to use this parcel in this manner. This may result in some question to whether the current use of this parcel is in accordance with the Urban Renewal Scheme. Records do not indicate that the City has acquired the Partners' interests in this parcel.

When considering the previously two mentioned properties, the City is obligated to forward due payment to the Partners in regards to the sale of land to Habitat for Humanity in the Lord Selkirk Park Project. Also, it is in the City's best interests to hold clear title, that is free of claim by the other Partners, to the parcel of land in the Midland Railway Project, where the City's fuelling station is located. These two parcels of land comprise over 72% of the total monetary value owing to the Partners in order to close these projects.

Thirdly, a 1,311.75 square foot parcel was sold in 1985 to the adjoining owners for consolidation with title to their residential property on Ross Avenue and the funds have yet to be forwarded to the Urban Renewal Partnership.

Lastly, the remaining 9 parcels of land are being offered at below market purchase prices of $0.40 per square foot for "Lord Selkirk Project" and $0.55 per square foot for "Midland Railway Project". It is economical and practical for the City to hold clear title to these remnant properties. Smaller parcels can be sold for consolidation with adjacent privately owned properties. The larger parcels could be sold for future development.

The proposed acquisition of C.M.H.C.'s and Manitoba Housing's interest in remnant Urban Renewal Land is calculated as follows:

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Canada Mortgage & Housing Corporation's Portion:

Lord Selkirk Park Project:	65,176.43 sq. ft. @ $0.40/sq. ft. X 50% =	$13,035.29
Midland Railway Project:	41,926.75 sq. ft. @ $0.55/sq. ft. X 50% =	$11,529.86
	Total:	$24,565.15

Manitoba Housing's Portion:

Lord Selkirk Park Project:	65,176.43 sq. ft. @ $0.40/sq. ft. X 25% =	$ 6,517.64
Midland Railway Project:	41,926.75 sq. ft. @ $0.55/sq. ft. X 25% =	$ 5,764.93
	Total:	$12,282.57

Total Cost To Acquire All Interest: $36,847.72

Canada Mortgage & Housing Corporation and Manitoba Housing have been forwarded schedules listing remnant Urban Renewal parcels and costs of acquiring their respected interest, for their approval. Both parties have previously agreed to these properties in prior attempts to close these projects.

Adequate funding for the proposed acquisition of interests, as described, is in Certificate No. GU 97-92 against the Land Acquisition for Unspecified Purposes account.

The Committee on Finance and Administration recommends:

I. That the acquisition of the remaining interests of the remnant Urban Renewal Partnership lands, as outlined, be approved at a price of $36,847.72, formally closing the two remaining Urban Renewal accounts.

II. That the Proper Officers of the City be authorized to do all things necessary to implement the termination of the "Lord Selkirk Park Project" and "Midland Railway Project" agreements.

Copies of Misc. Plan Nos. LSWK 9966, 9967, 9968 and Schedule "A" are on file in the office of the City Clerk.

Adopted by consent.

Proposed Acquisition of 558 St. Mary's Road - St. Vital Parkway
File FI-2(35) (Vol. 5)

630 - 6. Council at its meeting held on November 26, 1996, adopted the recommendations contained in a November 4, 1996 report from the Committee on Protection Parks and Culture namely:

I. That the Director of Land and Development Services be authorized to negotiate the purchase of 576 St. Mary's Road, as identified on Plan 33-96, at a total estimated cost of $115,000.00, for riverbank parkway purposes of the St. Boniface Riverbank Parkway and the St. Vital Riverbank Parkway; chargeable to the Riverbank Land Acquisition Account and the Account for General Unspecified Purposes.

II. That the Director of Land and Development Services be requested to monitor and advise the Director of Parks and Recreation of the availability of riverbank properties situated west of St. Mary's Road between Dunraven and Harrowby Avenues; Vivian Avenue and Morier Avenue and Fifth Avenue and Lyndale Drive, in order that the properties be acquired as they become available for sale.

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

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The 576 St. Mary's Road property was sold to a private party prior to the City having an opportunity to submit an offer. In accordance with the Committee on Finance and Administration's instructions of January 7, 1997, the Land and Development Services Department has contacted the new owners of the 576 St. Mary's Road property to determine if they would be interested in the resale of the property. No reply from the new owners has been received.

In accordance with Council's instructions on November 26, 1996, relative to the second recommendation, the Land and Development Services Department has been monitoring the availability of riverbank lands within the area and advising the Director of Parks and Recreation of their availability. A total of three properties have been identified and reported to the Parks and Recreation Department since then. The Parks and Recreation Department upon review of the properties, requested that the Land and Development Services Department commence immediate negotiations for the property at 558 St. Mary's Road.

The property shown as Property No. 15 on Misc. Plan No. Riel 9058/1 is listed exclusively for sale for $89,900.00.

On March 21, 1997 the realtor involved contacted a Land and Development Services Department representative and advised that the owner was prepared to enter into a sales agreement with the City in accordance with the terms and conditions outlined on Schedule "A".

The proposed acquisition price is within the Land and Development Services Department's estimated range of market value and given the identified "need" for the property is considered to be fair, reasonable and in the City's best interests. The items to be excluded from the sale as per Item No. 4 of Schedule "A" are trade fixtures and since the City is not buying the business, were not included in the market value estimate.

The Parks and Recreation Department advises that it wishes to have the improvements which are situated on this site demolished, but not until a development program is approved by Council.

The matter of demolishing the improvements at 558 St. Mary's Road has been referred to the Committee on Planning and Community Services to authorize the Director of Civic Buildings to demolish the improvements at 558 St. Mary's Road at such time as a development program is approved for the use of the property by Council, all costs associated with the demolition to be charged against the Land Acquisition Account.

The Parks and Recreation Department advised that it wishes to have the improvements which are situated on this site demolished, but not until a development program is approved by Council.

The Committee on Finance and Administration recommends:

I. That the acquisition of 558 St. Mary's Road be approved at a price of $80,000.00 and in accordance with the terms and conditions outlined on Schedule "A" for riverbank parkway purposes of the St. Boniface Riverbank and the St. Vital Riverbank Parkway; chargeable to the Riverbank Land Acquisition Account and the Account for General Unspecified Purposes.

II. That the Proper Officers of the City be authorized to do all things necessary to finalize this transaction in accordance with Council's intent.

Copies of Misc. Plan No. Riel 9058/1 and Schedule "A" are on file in the office of the City Clerk.

Adopted by consent.

Extension of Leases with Winnipeg Enterprises Corporation - Arena and Stadium Lands File FI-2.2(31) (Vol. 2)

631 - 7. Winnipeg Enterprises Corporation has requested an extension of its current leases on the Winnipeg Arena and Winnipeg Stadium lands.

The referenced City owned properties, shown and identified as "Arena Lands" and "Stadium Lands" on Miscellaneous Plan No. 9797, have been leased to Winnipeg Enterprises Corporation by way of two leases dated September 27, 1954 and August 12, 1952 for Arena and Stadium respectively. Subsequently numerous amending agreements, the last of which was dated March 9, 1993 have extended the term of leases to December 31, 2002.

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The solicitor on behalf of Winnipeg Enterprises Corporation has requested a further extension of the term of the leases to December 31, 2017. Since Winnipeg Enterprises Corporation is undertaking significant renovations and upgrades to both the arena and stadium facility it would like to take advantage of today's interest rates over a long term.

The financial institution, CIBC has indicated that it would entertain a long term amortization period with the security of a long term lease in place which would parallel the amortization period.

The Corporation has advised that it is in the process of undertaking 2.8 million dollars of renovations and upgrades which comprise approximately 1.6 million dollars in renovations on the arena site and 1.2 million dollars of upgrades to the stadium.

To date the upgrades and renovations include insulation of the clubs seats in the arena, the renovation of the front lobby in the arena, the installation of a new sound system in the stadium and major maintenance upgrades in both facilities.

The Parks and Recreation Department has indicated it has no objections to the lease extension provided that Department was not liable for the payment of any realty tax assessment within the agreement period. Concern was expressed relative to any changes to the realty assessment treatment of these two facilities that may occur during the term of the lease extension. This concern was discussed with the Legal Services Division to secure a legal opinion if the City would be liable for any realty taxes on these facilities. The Legal Services Division restated it's 1992 legal opinion which stated that Winnipeg Enterprises Corporation is exempt from realty property taxation in respect of the Winnipeg Arena and Winnipeg Stadium. Therefore, it would appear that the legal opinion rendered provides the assurances that the City, the Parks and Recreation Department and/or the Winnipeg Enterprises Corporation would not be liable for realty taxes. Currently Winnipeg Enterprises Corporation pays the annual local improvement charges only.

With respect to any potential termination of the City's agreement with Winnipeg Enterprises Corporation during the term of the proposed extension, Legal Services Division has advised the current terms and conditions provide that the City upon termination of the lease would then become the operator of the two facilities and honour any financial commitments entered into by Winnipeg Enterprises Corporation.

The Committee on Finance & Administration, on November 25, 1996 requested information as to the total City funding support for the operations of Winnipeg Enterprises Corporation, including support for amateur access, the velodrome, the east side grandstands, the assessed value and fair market value of the lands, as well as the amount of business taxes waived, and what future improvements are planned for the facility.

The Committee was advised that the total City funding support for the operations of Winnipeg Enterprises Corporation, including the support for amateur access, the velodrome, the east side grandstands, as well as the amount of business taxes waived, is as follows:

	1994	1995	1996	1997
	Actual	Actual	Actual	Forecast
Velodrome	56,737	53,360	64,452	64,452
Winnipeg Enterprises - Debt (note 1)	100,301	100,245	100,119	100,125
Winnipeg Enterprises - Tax (note 2)	731,304	584,048	1,167,133	550,000
Winnipeg Enterprises - Amateur Use	101,583	64,167	87,500	100,000

Note 1: This is the debt service on the additional cost of stadium expansion of $ 900,000.00. Payment was authorized by Council November 22, 1977. The last payment is December 1, 1998.

Note 2: This represents the amount of amusement tax collected and then rebated back to Winnipeg Enterprises. Council on July 29, 1987 authorized that Winnipeg Enterprises would be allowed to retain the amusement tax from events held in the arena facility. Note that Winnipeg Jets tickets were specifically amusement tax exempted. The 1997 forecast was inserted into the budget prior to negotiation of the Moose lease and a recent policy change which allows the Board to balance the rebate to the actual amount collected. A more likely forecast for 1997 is $1.2 million.

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The assessed value of the stadium and arena is as follows:

	Stadium	Arena
Land	$8,944,000	$2,150,000
Building	$9,966,000	$9,380,000
Total	$18,910,000	$11,530,000

These properties are listed in the assessment roll as exempt.

It is clear that the Winnipeg Enterprises Corporation recently negotiated the Moose lease and is actively considering renovations to the Stadium on the assumption that the amusement tax rebate will continue. Therefore, the extension of the Arena/Stadium lease would maintain current policy as it pertains to the amusement tax to December 31, 2017, unless Council determines otherwise in considering this matter.

The Committee on Finance and Administration recommends:

I. That the existing Lease Agreements with the Winnipeg Enterprises Corporation for the "Arena Lands" and "Stadium Lands" as outlined on Misc. Plan No. 9797, be extended from December 31, 2002, to December 31, 2017, and be approved in a form satisfactory to the City Solicitor/Manager of Legal Services.

II. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Copy of Misc. Plan No. 9797 is on file in the office of the City Clerk.

Adopted by consent.

Proposed Land Acquisition - 1200 Wilkes Avenue - Sterling Lyon Parkway
File FI-2(31) (Vol. 3)

632 - 8. The Committee on Finance and Administration at its meeting held on March 3, 1997, considered a report dated February 27, 1997, from the Acting Chief Commissioner regarding property located on the south side of Wilkes Avenue, east of Kenaston Boulevard, illustrated on Misc. Plan No. ASBA 9286.

The Committee on Finance and Administration requested the Administration to negotiate with the land owners the terms and conditions of a sale at the price previously set in early 1995 (approximately $134,700.00) with the amount payable being credited to the outstanding taxes, exclusive of the subdivision application costs, i.e. dedication fees, subdivision plan and registration costs, trunk service rate charges, levies related to the Wilkes Avenue resurfacing project, levies related to the cost to construct the Sterling Lyon Parkway, and other like costs; and further that the Administration request the Winnipeg Land Titles Office to waive their fees in this connection.

The Committee on Finance and Administration also requested the Administration to negotiate the acquisition of the surrounding lands needed for the Sterling Lyon Parkway as they become available.

The Real Estate Division of the Land and Development Services Department has since negotiated the proposed terms and conditions of acquisition of that portion of the subject property shown as "proposed road opening" on Misc. Plan No. ASBA 9286.

The property owner (1200 Wilkes Avenue Ltd.) has indicated that it is in agreement with the proposed terms and conditions 1 through 15, subject to an amendment to No. 6 plus an additional condition No. 16, as outlined on Schedule "A". The proposed purchase price of $134,700.00 reflects a rate of $25,000.00 per acre for raw unsubdivided land. The total purchase price is to be applied to the tax arrears and the proposal is subject to the owner paying all tax arrears up-to-date. Condition No. 5 avoids the need to deal with development costs until

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such time as the same are attracted by an actual development of the property. In the opinion of the Land and Development Services Department, the proposed terms and conditions 1 through 15 only, reflect the City's best interests respecting this proposed transaction.

The Legal Services Division has verbally indicated that applicable Winnipeg Land Titles Office fees associated with the redemption of the property are a matter between that office and the property owner. The property owner must pay to the City the outstanding 1996 taxes and then produce the resulting receipt to The Winnipeg Land Titles Office, together with payment of the 1993/95 tax arrears, interest, penalties and usual Winnipeg Land Titles Office charges in order to redeem the property from Tax Sale. Based on past experience, the expectation is that the Winnipeg Land Titles Office will not waive the usual redemption charges. The Committee on Finance and Administration has instructed the Land and Development Services Department to attempt to have the Winnipeg Land Titles Office fees waived and in the event the Department is not successful, to compensate 1200 Wilkes Avenue Ltd. with one-half of the Winnipeg Land Titles Office charges.

The Streets and Transportation Division advises that Council on February 12, 1997, included the Sterling Lyon Parkway within the 1998/2002 five year capital forecast. Furthermore, that Department advises that the associated costs of this proposed transaction may be charged to the Land Acquisition Account for Future Transportation Purposes.

The Committee on Finance and Administration recommends:

I. That the acquisition of the land required for "Proposed Road Opening" as shown on Misc. Plan No. ASBA 9286, be approved at a price of $134,700.00 and upon the terms and conditions 1 through 15 only, as outlined in Schedule "A".

II. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Copies of Misc. Plan No. ASBA 9286 and Schedule "A" are on file in the office of the City Clerk.

Adopted by consent.

Surplus Industrial, Commercial, Investment Property Listing Program - Properties to be Declared Surplus to City Requirements File FI-2.4 (Vol. 6)

633 - 9. The Committee on Finance and Administration, at its meeting held on November 25, 1996, directed the Land and Development Services Department to seek proposals for service from selected ICI Division broker members of the Winnipeg Real Estate Board in connection with the next listing program. The Committee also approved a list of properties to be listed and sold in the listing program and requested comments from City Departments and Community Committees as to any deletions or variations to the list of properties.

The Land and Development Services Department provided each Community Committee with a list of potentially surplus properties that were located within its boundaries and circulated the full list of 46 potentially surplus properties to each Civic Department. Twenty-five (25) properties have been released for "Listing" purposes by all responding parties. Nineteen (19) of these properties have been previously declared surplus and authorized for sale. Six (6) of these properties have yet to be declared surplus. Particulars of these 6 properties are outlined below, as follows:

1. Location - Stony Mountain Quarry

The City of Winnipeg owns approximately 156 acres of land, as shown on Misc. Plan No. 7810, in the Rural Municipality of Rockwood. This land has been operated as a gravel quarry since 1901. Sales from, and use of the quarry, have dropped off dramatically since 1980 and the Operations Department is supportive of the sale of the entire property.

At its meeting held May 24, 1990, the Board of Commissioners instructed the Land and Development Services Department to do all things necessary to have the property declared surplus to the City's requirements and to dispose of the quarry by public tender.

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The decision of the Board of Commissioners to dispose of the quarry was based on the following:

1. the liability for restoration of the quarry;

2. the requirement for the ongoing maintenance of the property;

3. trespassing in the area by all-terrain vehicles and pedestrians has been a continuous problem in spite of all the efforts to deter it;

4. the liability for injuries of people that are trespassing in the quarry;

5. the lack of usability and marketability of the product that is mined from the quarry.

In a letter dated June 25, 1991, the Manager/Senior District Planner of the Municipal Planning Section of the Rural Development Department of the Province of Manitoba states as follows "I am of the opinion that the quarry properties should be rehabilitated and converted to another productive land use - perhaps recreational or residential".

The Rural Municipality of Rockwood had expressed their concern over the years about the continued use of the City's lands as a mining operation in that residential development has taken place in close proximity to the quarry.

Early in 1992, the City advised the Rural Municipality of Rockwood that the subject property would be tendered with a reserve price of $60,000.00. The Rural Municipality of Rockwood responded with a request that the City withhold the decision to sell the property for one year to allow the Rural Municipality to prepare a study on the subject property. Subsequently, the Rural Municipality requested a further extension of time and contracted with Matrix Management Consultants to prepare a land use study.

The Land and Development Services Department is now in receipt of a letter from the Rural Municipality of Rockwood indicating that the study supported use of the quarry for green space, parks trails and sports playing fields.

In a letter dated August 29, 1994, the Rural Municipality of Rockwood suggested that the City of Winnipeg consider submitting the quarry as a site for a walking event for the 1999 Pan Am Games. The municipality encouraged the City to make improvements to the site, and once the property has served the needs of the City, the Rural Municipality of Rockwood would be willing to "take over the property".

The Equipment and Material Services Division of the City of Winnipeg recently were advised that they would be required to pay royalties to the Rural Municipality of Rockwood in the amount of $3,600.00 for materials removed from the pit for the period 1992 - 1995. The monies are due and payable, however, the Land and Development Services Department requested that this be included as part of the offer to purchase.

The Equipment and Materials Services Division has also indicated that all of the crushed limestone as well as the truck scales have been removed from the quarry and that it has no activity whatsoever at this site.

The Municipal annual taxes for the subject property have been running approximately $4,000.00.

The Committee on Finance and Administration on May 27 and 29, 1996, considered an Offer to Purchase this property from the Rural Municipality of Rockwood for $1.00. The Committee directed "that the property be listed for sale with independent Real Estate Brokers".

The Rural Municipality of Rockwood on September 4, 1996, advised as follows:

> "On behalf of the Council and Residents of the Rural Municipality of Rockwood, I encourage the City of Winnipeg to reconsider their decision to list the property for sale with a real estate broker, and seriously consider the possibility of rehabilitating the quarries at Stony Mountain for use during the Pan-Am games as a joint venture with the Rural Municipality of Rockwood and to consider preserving this Green Space for the generations of today and the future."

The Stony Mountain Ski Area on November 8, 1996, advised that it was prepared to purchase a 5 acres part of the Quarry for expansion purposes at a price of $1.00 plus legal costs.

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On October 25, 1996, the Department received a letter from the Historic Resources Board expressing concern for the preservation of fossils contained within the Quarry under the Heritage Resources Act (1986). The letter advised that this site is used for educational and palaeotological purposes. The site contains fossils which are 450 million years old and which are unique to Manitoba.

The Committee on Finance and Administration is recommending that Council declare the Stony Mountain Quarries, as outlined on Misc. Plan No. 7810 (Exhibit "A"), to be surplus to the City's requirements and that the property not be offered for $1.00 to the R.M. of Rockwood.

2. Location - Northwest corner of Dugald Road and Plessis Road

Some interest has been expressed in this property in the Spring of 1996 but an Offer never materialized presumably due to the watermain easement which must be retained as outlined on Misc. Plan No. EKT 9647/1 (Exhibit "B")

The Land and Development Services Department has been advised that a Trunk Service Rate charge of $9,801.00 per acre will apply to this property.

The Committee on Finance and Administration is recommending that the "Subject City Property", as shown on Misc. Plan No. EKT 9647/1, be declared surplus and that the Director of Land and Development Services be instructed to "list" the property for sale purposes.

3. Location - South side Fermor Avenue (Trans Canada Highway), between Lagimodiere Boulevard and Royal Mint Drive

The Committee on Finance and Administration is recommending that the "Subject City Property", as shown on Misc. Plan No. SBSV 7960/2 (Exhibit "C"), be declared surplus and that the Director of Land and Development Services be instructed to "list" it for sale purposes.

4. Location - Northeast corner of Marion Street and rue Archibald

Although there has been some interest in this property (Exhibit "D"), the prices discussed have been relatively low in the opinion of the Department.

The property, although not large, does offer some ability for small office space development.

There was some expressed interest in the sale of the property, however, the price offered was too low, although negotiations are still ongoing. It is not known how long these negotiations will take or if they will be successful. Therefore, the Committees on Finance and Administration has instructed the Director of Land and Development Services to "list" this property with the listing to preclude any commission if the City should conclude a sale to the existing prospective purchaser.

The Committee on Finance and Administration is recommending that the City property, shown hatched on Misc. Plan No. RIEL 7684/5, be declared surplus and that the Director of Land and Development Services be instructed to "list" it for sale purposes.

5. Location - Park Lane Avenue, south side

The Land and Development Services Department has received some interest in this property (Exhibit "E").

The Committee on Finance and Administration is recommending that the "Subject City Property", as shown on Misc. Plan No. 8483/2, be declared surplus to the City's requirements and the Director of Land and Development Services be instructed to "list" it for sale purposes.

6. Location - Northwest Austin Street and Henry Avenue

Council on May 22, 1996, authorized the Director of Parks and Recreation to make available the City owned property, as outlined on Misc. Plan No. 6455/3 (Exhibit "F"), to Ms. Ailsa Lauder on an annual basis for garden plot purposes at no cost for use by clients of the Crisis Stabilization Unit of the Salvation Army.

There has been no recent expression of interest in this property.

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The Committee on Finance and Administration is recommending that the "Subject City Property" (except for the land required for street and widenings), as shown on Misc. Plan No. 6455/3, be declared surplus to the City's needs and that the Director of Land and Development Services be instructed to "list" the property for sale purposes.

The Committee on Finance and Administration therefore recommends:

I. That the following City-owned properties be declared surplus to the City's requirements and that the Director of Land and Development Services be instructed to "list" the subject properties for sale purposes, namely:

A. Stony Mountain Quarry (as shown on Misc. Plan No. 7810 - Exhibit "A")
B. Northwest corner of Dugald Road and Plessis Road (as shown on Misc. Plan No. EKT 9647/1 - Exhibit "B")
C. South side Fermor Avenue (Trans Canada Highway) between Lagimodiere Boulevard and Royal Mint Drive (as shown on Misc. Plan No. SBSV 7960/2 - Exhibit "C")
D. Northeast Corner of Marion Street and rue Archibald (as shown on Misc. Plan No. RIEL 7684/5 - Exhibit "D")
E. Park Lane Avenue, south side (as shown on Misc. Plan No. 8483/2 - Exhibit "E")
F. Northwest Corner of Austin Street and Henry Avenue, except for the land required for street and widenings (as shown on Misc. Plan No. 6455/3 - Exhibit "F")

II. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Adopted by consent.

Data Centre Strategic Direction
File GCP (Vol. 8)

634 - 10. On June 28, 1993, the Committee on Finance and Administration established the Ad Hoc Committee on Information Technology chaired by Councillor John Angus. The purpose of the Committee was to review the activities of the Computer Services Department in relation to other City of Winnipeg departments, and other public and private sector organizations in order to identify any financial opportunities or services and to ensure that the objectives of the City of Winnipeg are met.

A Steering Committee comprised of Councillor Angus, the Commissioner of Finance and Administration and the City Auditor was established to put in place a process for a complete review of the use and application of information technology throughout the City. The Steering Committee sponsored two undertakings. The first initiative was Information Technology Workshops facilitated by Arthur Andersen Business Systems Consulting in February 1994. The objective of these workshops was to assess the City's current information systems, identify areas of strength and weakness of the organization and to propose strategies, rules and principles the City of Winnipeg required to achieve a successful systems process. The second initiative was to assess the issues associated with outsourcing of various components of the computer systems used by the City. Deloitte & Touche Management Consultants were contracted to provide this advice.

The Deloitte & Touche Management Consultants report "Computer Services Outsourcing Feasibility Study" - dated May 27, 1994, recommended three areas for further exploration to determine the feasibility and cost benefits with respect to outsourcing. The three areas were:

a) Data Centre Operation
b) Information System Development and Support
c) Information Systems Maintenance

On February 10, 1995, a final meeting with Deloitte & Touche Management was held. As a result of this meeting, a decision was made to proceed with the development of a Request for Information with respect to the outsourcing of the Data Centre Operation.

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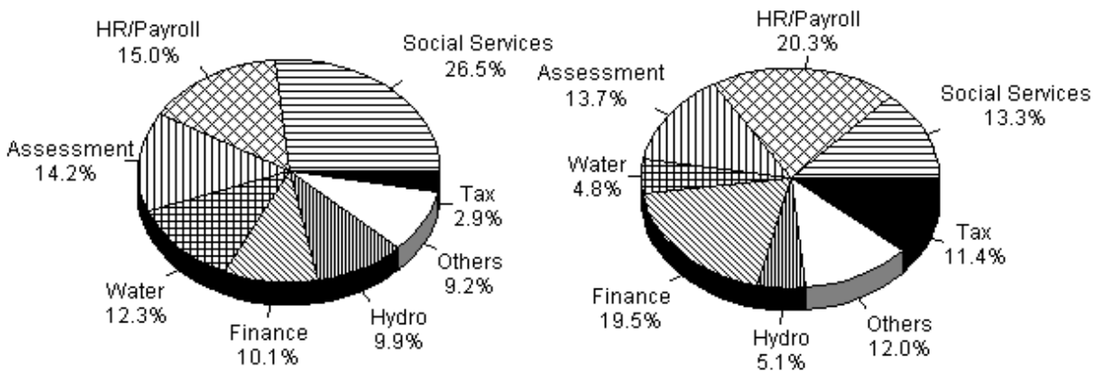
A service contract for the preparation, issuing and evaluation of an RFI was awarded to Deloitte & Touche Management and confirmed in a letter dated March 27, 1995. A subsequent letter dated April 7, 1995, from Deloitte & Touche Management Consultants, specifically Mr. J.G. Harris, advised that a client of their firm planned to ask for a copy of the RFI document and in all likelihood provide a submission. This would have caused a serious impediment to Deloitte & Touche's independence, as well as concerns that they may establish criteria favourable to their client and/or carry out a biased evaluation. A decision to withdraw from the contract was made by Deloitte & Touche .

A replacement consultant was recommended by Mr. J.G. Harris and in the interest of expediting the process to continue on with the RFI as close to the timeframes established, a contract was awarded to Ms. J. Johnson, of Information Management Technology Consultants, on May 1, 1995. The results of this contract were inconclusive and the establishment of a project team and an extension of time to gather additional costing information was granted by the Committee on Finance and Administration on February 26, 1996.

The Project Team gathering the additional information which included software transfer fees, conversion costs to privatize and potential charges that would be incurred if the City had to re-establish software maintenance agreements that had previously been cancelled, encountered the need to establish a Year 2000 compliant environment. The investigation to determine the requirements for the Year 2000 extended the time to complete the study. The additional costs to convert the system software to the required environment has been included in the cost models.

The data centre currently supports a number of key City systems such as Social Services, Winnipeg Hydro Customer Billing, Water and Waste Customer Billing, Assessment, Tax, Payroll, Financial Reporting System and other smaller systems such as parking tags, traffic accidents, and hired equipment. The diagram below illustrates the resource utilization of these systems (Processor and Disk Utilization).



CPU Processor Utilization Disk Utilization

Currently there are a number of plans in place to replace 5 of the 7 major applications or 65% of the current CPU Processor utilization (Assessment, Hydro, Water, Tax, Social Services). These plans are being driven by replacement of old technology (i.e. water and hydro customer billing, assessment - CAMA), transfer of functions to the Province (Social Services), and Year 2000 (Tax, and a collection of small systems). If all these systems can be moved off the mainframe as planned, the mainframe resources needed will be 25% of the current capacity. One of the issues with this is timing, as it is very difficult to project the exact time that these moves will occur. The biggest unknown is the replacement of the Social Services System, which represents 26.5% our current capacity. We cannot reduce capacity, or even commit to reducing capacity on the mainframe computer until these systems have been replaced.

The initial work undertaken in 1995/96 to determine if out sourcing of the data centre operations was cost effective did not take into consideration industry wide problems created by the Year 2000. It is important to note that a tactical plan to convert to a Year 2000 compliant operating system (environment) has been developed and the costs to upgrade the system software have been included in the cost models for the three options this report addresses.

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Regardless of the option ultimately pursued by the City of Winnipeg, there is a need to re-establish a reliable infrastructure that ensures the continued delivery of legacy systems integral to city operations. Incidents of failures to the on-line legacy systems have increased in the last number of months. This is attributed to a number of factors, two majors ones being the effects of New Directions and a mainframe strategic plan that was only partially completed.

a) New Directions provided opportunities for staff to further their careers in distributed IT departments as well as reduced the overall complement of technical positions for corporate development and infrastructure support. Unfortunately, the skills that were lost from within Corporate Services could not and have not been replaced.

b) The mainframe replacement strategy, initiated in 1993, re-deployed technical staff responsible for software support on the mainframe to newer technological areas, and allowed for the establishment of the operational infrastructure for client server systems such as LBIS, Assessment Appeals, Tax Certificates, and the Financial Reporting and Analysis Tool. Unfortunately, the complementary strategy to downsize mainframe applications has been slower than anticipated due to insufficient information technology staff and reductions in operational and capital budgets. The Financial Management System, Social Services, Assessment, Employee Information Management (including payroll) have not been replaced by newer technology. While it is expected that the CAMA system will replace the current mainframe applications for Assessment and that the Social Services amalgamation will eventually retire that application, FRS and EMIS will require an operating infrastructure so that the systems can operate effectively well into the next century.

Options

Three possible data centre strategies are discussed below. Multi-year cost models were produced for each option. In the cost models, “year 0" is 4th quarter 1996 thru 3rd quarter 1997. In each model, the system software upgrade required for year 2000 compliance occurs in year 1. In the “outsource” cost model, outsourcing fees begin in year 1. Total cost quoted for each option below is for years 0 thru year 3.

Option 1 - Outsource:

With this option the City would enter into an outsourcing contract for mainframe data centre equipment, support, and operations. In a previous report regarding outsourcing RFI 1886-95, a proposal by ISM Corporation was deemed the most cost effective of the submissions. Costing of this option is based on ISM’s proposal.

ISM proposed a 5 year outsourcing contract. However, industry consultants (Gartner Group) recommend no more than a 3 year contract. Outsourcing contracts longer than 3 years are almost always re-negotiated early due to changing technology and customer requirements. Although the cost model includes years 4 and 5, long term accuracy is suspect.

Cost:

- The 4 year cost for this option is $10.3 million. This includes a cost of $2 million in year 1, increasing to $2.2 million in year 5.
- The costs were based on a fixed capacity (i.e. no change in CPU or Disk requirements).
- Annual software costs of $1.1 million would be eliminated.
- The City’s hardware maintenance and environmental costs would decrease $469,000 per year.
- Although costs are incurred to establish and manage the outsourcing contract, the City’s overall staffing requirements would be reduced.

Benefits:

- Some City staff time could be freed up to focus on other projects, such as new distributed systems.
- The need for some operational staff would be reduced.
- ISM would move the City’s processing to newer hardware technology, improving the infrastructure.
- The City would not have to replace or renew it mainframe environment.

Risks:

- To stabilize the data centre environment for the Year 2000 Compliance Project, outsourcing must occur before 4th quarter 1997.
- Since the CUPE contract provides job security to Dec 1999, surplus staff would have to be re-deployed internally, or placed with an outsourcer should it be possible to negotiate such an arrangement with the effected staff and their unions. Staff cost savings might not be realized.

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- In an outsourcing arrangement, unplanned service requirements such as additional capacity, additional software, or technical consulting, typically costs a premium. As well, savings resulting from unexpected reductions in demand accrue to the outsourcer.
- Some flexibility for scheduling system software upgrades is lost. ISM proposed a system software upgrade every 18 to 24 months, and normally allows a maximum of 6 months for application testing. This might not fit the City's schedule.
- Conversion to an outsourcer requires participation by line departments. With restrictions on staffing levels, and active involvement of departmental IT staff in developing replacement systems, obtaining this commitment from departments will be difficult.
- Transferability of the City's software licences cannot be guaranteed until the specific outsourcing hardware configuration is known.
- To stabilize the data centre environment for the Year 2000 Compliance Project, the out sourcing project must deliver as promised and not create any additional workload burdens on existing staff.
- After moving to an outsourcer, re-establishing an inhouse infrastructure is very difficult. If service expectations are not met, options are limited.

Option 2 - Inhouse ECL:

With this option the City would continue operating and supporting the data centre inhouse. The City would continue to use it's existing mainframe hardware. The City's Amdahl 5890-400E mainframe processor uses older "ECL" technology.

Cost:
- The 4 year cost for this option is $11.0 million. This includes the following items.
- Upgrading system software on the City's current mainframe processor would increase annual software lease fees by $257,000.
- The City must re-instate previously discontinued software maintenance, increasing annual fees by another $82,000.
- The system software upgrade and ongoing support will require 2 additional staff, plus re-assignment of existing staff.

Benefits:
- This option offers the least disruption to the City's current environment.
- Retaining inhouse technical skills improves the City's ability to integrate legacy systems with new distributed systems.
- Retaining inhouse mainframe skills, ensures that the Year 2000 Compliance Project gets the technical resources it requires.
- By 'cleaning house', cost savings could be achieved. Some software could be replaced with less expensive alternatives. Increased automation could reduce staff costs.
- With inhouse staff and equipment, the City has more control over service quality.

Risks:
- The possibility of lengthy system outages is higher with old vs newer technology. As the existing mainframe hardware becomes increasingly obsolete, obtaining service and parts becomes more difficult and expensive.
- With the addition of new servers for distributed systems, the 7th floor data centre is running out of space.
- Year 2000 work is creating an industry shortage of system programmers. Our ability to hire and keep skilled system programmers is crucial.
- There has been two outages of 3 hour and 1 hour duration since November 1996. Typically we experience 1 outage a year due to power surges.

Option 3 - Inhouse CMOS:

With this option the City would continue operating and supporting the data centre inhouse. The City would take advantage of newer technology, replacing the existing mainframe processor with a "CMOS" enterprise server.

Cost:
- The 4 year cost for this option is $10.0 million. This includes the following:
- A new enterprise server is projected to cost about $175,000 annually (based on a 3 year lease).
- About $218,000 annually would be saved in hardware maintenance fees and environmental costs.

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- A CMOS processor would qualify the City for "PSLC" software pricing. Upgrading system software on a CMOS processor would actually decrease annual software lease fees by $20,000.
- The City must re-instate previously discontinued software maintenance, increasing annual fees by $115,000.
- The system software upgrade and ongoing support will require 2 additional staff, plus short-term re-assignment of existing staff.

Benefits:

- By retaining in-house mainframe skills, the City could ensure the Year 2000 Compliance Project gets the technical resources it requires.
- Retaining in-house technical skills improves the City's ability to integrate legacy systems with new distributed systems.
- By 'cleaning house', cost savings could be achieved. Some software could be replaced with less expensive alternatives. Increased automation could reduce staff costs.
- With in-house staff and equipment, the City has more control over service quality.
- Data centre floor space is freed up, making room for the additional distributed system servers.
- Additional savings are possible by replacing other hardware, such as disk storage, with newer and less expensive equipment.
- If required, additional capacity can be acquired at a low cost.
- Savings due to reductions in demand would accrue to the City.

Risks:

- Year 2000 work is creating an industry shortage of system programmers. Our ability to hire and keep skilled system programmers is crucial.

The City must re-establish a reliable infrastructure to support critical legacy business information systems into the next century. Option 3, keeping the data centre inhouse and upgrading to newer technology, offers the least risk for the lowest cost. The following summarizes the key components which support this decision:

Financial:

- Out sourcing costs .22 million more than the in-house option (four year cost). This assumes a fixed capacity on the mainframe.
- The out sourcing model is based on the ISM proposal of 1995. Capacity requirements on the mainframe are projected to decline in the next two - three years. This is a result of new systems (customer billing, CAMA, Tax), year 2000 system replacements, and the transfer of Social Services to the Province. ISM's bid was based on a fixed cost at our current capacity.

- Should the Data Centre remain in-house, the City can reduce its mainframe capacity as required, and benefit from savings in reduced software license costs which are based on the size of the CPU.

- Salaries were considered flexible in the out sourcing model. If staff impacted by outsourcing are retained to support new distributed systems, there would be an additional cost of approximately .42 million per year. The requirement to retain employees to the end of 1999, may eliminate any staff savings projected through out sourcing.

- Unplanned service requirements such as additional capacity, additional software, or technical consulting typically cost a premium once the service is out sourced. Due to the magnitude of the changes taking place for the Year 2000, this is a critical issue. Our CPU, disk space and need for technical assistance may increase in the short term because of the need for us to create a new environment in parallel with the old environment, before some systems are removed from the mainframe.

Operational:

- Conversion to an independent contractor requires active support and participation by Information Technology and User staff in line departments. With reductions in staffing, new technology initiatives, and Year 2000 work, obtaining this commitment may be difficult. Departments need to clearly define anticipated services and test applications.

- The City needs a stable environment to implement the Year 2000 project. We are concerned with ISM's ability to meet current work loads and respond to our needs. Any delays or disruptions in the Year 2000 project could have severe consequences for the City.

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Strategic:

- After moving to an independent contractor, reestablishing an in-house infrastructure is very difficult if service expectations are not met.
- The City looses some control over scheduling of upgrades and changes to the environment with an out sourced data centre.
- Once out sourced, unplanned capacity increases could be very expensive and the City will not accrue 100% savings from unplanned capacity reductions.
- Once out sourced, the City can not realize the savings generated by replacing other aged hardware such as disk or tape drives.
- Given the current timelines and the lack of a competitive market for data centre services, to outsource, the City will be negotiating with one supplier.

The Committee on Finance and Administration recommends:

I. That the City of Winnipeg pursue the low cost / low risk alternative of acquiring an enterprise server in support of both the Year 2000 Compliance Project and the critical information systems utilized by City Departments as outlined in Option 3 - Inhouse CMOS contained in the report.

II. That a Request For Proposal to acquire an Enterprise Server be issued in the second quarter of 1997.

III. That, to re-establish a reliable infrastructure, the WAPSO staff complement of the IT Operations Infrastructure Branch of the Corporate Services Department be increased by two Senior System Programmer positions, subject to the approval of the Vacancy Management Committee.

IV. That funding for these positions be from the savings that will accrue in the operating budgets of Corporate Services and Civic Buildings Departments as a result of installing the Enterprise Server.

V. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Adopted by consent.

COMMITTEE ON FINANCE AND ADMINISTRATION

CONSIDERATION OF BY-LAWS

635 - On motion of Councillor Silva, the rule was suspended and the following by-laws were read a first, second and third time, the rule being suspended for the third reading of each by-law, and were passed and ordered to be signed and sealed, namely:

By-law No. 7038/97, a by-law of the City of Winnipeg to amend the Amusement Tax By-law No. 3107/81. File FL-6 (Vol. 15)

By-law No. 7039/97, a by-law of the City of Winnipeg to exempt portions of properties owned by or held in trust for Veterans Associations in the City of Winnipeg from taxation for municipal purposes. File FL-2.5 (Vol. 10)