Report - Alternate Service Delivery Committee - June 12, 2003

Item No. 1 Glacial Sand and Gravel Special Operating Agency Annual Selection Report 2003
File GL-5.6.1

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 18, 2003, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee, and submits the following to Council:

1. That Council approve the 2003 Selection Report for the Glacial Sand and Gravel Special Operating Agency.

2. That Council delegate authority to the Chief Operating Officer of the Agency to approve multi-year operational agreements not exceeding 15 years in duration, subject to the approval of the Director of Public Works.

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

Report - Alternate Service Delivery Committee - June 12, 2003

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 18, 2003, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On June 12, 2003, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

Re: ANNUAL SELECTION REPORT 2003: GLACIAL SAND AND GRAVEL SPECIAL OPERATING AGENCY

For Submission To: **ALTERNATIVE SERVICE DELIVERY COMMITTEE**

Submitted By: **J. A. Thomson, P.Eng., Director of Public Works**

Report Date: **June 10, 2003**

Recommendations:

1. That Council approve the 2003 Selection Report for the Glacial Sand and Gravel Special Operating Agency

2. That the Chief Operating Officer of the Agency has the delegated authority to approve multi-year operational agreements not exceeding 15 years in duration, subject to the approval of the Director of Public Works.

REPORT SUMMARY:

Key Issues:

- **The 2003 Selection Report is consistent with previous Selection Reports adopted by Council**

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications:

X	None
	For the organization overall and/or other departments
	For the community and/or organizations external to the City
	Involves a multi-year phase in process

Comments:

Policy Implications:

[X] No
[ ] Yes

Comments:

Environmental Implications:

[X] No
[ ] Yes
Comments:

Human Resource Implications:

[X] No
[ ] Yes
Comments:

Financial Implications:

[X] Within approved current and/or capital budget
[ ] Current and/or capital budget adjustment needed

Comment:

REPORT

Reason for the Report:

The Glacial Sand and Gravel Operating Charter stipulates that a Selection Report (summary of the annual business plan) will be submitted to Council each year.

History:

Glacial Sand and Gravel was designated a Special Operating Agency (SOA) by Council effective January 1, 2001.

Discussion:

2002 was Glacial Sand and Gravel's second year of operation as a Special Operating Agency. The major component of the Agency's operations is the Pine Ridge Gravel Pit. This pit is one of the last remaining high quality, clean, above-water sand and gravel deposits in close proximity to the City of Winnipeg. Glacial Sand and Gravel produces a variety of sand and gravel products at this location.

The second component of the Agency's operation is the Trancona Gravel Pit located off Provincial Hwy 207. This gravel pit is currently being mined on a per tonne royalty basis by a private contractor.

Limestone products are purchased from external vendors for sale to internal City of Winnipeg customers.

The hauling of all aggregate material is either carried out by the customers themselves or by the trucking firm under contract with the City of Winnipeg.

The Agency will continue to provide competitively priced, high quality aggregate products. Acting in a business-like manner, the Agency will strive to optimize the financial returns to the City of Winnipeg.

Multi-year Operational Agreements

Some customers require a long-term commitment for the supply of aggregate. Their business success depends on being able to access aggregate material. In order to secure contracts with these customers, the Agency requires the ability to offer a continuous long-term supply of aggregate material. Therefore, the Agency is requesting the delegated authority to enter into multi-year agreements with customers when there is a sound business opportunity to pursue. Entering into a multi-year agreement would only insure that the customer has a secure supply of aggregate. Pricing of the aggregate in the agreement would be subject to separate negotiations.

If, in the future, Council elects to disband the Agency, the contract can be terminated upon proper notification.

Strategic Direction

Glacial Sand and Gravel continues to build on the expectations of its stakeholders. These expectations are that it will:

1. Provide a financial benefit to the City of Winnipeg beyond the projected benefits of other ASD options.

2. Function under generally accepted financial practices.

3. Be professional and business-like in all operational matters.

4. Assist the employees in all aspects of their development through training and career planning.

5. Be a good corporate citizen.

Human Resource

Glacial Sand and Gravel has a staff establishment of ten positions. Of these positions, six are year-round and four are seasonal (April – November). In 2001, one Clerk A position was incorporated in Glacial's staff complement to replace previously outsourced clerical support. The automation of the weigh scale in 2002, made the business more efficient and Clerk A position was no longer required. With the loss of the Clerk A one outstanding challenge is the vacation and sick relief for the Clerk C position.

Staff training was carried out in areas of material quality control, information technology, safety, and management. The Agency continued the commitment to cross train staff in all areas of the aggregate business and production.

Information Technology

Glacial Sand and Gravel has sourced information technology support from the Public Works Department. Hardware for office operations and the weigh scale have been installed at the Pine Ridge Pit office and weigh scale. Phase one of the weigh scale software has been developed and implemented. Additional updates to the weigh scale software are currently being developed, with implementation scheduled for 2003. The updates include production costing and material inventory controls.

Glacial Sand and Gravel continues to conform to the standards established by the City of Winnipeg for communications and reporting. Working through Public Works Information Technology Branch, software development and training for the Connexus Project will be carried out in 2003.

Equipment

A stacking conveyor was purchased in 2002. This conveyor has enabled Glacial Sand and Gravel to eliminate a hired loader when processing and stockpiling material. In addition, this conveyor

eliminates the need to rent, on an annual basis, a stacking conveyor for the processing and stockpiling of treated sand in the Street Maintenance Yards.

The acquisition of aggregate screening equipment was evaluated in 2002 while Glacial Sand and Gravel explored different production options and sales opportunities. The Agency will seek to purchase this high production screening equipment in 2003.

Financial Highlights

The net income from 2002 operations underperformed budget projections by $69,000. This was the result of lower than projected sales volumes and higher than expected production costs. For 2003, expenditures and revenues will be consistent with the original 2001 Selection Report. Expenditures will see equipment charges that reflect the 2003 purchase of the screening equipment. Revenues will reflect the targeting of screened aggregate sales.

Pro forma financial statements are attached which include a projected balance sheet, statement of earnings and retained earnings, and statement of cashflows.

(see Appendix A).

Performance Measurement

2002 was the second year of operation for Glacial Sand and Gravel as an SOA. The Agency continued to establish performance measurements for its operations. The following table outlines the status of performance measures for four measurable performance goals.

GOAL	*PERFORMANCE MEASUREMENT*	*MEASURE OF SUCCESSS/TARGET*	*STATUS (as of Dec. 31, 2002)*
Financial	• Quarterly financial targets as outlined in the Selection Report	• To meet and/or exceed	• Underperformed
	• Budgeted net income as per Selection Report projections	• To meet and/or exceed	• Underperformed
Operational	• Expand volume of materials produced at Pine Ridge location	• To meet and/or exceed	• As outlined in Note 6 of the financial projections
	• Increase overall Agency volumes	• To meet and/or exceed	• As outlined in Note 6 of the financial projections
	• Implement a management information system	• System installed	• Stage One of the system installed
	• Meet and/or exceed productivity rates	• Initial benchmarking required	• To be developed
Customer Satisfaction	• Obtain customer satisfaction feedback	• Feedback and action taken	• To be implemented
Training and Development	• Implement a comprehensive training strategy	• Strategy implemented	• Strategy implemented
	• Provide cross-training opportunities	• Strategy implemented	• Cross training now provided on an ongoing basis

GOAL	*PERFORMANCE MEASUREMENT*	*MEASURE OF SUCCESSS/TARGET*	*STATUS (as of Dec. 31, 2002)*
	• Obtain staff feedback	• Feedback and action taken	• To be implemented

Advisory Board

The role of the Advisory Board is to provide advice on the Agency's strategic operations and on changes to its mandate, structure, business practices, and finances.
The Advisory Board is comprised of eight members; four City of Winnipeg employees, one CUPE Local 500 executive representative and three business representatives. Mr. Bob Okabe will be replacing Mr. Patrick Payne who resigned from the Advisory Board in the fall of 2002.

Advisory Board Members

Jim Thomson, P. Eng	Director of Public Works
David Jackson C.E.T.	Chief Operating Officer
Bruce McPhail P. Eng	CAO Representative
Jeff Laurent	Employee Representative
Jim Husiak, C.A.	CUPE Local 500 Representative
Bob Morris (Consultant)	Business Representative
Bob Okabe (Project Manager JC Paving)	Business Representative
Ed Bruning (I.H. Asper School of Business)	Business Representative

Appendix A: 2001-2007 Financial Projections

Glacial Sand and Gravel – Special Operating Agency

Financial Projection

Five Years Ending December 31, 2007

Glacial Sand and Gravel - Special Operating Agency
Balance Sheet
At December 31,

	2002	2003	2004	2005	2006	2007
ASSETS						
Current						
Cash	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Due from City of Winnipeg- General Revenue fund (Note 2)	-	-	222,812	437,451	592,751	816,507
Accounts receivable (Note 3)	243,360	358,771	385,078	399,496	415,356	416,901
Inventory	394,989	553,106	593,662	615,890	640,340	642,723
GST recoverable	2,489	2,500	2,500	2,500	2,500	2,500
Income taxes recoverable	61,098	-	-	-	-	-
	702,036	914,477	1,204,152	1,455,437	1,651,047	1,878,731
Fixed assets (Note 5)	4,279,083	4,466,608	4,288,475	4,112,900	3,939,865	3,779,744
	$ 4,981,120	$ 5,381,085	$ 5,492,627	$ 5,568,337	$ 5,590,912	$ 5,658,475
LIABILITIES						
Current						
Due to City of Winnipeg- General Revenue Fund (Note 2)	$ 203,669	$ 53,345	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	546,921	766,420	765,877	765,854	765,745	765,678
Income taxes payable (Note 6)	-	3,509	131,040	154,078	184,193	154,705
Rehabilitation payable (Note 7)	81,368	69,524	74,376	79,714	85,585	81,544
Current portion of long term debt (Note 9)	84,936	136,784	149,518	73,528	78,452	77,513
	916,895	1,029,582	1,120,811	1,073,174	1,113,975	1,079,440
Long Term						
Retirement allowance (Note 8)	100,000	118,000	136,000	154,000	-	-
Vacation (Note 8)	39,640	37,640	35,640	33,640	31,640	29,640
Debt - City of Winnipeg (Note 9)	3,996,470	4,191,905	4,042,388	3,968,860	3,890,408	3,812,896
	4,136,110	4,347,545	4,214,028	4,156,500	3,922,048	3,842,536
RETAINED EARNINGS / (DEFICIT)	(71,885)	3,958	157,788	338,663	554,889	736,499
	$ 4,981,120	$ 5,381,085	$ 5,492,627	$ 5,568,337	$ 5,590,912	$ 5,658,475

Glacial Sand and Gravel - Special Operating Agency
Projected Statement of Operations and Retained Earnings / (Deficit)
For the year ended December 31,

	2002	2003	2004	2005	2006	2007
Revenue (see note 1)	$ 2,583,046	$ 2,989,761	$ 3,208,986	$ 3,329,135	$ 3,461,298	$ 3,474,179
Cost of sales	1,865,722	1,977,140	2,065,482	2,153,421	2,250,153	2,346,058
Gross profit	717,324	1,012,622	1,143,504	1,175,714	1,211,146	1,128,120
Expenses						
Bank charges and interest expense/(revenue)	1,109	3,256	(4,403)	(8,565)	(11,520)	(15,785)
Depreciation - property and equipment	49,628	81,911	91,589	88,443	71,148	63,045
Selling, general and administrative	600,915	508,398	497,539	497,076	494,892	493,556
Interest on long-term debt	260,121	278,607	273,909	263,807	256,207	250,989
	911,773	872,172	858,634	840,761	810,727	791,805
Earnings (loss) before income tax equivalents and government grant	(194,449)	140,450	284,870	334,953	400,419	336,315
Provision for income tax equivalents	86,840	(64,607)	(131,040)	(154,078)	(184,193)	(154,705)
Government grant	4,941	-	-	-	-	-
Net earnings (loss) for the year	(102,668)	75,843	153,830	180,875	216,226	181,610
RETAINED EARNINGS / (DEFICIT) BEGINNING OF YEAR	30,783	(71,885)	3,958	157,788	338,663	554,889
RETAINED EARNINGS / (DEFICIT) END OF YEAR	$ (71,885)	$ 3,958	$ 157,788	$ 338,663	$ 554,889	$ 736,499

Glacial Sand and Gravel - Special Operating Agency
Statement of Cash Flows
At December 31,

	2002	2003	2004	2005	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the year	$ (102,668)	$ 75,843	$ 153,830	$ 180,875	$ 216,226	$ 181,610
Depreciation and amortization which do not require a cash outlay	109,628	164,677	180,132	175,575	173,035	160,121
Changes in non-working capital items	.	.				
Decrease (increase) in accounts receivable	27,913	(115,411)	(26,307)	(14,418)	(15,860)	(1,545)
Increase in inventory	(250,877)	(158,117)	(40,556)	(22,228)	(24,450)	(2,383)
Increase in GST recoverable	(2,489)	(11)	-	-	-	-
Increase (decrease) in income taxes recoverable	(61,098)	61,098	-	-	-	-
Decrease in prepaid expenses	83,461	-	-	-	-	-
Increase in accounts payable and accrued liabilities	235,530	219,497	(542)	(23)	(109)	(67)
Increase (decrease) in income taxes payable	(26,224)	3,509	127,531	23,038	30,115	(29,488)
Increase (decrease) in rehabilitation payable	(1,128)	(11,844)	4,852	5,338	5,871	(4,041)
	12,048	239,241	398,940	348,157	384,828	304,207
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of fixed assets	(423,551)	(352,200)	(2,000)	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in retirement allowance	18,000	18,000	18,000	18,000	(154,000)	-
Increase in vacation	9,280	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Increase (decrease) in debt- City of Winnipeg	33,031	247,283	(136,783)	(149,518)	(73,528)	(78,451)
	60,311	263,283	(120,783)	(133,518)	(229,528)	(80,451)
NET INCREASE (DECREASE) IN CASH	(351,192)	150,324	276,157	214,639	155,300	223,756
Cash (bank indebtedness) at beginning of year	147,623	(203,569)	(53,245)	222,912	437,551	592,851
CASH (BANK INDEBTEDNESS) AT THE END OF YEAR	$ (203,569)	$ (53,245)	$ 222,912	$ 437,551	$ 592,851	$ 816,607

Notes to the Financial Projection
For Five Years ending December 31, 2007

1. Description of Business

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies (SOAs) as one of the five strategic initiatives needed to create a more affordable and fundamentally better Civic Government. On September 24, 1997, Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative." Consistent with the foregoing process, the former Equipment and Material Services branch of the Public Works Department prepared a report that outlined all options for alternate service delivery. This report identified the Special Operating Agency alternative as the financially most viable option. On February 23, 2000, Council directed Public Works to prepare a business plan based on the SOA recommendation. On February 28, 2001 Council approved Glacial Sand and Gravel to commence SOA operations, retroactively effective to January 1, 2001.

The SOA deals in three primary products:

1. *Sand and gravel products which are mined from the Pine Ridge and Transcona locations;*
2. *Crushed limestone products which are purchased for internal City of Winnipeg users; and*
3. *Treated sand, which is produced for City of Winnipeg usage.*

2. Summary of Significant Accounting Policies

The preparation of periodic financial statements and projections 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 the reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements and projections 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 realizable value.

Capital Assets

Capital assets transferred from the City of Winnipeg on January 1, 2001 were recorded at their estimated value. Subsequent acquisitions are recorded at cost. Capital assets are amortized over the the estimated life using the following rates and methods:

Machinery	*10 years*	*Straight-line*

Building	*4-5 %*	*Declining balance*
Office equipment	*20 %*	*Declining balance*
Computer equipment	*30 %*	*Declining balance*

The depletion of the gravel pit is recorded at a rate of 20 cents per tonne of aggregate inventory extracted on an annual basis.

3. Asset Purchases

In 2003, the SOA will acquire a screening plant at a cost of $332,000. The Agency also plans to acquire a front-end loader for $467,500. The above asset purchases will be financed via long-term debt from the Fleet Management Agency SOA and are repayable over a 5-year period at an interest rate of 6.5% (the City of Winnipeg long term borrowing rate).

The City and the SOA have determined, and mutually agreed, that the value of the Pine Ridge Pit is $3,800,000, and this value has been placed on the SOA's balance sheet along with a similar amount in long-term debt. Interest on the long-term debt has been paid at a rate of 6.5%. Principal will be repaid at a mutually agreed upon date in the future, consistent with Council's decision in this regard.

4. Financial Projections

This financial projection is an estimate of the financial position, results of operations, and change in cash flow for the operation of the Glacial Sand and Gravel SOA, using management's assumptions that reflect the Agency's planned course of action for the five years ending December 31, 2007.

These projections are based on the SOA operating as a self-sustaining business unit. Cost categories considered and included are: human resource, operations and maintenance, facility, capital and associated debt, and overhead.

5. Hypothesis

The financial projection has been prepared based on the following hypotheses:

a) That the SOA will be allowed to purchase any support services required to sustain on-going operations
b) As the SOA continues as part of the municipal government structure, the entity is not subjected to corporate income taxation. However, in order to approximate a business model, the financial projections of the entity reflect a provision for income tax equivalents at a rate of 46%, payable to the City of Winnipeg. In addition, future income tax assets which represent the carry forward of unused tax losses have been included for illustrative purposes. These are utilized in future years to offset income tax equivalents payable. No future income tax liability has been recorded as the assumption has been made that depreciation/depletion for accounting purposes approximates capital cost allowance for taxation purposes.

c) That the City of Winnipeg may extend an operating loan and provide long term lending sufficient for the Agency to continue operations with interest charged at 6.5%.
d) According to the annual business plan projections, a portion of the SOA earnings be reinvested into the SOA.
e) Access to the Fleet Management Agency SOA as a source of funding for equipment and machinery purchases.

6. Assumptions - Revenues

Sales are based on current circumstances and information from earlier studies performed by reputable industry experts. All information is reflected FOB pit.

Sales - Dollars	***2002 (Actual)***	***2003***	***2004***	***2005***	***2006***	***2007***
Pine Ridge	*$ 1,515,501*	*$ 1,692,249*	*$ 1,911,474*	*$ 2,031,623*	*$ 2,163,786*	*$ 2,309,166*
Transcona	*79,356*	*291,500*	*291,500*	*291,500*	*291,500*	*291,500*
Limestone	*155,166*	*300,712*	*300,712*	*300,712*	*300,712*	*300,712*
Treated Sand (1) ***(****Pine Ridge****)***	*833,023*	*731,800*	*731,800*	*731,800*	*731,800*	*731,800*
Total	*$ 2,583,046*	*$ 3,016,261*	*$ 3,235,486*	*$ 3,355,635*	*$ 3,487,798*	*$ 3,633,178*

(1)– It is assumed that the treated sand contract between the City of Winnipeg, Public Works Department- Streets Maintenance Division and Glacial Sand and Gravel will be in effect from 2003- 2007 years. The contract will be renegotiated in 2004.

7. Assumptions - Expenses

Note: Unless separately disclosed, all non-material expenditures have assumed a 2% inflationary increase each year.

a) Salaries and Employee Benefits

The SOA expects to operate with the following staff levels over the next five years:

- WAPSO 2
- CUPE 10

CUPE staffing includes five full-time and five season employees. Employee benefits are estimated to be 16% of total gross salaries. The CUPE collective agreement calls for 3% wage increase in the next three consecutive years.

b) Professional and Consulting Services

The SOA will budget $4,000 annually toward the purchase of outside professional and consulting services, such as quality control and inventory control.

c) Audit Fees

The SOA expects to pay $6,000 annually towards audit fees.

d) Automobile Allowances

The SOA expects to incur $6,000 in automobile allowance expenses.

e) Pit Management Information Technology

The SOA has budgeted $75,000 towards the purchase of a pit management hardware and software system and subsequent implementation and training. As of December 31, 2002, $35,000 of this amount has been spent.

f) Accommodations

The SOA has budgeted a $39,000 capital lease for a trailer that houses the office support staff located at the Pine Ridge Gravel Pit.

g) Telephone Services

An additional communication service expense of $5,000 has been budgeted to provide wireless connection to the Pine Ridge Gravel Pit location.

h) Advertising/Sales Promotion

The SOA expects to spend $12,000 in advertising and promotion annually.

i) Training

The SOA expects to incur costs of $8,600 annually in mining technology and safety Training.

j) Depreciation

Depreciation is based on rates identified in Note 2.

k) Depletion

Pit depletion will be charged at a rate of 20¢ /tonne for the Pine Ridge location.

l) Administrative Charges

The SOA expects to purchase administrative services from the Public Works Department. Included in these costs are fees for finance, human resources and information technology. The above costs totaled $28,000 in the year ended 2002 and are expected to increase 6% each year.

m) Interest

Interest will be paid at an annual rate of 6.5% on long-term debt obligations and operating line of credit in accordance with Notes 8 g) and h). Interest payments on the value of the pit property will be made to the City from the Agency. These payments will be directed to infrastructure renewal in The City of Winnipeg; and these contributions will be recognized in the annual capital budget as a separate line item "Contribution to Capital from Glacial Sand and Gravel".

n) Other Governmental Charges

Payments for the Provincial Rehabilitation Levy of 10¢/tonne and the Rural Municipality of Springfield's Aggregate Mining Levy and Road Maintenance Levy of 6.8¢/tonne will be expensed on an annual basis. The Provincial Rehabilitation Levy extinguishes the SOA from further site restoration obligations.

o) Miscellaneous Charges

General Government charges of $26,000 annually have been added to projected costs for 2003-2007. These costs were not envisioned; nor were they included in the Selection Report financial projections previously approved by Council. Amounts have been calculated based on historical activity of the Primary Materials branch, as operated under the former Equipment and Material Services branch of the Public Works Department.

8. Assumptions – Assets and Liabilities

a) Cash on hand

Petty cash of $100 will be available for incidental expenditures.

b) Accounts Receivable

Accounts receivable have been calculated based on the percentage of outstanding accounts receivable at the end of the 2002 fiscal year to total sales for the 2002 fiscal year. As a result, 9.40% of revenues have been shown as the receivable balance. The SOA has budgeted $20,000 annually for an allowance for doubtful accounts.

c) Gravel pit asset

The agency has purchased the gravel pit asset at a value of $3,800,000. It is being financed as long-term debt from the City of Winnipeg with an annual interest rate of 6.5%. The asset is being depleted as outlined in Note 7 k).

d) Property and equipment

Assets will be purchased in accordance with Note 3.

e) Accounts payable and accrued liabilities

Accounts payable will be paid on the basis of 30-day terms and it has been assumed that the year end accounts payable will be approximately 5.00% of total Selling, General and Administrative expenses in the year.

f) Retirement allowance and vacation liability

Retirement allowance has been valued in accordance with actuarial estimates of future liability.

g) Due to City of Winnipeg

The Agency has been authorized to acquire short-term cash flow financing of up to $400,000 from the City of Winnipeg. Interest will be paid to the City of Winnipeg at a rate of 6.5%.

9. Long-term Debt

Long-term debt for the years ended December 31, consists of the following:

	2003	2004	2005	2006	2007
Debt (interest rate 6.5%)	*$ 4,328,689*	*$ 4,191,905*	*$ 4,042,388*	*$ 3,968,860*	*$ 3,890,409*
Less: Current Portion	*136,784*	*149,517*	*73,527*	*78,451*	*77,512*
Long-term Portion	*$ 4,191,905*	*$ 4,042,388*	*$ 3,968,860*	*$ 3,890,409*	*$ 3,812,897*
$3,800,000 in debt for the Pine Ridge Pit has no fixed term of repayment (see Note 3)					

10. Related Party Transactions

The Special Operating Agency's transactions with its related companies (the City of Winnipeg and the Fleet Management Agency SOA) are carried out in the ordinary course of business and consist mainly of the sale of aggregate materials (sand and gravel), the purchase of administrative services, and the payment of interest on long-term debt.

Sales, purchases and interest on long-term debt recorded at market values for the years ended December 31, consist of the following:

	2003	2004	2005	2006	2007
Sales	*$ 1,032,512*	*$ 1,032,512*	*$ 1,032,512*	*$ 1,032,512*	*$ 1,032,512*
Purchases	*55,452*	*56,561*	*57,692*	*58,846*	*60,023*
Interest on Long-term Debt	*$ 278,606*	*$ 273,909*	*$ 263,807*	*$ 256,206*	*$ 250,989*

Financial Impact Statement **Date:** May 30, 2003

Project Name:

Annual Selection Report 2003: Glacial Sand and Gravel Special Operating Agency

COMMENTS:

There is no financial impact as this is an informational report.

(Original signed by D. Stewart, C.A.)
Manager of Finance & Administration

Approved by Divisional Accountant Trainee: ☒

This Report Submitted by:

Department:	Public Works Department
Division:	Glacial Sand & Gravel SOA
Prepared by:	David Jackson.....Phone No: 986-5335
File name:	GLACIAL 2003 SELECTION REPORT JUNE 4 2003