Minutes - Executive Policy Committee - July 14, 2004

Minute No. 485
Report - Alternate Service Delivery Committee - July 12, 2004

Item No. 3 **2004 Selection Report - Winnipeg Golf Services Special Operating Agency**
File GL-5.6.1

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submits the following to Council:

1. That the 2004 to 2008 operating plan for Winnipeg Golf Services Special Operating Agency, which contains the budget for 2004 and the forecasts for 2005 to 2008, as summarized within the report from the Director of Planning, Property and Development dated July 7, 2004, be approved.

2. That golf course fees for the 2004 season, as outlined in Appendix C to the report from the Director of Planning, Property and Development dated July 7, 2004, be approved.

3. That the Winnipeg Golf Services Operating Charter adopted by Council on April 24, 2002, be amended as outlined in Appendix A to the report from the Director of Planning, Property and Development dated July 7, 2004.

4. That the Winnipeg Golf Services 2003 Annual Audit Report, as outlined in Appendix D to the report from the Director of Planning, Property and Development dated July 7, 2004, be received as information.

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

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Report - Alternate Service Delivery Committee - July 12, 2004

DECISION MAKING HISTORY:

Moved by Councillor Pagtakhan,

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

Carried

Moved by Councillor Pagtakhan,

That the recommendation of the Alternate Service Delivery Committee be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On July 12, 2004, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Re: 2004 Selection Report – Winnipeg Golf Services Special Operating Agency

For submission to: Alternative Services Delivery Committee

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

Report date: July 7, 2004

Recommendation(s):

1. **That the 2004 to 2008 operating plan for Winnipeg Golf Services Special Operating Agency, which contains the budget for 2004 and the forecasts for 2005 to 2008, as summarized within this report be approved.**

2. **That golf course fees for the 2004 season as outlined in Appendix C be approved.**

3. **That the Winnipeg Golf Services Operating Charter adopted by Council on April 24, 2002 be amended as tabled in Appendix A.**

4. **That the Winnipeg Golf Services 2003 Annual Audit Report as presented in Appendix D be received as information.**

REPORT SUMMARY

Key Issues:

- The Chief Operating Officer requires the authority to set and change fees in order to respond to the competitive market in a timely fashion.
- Changes to the Operating Charter are required to streamline reporting and allow the Agency to function in a businesslike manner and adapt to market influences in a timely, efficient way.

Implications of the Recommendation(s):

General implications:

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

Comment(s):

-

Policy implications:

	No
X	**Yes**

Comment(s):

- Changes to the Operating Charter require Council approval.

Environmental implications:

X	**No**
	Yes

Comment(s):

-

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

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

Comment(s):

-

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

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

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

DISCUSSION:
The year 2003 was the second year of operation for Winnipeg Golf Services. The Agency encompasses the operation and contract management of 12 golf course properties in Winnipeg generally categorized as follows:

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

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

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

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

In its second year of operation, Winnipeg Golf Services continued to make its presence known as a competitor in the Winnipeg golf market. Emphasis was placed on physical asset improvement planning, improved customer service, and golfer amenity enhancement.

The 2004 to 2008 business plan calls for continued work in the aforementioned areas as well as a more aggressive approach to marketing and revenue generation.

Strategic Direction

The Agency will continue to manage golf courses as valuable City assets and shift the strategic and operational focus from recreation service provision to that of maximizing the financial return to the City. The existing mix of leased, contractor managed and City operated golf courses will be maintained until the end of the 2005 golf season at which time an assessment will be conducted which will make recommendations on short and long term operation strategies for City golf course properties. Over this period, the operational efficiency of City operated courses will be optimized in order to provide for a fair comparison to other methods of golf course operation.

Fees for the 2004 golf season

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

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

The 9-hole fee structure remains substantially unchanged from 2003. Minor increases in same day 2nd rounds was implemented. The 9-hole rate increase was kept to a minimum in order to encourage additional play at the 9-hole sites due to decreasing rounds in recent years.

Miscellaneous Services fees vary in accordance with that which is considered achievable in the local market.

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

Proposed Operating Charter Amendments

Any changes to the Agency's operating charter require Council approval. The proposed changes to the Golf Services Operating Charter are listed in Appendix A and described below:

a) Setting of Fees

It is recommended that the Chief Operating Officer be granted the authority to establish and change fees as required to be competitive in the Winnipeg golf market. At present, fees are approved by Council as part of the annual selection report submitted by the SOA. Flexibility is required to allow the Agency to adapt quickly to fee or service charge changes that may be required to promote products or specific time periods, react to unanticipated competition, minimize the affect of adverse weather or other factors that affect playing conditions. The guiding principle in setting fees will be to meet annual net income targets established for the SOA. Timing of fee adjustments is also critical. Green fees are sold in the off-season. It is advantageous to sell green fees at the new prices effective January 1 of each year. The current timing of the annual selection report does not correspond well with the optimal timing of fee

adjustments. The Agency will continue to report its fee structure as information to Council within the annual selection report.

b) Quarterly Reports
Currently, the SOA produces annual business plans, quarterly reports and annual reports for Council.

In order to ease the amount of reporting, it is recommended that there is no formal quarterly reporting requirement to Council. The SOA will still be held accountable through its annual business plan selection report and its annual report (including audited financial statements) that are submitted to Council. This amendment to the Operating Charter is consistent with the streamlining of reports proposed in the *ASD Policy and Process Review* report adopted by Council on February 25, 2004.

c) Award of Contracts
In order to operate in a timely businesslike fashion the COO requires the authority to award contracts. This authority, and the corresponding dollar value, is consistent with the authority delegated to the Special Operating Agency that was established subsequent to Golf Services.

d) Multi-year Contracts
Currently Council (or in certain instances CFO or CAO) approval is required to enter into multi year contracts. It is recommended that the COO be authorized to enter into multi-year contracts where it is in the best interests of the Agency to do so.

The golf agency has the opportunity to secure better deals if multi-year contracts can be negotiated. Negotiating and securing sponsorships often requires consideration of multi-year arrangements. In order to pursue sponsorships (and associated revenue streams) Golf Services needs the ability to enter such negotiations with the confidence and ability to secure the deal. Similarly, in assessing equipment acquisitions, the net present value of purchase versus lease is considered. The lease option is frequently multi-year. If this is the most advantageous alternative, it is necessary for such contracts to be entered into in a timely fashion.

In looking ahead, it is necessary for the COO to have the authority to enter into multi-year contracts. This will allow for the best possible deal to be entered into in each instance and eliminate time factors currently present in attaining approvals. Exercising authority to enter into multi-year contracts will be done in a conscientious manner and only in cases where the interests of the Agency are best served.

e) Single Source Purchasing
It is recommended that the Golf SOA be granted the authority to single source purchase on occasions that this method serves the best interests of the Agency. It is anticipated that single source purchasing will not be used frequently but on occasion circumstances dictate that for reasons of timing, consistency or efficiency a purchase of a specific product or from a specific supplier is advantageous. In certain instances replacement equipment is required to minimize down time and ensure reasonable quality playing conditions. The normal equipment acquisition

process is time consuming. Similarly, the emergency purchase process, although much quicker still requires various approvals. The COO requires the ability in such circumstances to acquire the required equipment or materials in a timely fashion to ensure continuity within the golf course operation.

It is the intention of Winnipeg Golf Services to utilize the existing City purchasing process to the greatest extent possible. History has demonstrated that with proper planning and execution the current proposal/tender/quotation process yields favourable results. However, the ability to single source is required should circumstances dictate that it is clearly advantageous to the Agency to take that route.

f) Vacancy and Expenditure Management
The Agency works toward bottom line financial results and reports independent of the host department. Exemption from vacancy and expenditure management processes, should they occur, is required to allow the Agency the best opportunity to achieve projected results.

g) Concession Contract
The concession contract with Sodexho Corporation of Canada Ltd. Has been terminated. As such Delegations #2 and #3 are no longer applicable and can be deleted.

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

GOAL	STRATEGIES	STATUS
Maximize green fee revenues	1. Increase green fees in accordance with market demand	Assessed and recommendations made annually.
	2. Target market to highest revenue consumers	Promotion targeted to adult regulars
	3. Gradually increase proportionate amount of seniors fees	Senior fees increased 19.25% compared to adult fee increase of 15% over 4 years
	4. Establish Municipal courses as user friendly	Promotion depicts fun, inviting atmosphere for women, juniors and new golfers

GOAL	STRATEGIES	STATUS
Improve golf course playability	1. Engage golf course architect to prepare improvement master plan	Master Plan complete
	2. Assess maintenance practises, methods and schedules to optimize playing conditions	Continuously assessed and improvements implemented. New equipment purchased to improve playability
	3. Make immediate maintenance improvements to demonstrate intent	Greens covers purchased to improve spring playability; greens cut prior to the start of daily play; minor drainage improvements undertaken; master plan recommendations to be implemented beginning in 2004
Provide high quality customer service	1. Develop customer service strategy	Manitoba Best customer service program adopted
	2. Customer service training	Manitoba Best training for clubhouse staff prior to start of 2003 and 2004 season
	3. Customer feedback to evaluate effectiveness	E-mail marketing program to be tested in 2004
	4. Standardize counter service techniques	Clubhouse staff and starters provide consistent service as per training
Sustainable environmental initiatives	1. Minimize use of harmful chemicals	Staff trained and certified on chemical application and use; chemical application minimized
	2. Naturalization strategies	Habitat assessment complete; European Buckthorn removed; reassessments will be conducted periodically
	3. Environmental assessment of each golf course	Manitoba Golf Superintendents Association Environmental Assessment complete and recommendations being implemented. Reassessments currently underway
Improve image of Municipal golf courses	1. Establish WGS visual identity and positioning statement	Design expertise to be contracted
	2. Establish and implement etiquette and speed of play guidelines	Golfers are continuously educated on golf etiquette; starters acting in capacity of course marshals help improve speed of play; full scale marshal program being considered
	3. Establish a golf advisory board	Advisory board to be established in 2004
	4. Sponsor community events and charities	Donations and sponsorships given to charities and events that promote the golf courses

GOAL	STRATEGIES	STATUS
Corporate sponsorship	1. Sponsorship of WGS events and annual tournament	Major beverage sponsor has been secured. Various sponsors contribute to annual Municipal tournament
	2. Attain sponsorship for new programs	Sponsors solicited for special events and tournaments
	3. Review existing sponsor contracts	Contracts assessed annually
Improve merchandise sales	1. Introduce new items for sale	Clothing line introduced; new product lines continually assessed
	2. Partner with other retailers for volume discounts	Not feasible at this time – will continue to investigate
	3. Redesign / redecorate pro shops	Pro shops modernized in 2002; displays changed regularly
	4. Market to non golfers	Community flyers and mobile signs attract non golfers to courses and pro shops; golf lessons offered at all sites
	5. Major promotions	Fathers Day, fall, Christmas, end of season clearance promotions
Improve food and beverage sales	1. Assessment of food and beverage operation	Complete – new concession operator contracted
	2. Monitor food and beverage service	Daily monitoring done by golf course staff; weekly reviews held with contractor during the season
	3. Cross promotions	Golf / food cross promotions tested. New concession operator aggressive in promoting food specials for tournaments.
	4. Visual upgrade of concessions	General appearance improved with new signage and visual enhancements
Increase auto cart revenues	1. Assess auto cart usage and financial return	Existing auto cart fleet purchased at termination of lease; Auto cart fleet increased by 10 units in 2002. Additional 14 units planned for 2004
Administer golf course leases	1. Renegotiate leases as they expire	All expired leases have been renegotiated and executed
Administer agreements for contracted courses	1. Review green fees in consultation with contractors	Consultation done annually and recommendations put forward
	2. Review Harbour View operation to streamline reporting relationships	Ongoing
	3. Issue proposal calls for contracts as they expire	Concession contract proposal call issued and contract awarded
Manage Cross Country Ski	1. Administer agreement with	Contractor adhering to all terms and

GOAL	STRATEGIES	STATUS
operations and trail grooming	Cross Country Ski Association of Manitoba	conditions
	2. Assess future viability of trail grooming in parks	Trail grooming in parks turned over to Public Works

Financial Performance

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

In 2003, the Agency's operating deficit was $118,010. This is an improvement of $120,999 over the 2002 operating deficit of $239,009. However, it is $59,942 short of the 2003 budgeted deficit of $58,068. This represents a 1.9% shortfall when compared against the total revenue budget of $3,155,229

Shortfalls in revenues were experienced in green fees, concessions and leasing operations. Modest surpluses were attained in equipment rentals, merchandise sales and sponsorship revenues. Expense savings were realized in services and interest payments.

The years 2004 to 2008 show net income growth for the Agency as well as increases in revenue to the City.

Human Resource

The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this compliment is anticipated for 2004.

All terms of the CUPE collective agreement apply to Winnipeg Golf Services. Discussions are ongoing with union representatives with the intent of negotiating a supplementary agreement for Agency employees represented by CUPE.

Information Technology

The Planning, Property and Development Department provides Information Technology services to the Agency. A 2004 technology upgrade will see the golf course sites automate financial/statistical reporting and daily timekeeping as well as gain access to the City network for communication and information purposes. Systems and equipment will continue to be upgraded through existing resources.

Physical Asset Management

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

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

In 2004 the Province of Manitoba will be reconstructing the Trans Canada Hwy from Winnipeg to Headlingly. This will include the installation of a centre median which will address safety issues related to vehicles making left hand turns into and out of John Blumberg Golf Course. It will also have a minor impact on the golf course's second hole where a culvert crossing will be modified. Details of this work are currently being discussed with the Province. The Real Estate Division of Planning Property and Development is providing expertise on land related matters. No substantive changes are anticipated with respect to furnishings, tools and other miscellaneous equipment.

St. Boniface Golf Course is replacing their clubhouse building in 2004. This new construction was approved by Council on November 26, 2003. It is being financed entirely by St. Boniface Golf Club Ltd. Once completed this new facility will represent a substantial improvement to the City's asset holding at this site.

In 2003, Winnipeg Golf Services assumed responsibility for the servicing and administration of its turf maintenance equipment. This was previously done by the Equipment and Materials Services Branch (now Fleet Management Agency). Equipment servicing is done by a combination of internal (Golf Services mechanic) and external (equipment service contractors) methods. Equipment is replaced and upgraded on an as required basis.

Performance Measurement

The following summarizes performance indicators and measures of success the Agency will strive to achieve through the 2004 to 2008 term:

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	• Meet the forecasted financial return to the City over the course of the 5-year business plan. • Meet or exceed the net income targets for the Agency • Increased value of the physical assets through infrastructure improvements.
Customer Service Continually improve the image that we portray to customers.	• Respond promptly to customer complaints and enquiries, take appropriate action and provide timely feedback. • Improved staff appearance through adherence to uniform guidelines.

Indicator	Measure of Success
	Assessed through observation and independent checks. • Consistent use of appropriate greetings over the counter and on the telephone measured through observation, independent assessment and customer feedback. • Positive customer survey results with satisfaction levels of 80%+. • Aesthetic and amenity improvements that meet with customer satisfaction as determined through survey results.
Associated Services Improved service and image through provision of golf related services.	• Introduction of Corporate Sponsorship in selected areas. • Increased merchandise sales. • Increased sales of food and beverage in clubhouses and on courses. • Increased auto cart rentals.
Environment Reduce harmful affects of maintenance practices and contribute to the long-term viability of golf courses.	• Reduced use of harmful chemicals. • Increased native vegetation and wildlife on golf course properties. • Recognition as an environmentally friendly golf course operation.

Issues and Challenges

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

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

Supplementary Agreement: The Agency is currently negotiating a supplementary agreement with CUPE. It was hoped that this would be in place for the 2004 season but due to various delays progress has been slow. Golf Services management and CUPE are committed to advancing

discussions with the goal of having the Supplementary Agreement finalized with changes implemented prior to the start of the 2005 golf season.

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

Financial Impact Statement

Date: June 25, 2004

Project Name:

2004 Selection Report - Winnipeg Golf Services Special Operating Agency

First Year of Program 2004

	2004	2005	2006	2007	2008
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs					
Less: Incremental Revenue/Recovery	735,000				
Net Cost/(Benefit)	$ (735,000)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(735,000)				
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The financial impact to the City of Winnipeg of the Golf Services SOA's 2003 operations is a net return of $735,000. This amount consists of the following items listed on the audited Statement of Operations and Deficit for the year ended December 31, 2003: debt and finance charges ($259,000), municipal tax equivalency charge ($251,000), rent ($17,000), other ($9,000), and transfer to the City of Winnipeg - General Revenue Fund ($199,000). For the purposes of this statement, it is assumed that a $735,000 recovery was budgeted corporately. Note: Five year financial projections are attached in Appendix A of this report.

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

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

N/A

THIS REPORT SUBMITTED BY:

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

Document name: o:\reports directive\golf services\golf services soa 2004 selection report and 2003 annual report.doc

APPENDIX A

RECOMMENDED OPERATING CHARTER AMENDMENTS FOR WINNIPEG GOLF SERVICES – SPECIAL OPERATING AGENCY

Amendments to Winnipeg Golf Services' Operating Charter:

OPERATING CHARTER	CURRENT	RECOMMENDED
Section 3: Accountability Framework *3.2 Council Responsibility*	After a start up period of not longer than six months, Council receives summary quarterly and annual reports as information to assess Agency's performance and policy outcomes.	Recommended language: *Council receives annual reports as information to asses Agency's performance and policy outcomes.*
3.10 Advisory Board	The Advisory Board reviews and comments on the Agency's proposed business plans, quarterly and annual reports, and charter revisions.	Recommended language: *The Advisory Board reviews and comments on the Agency's proposed annual business plans, annual reports, and charter revisions.*
Section 4: Planning and Reporting Framework *4.5 Quarterly Reports*	Interim reports on the Agency's financial position and progress against key objectives and performance targets are prepared quarterly. Reports are forwarded in summary form to Council as information.	Delete sub-section that refers to *Quarterly Reports*.
Appendix 1 **Delegations and Exemptions**		
	1. Exemption from the City of Winnipeg Fees and Charges Policy. Fee increases and amendments will be set out in the annual selection report for Council consideration.	Recommended language: *1. Exemption from the City of Winnipeg Fees and Charges Policy. The COO has the authority to establish and charge prices, rates and fees for all products and services within the jurisdiction of Winnipeg Golf Services. Fees will be set out in the annual business plan selection report for information.*
	2. COO is designated as the Contract Administrator for the golf course portion of the concession contract with Sodexho Corporation of Canada Ltd.	Delete this delegation.
	3. At the conclusion of the concession contract with Sodexho Corporation (November 30, 2004 or earlier date as may be mutually agreed) the method of operation of golf course concessions which best serves the mandate of the SOA	Delete this delegation.

OPERATING CHARTER	CURRENT	RECOMMENDED
	be evaluated by the COO, and further the COO is authorized to operate golf course concessions with City staff, or alternatively, award a contract for operation as may be appropriate.	
	4. The COO is delegated authority within the jurisdiction of the Agency consistent with that of the Director of Planning, Property and Development with a dollar limit not to exceed $250,000.	Recommended language: 4. *The COO is delegated authority within the jurisdiction of the Agency consistent with that of the Director of Planning, Property and Development with a dollar limit not to exceed $250,000 including the award of contracts pursuant to the Materials Management Policy with consideration not to exceed $ 150,000, where the contract does not create an absolute commitment for funds not yet approved by Council and the contract does not exceed 5 years.*
		Add recommended language: *8. The Chief Operating Officer has the delegated authority to approve single source purchases, in accordance with B4 of the Materials Management Policy, not contravening the Agreement on International Trade for goods and services not to exceed $100,000.*
		Add recommended language: *9. The Agency is exempt from vacancy and expenditure management processes and related global budget reductions.*

APPENDIX B

WINNIPEG GOLF SERVICES

FINANCIAL PROJECTIONS

2003 (unaudited)
and
4 years ending December 31, 2008

Golf Services - Special Operating Agency
Projected Balance Sheet
December 31

	2003 Actual (Unaudited)	2004 $	2005 $	2006 $	2007 $	2008 $
ASSETS (Note 7)						
Current						
Cash	2,759	2,759	2,759	2,759	2,759	2,759
Due from City of Winnipeg	-	-	449	220,697	378,028	571,426
Accounts Receivable	17,774	17,774	17,774	17,774	17,774	17,774
Inventory (Note 2)	80,120	80,120	80,120	80,120	80,120	80,120
Prepaid Expenses	4,583	4,583	4,583	4,583	4,583	4,583
	105,236	105,236	105,685	325,933	483,264	676,662
Land, buildings and equipment: (Schedule 1)						
Land (Note 2)	20,376,565	20,376,565	20,376,565	20,376,565	20,376,565	20,376,565
Buildings (Note 2)	3,382,823	3,482,823	3,507,823	3,507,823	3,507,823	3,857,823
Golf Course Improvements (Note 2)	45,976	505,976	880,976	1,201,054	1,556,054	1,556,054
Furniture and Other Equipment (Note 2)	1,180,955	1,250,955	1,320,955	1,390,955	1,460,955	1,620,955
	24,986,319	25,616,319	26,086,319	26,476,397	26,901,397	27,411,397
Less: accumulated depreciation	427,621	700,329	1,003,412	1,331,995	1,685,078	2,065,536
	24,558,698	24,915,990	25,082,907	25,144,402	25,216,319	25,345,861
	24,663,934	25,021,226	25,188,592	25,470,335	25,699,583	26,022,523
LIABILITIES (Note 7)						
Current						
Due to City of Winnipeg	157,853	152,795	-	-	-	-
Accounts payable and accrued liabilities	7,091	7,091	7,091	7,091	7,091	7,091
Vacation Liability	34,661	31,195	28,076	25,268	22,741	20,467
Current portion of long-term debt (Schedule 2)	5,690	11,721	41,254	86,110	103,793	123,298
	205,295	202,802	76,421	118,469	133,625	150,856
Long Term						
Retirement allowance	121,000	108,900	98,010	88,209	79,388	71,449
Long-term debt	4,120,000	4,488,279	4,667,025	4,745,915	4,817,122	4,953,824
	4,241,000	4,597,179	4,765,035	4,834,124	4,896,510	5,025,273
RETAINED EARNINGS						
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/Deficit	(357,019)	(353,413)	(227,522)	(56,916)	94,790	271,736
	20,217,639	20,221,245	20,347,136	20,517,742	20,669,448	20,846,394
	24,663,934	25,021,226	25,188,592	25,470,335	25,699,583	26,022,523

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

	2003 Actual (Unaudited)	2004	2005	2006	2007	2008
Net inflow (outflow) of cash related to the following activities:						
OPERATING						
Net earnings (loss) for the year	80,924	233,866	361,245	423,709	402,344	424,948
Non-cash items relating to operations:						
Amortization	228,440	272,708	303,083	328,583	353,083	380,458
Working capital from operations	309,364	506,574	664,328	752,292	755,427	805,406
Changes in non-cash operating working capital items						
Accounts receivable	(14,953)	-	-	-	-	-
Inventory	(6,110)	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Accounts payable and accrued liabilites	(5,171)	-	-	-	-	-
Vacation Liab	-	(3,466)	(3,119)	(2,808)	(2,527)	(2,274)
Retirement Allowance	-	(12,100)	(10,890)	(9,801)	(8,821)	(7,939)
	283,130	491,008	650,319	739,683	744,079	795,193
FINANCING						
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	(72,376)	(5,058)	(153,244)	(220,248)	(157,331)	(193,398)
Incr in Long-term debt - Required for Capital Plan	75,000	374,310	208,279	123,746	88,890	156,207
Transfer to City of Winnipeg - General Revenue Fund	(198,934)	(230,260)	(235,354)	(253,103)	(250,638)	(248,002)
	(196,310)	138,992	(180,319)	(349,605)	(319,079)	(285,193)
INVESTING						
Purchase of Land	-	-	-	-	-	-
Purchase of Buildings	-	(100,000)	(25,000)	-	-	(350,000)
Purchase of Golf Course Improvements	(45,976)	(460,000)	(375,000)	(320,078)	(355,000)	-
Purchase of Furniture and Other Equipment	(38,085)	(70,000)	(70,000)	(70,000)	(70,000)	(160,000)
Proceeds from disposal of equipment						
	(84,061)	(630,000)	(470,000)	(390,078)	(425,000)	(510,000)
NET CASH INFLOW (OUTFLOW)	2.759	-	-	-	0	0
CASH POSITION, BEGINNING OF YEAR	-	2,759	2,759	2,759	2,759	2,759
CASH POSITION, END OF YEAR	2,759	2,759	2,759	2,759	2,759	2,760

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

	Council Adopted 2003	2003 Actual (Unaudited)	Variance	2004	2005	2006	2007	2008
Revenues: (Note 4)								
Green Fees (Schedule 3)	2,654,230	2,473,721	(180,509)	2,747,878	2,910,347	2,988,869	3,071,796	3,214,923
Equipment Rentals (Schedule 4)	237,703	250,746	13,043	237,703	302,582	309,823	309,823	309,823
Merchandise Gross Profits (Schedule 5)	45,000	59,616	14,616	49,350	50,832	52,356	53,926	55,544
Concessions (Schedule 6)	178,602	136,602	(42,000)	120,000	120,000	144,000	144,000	158,400
Miniature Golf (Schedule 7)	-	-	-	-	14,252	30,257	30,257	34,795
Other	27,500	54,455	26,955	27,500	30,000	30,000	30,000	30,000
Net Revenue-Leasing Operations (Schedule 8)	12,195	-	(12,195)	12,337	37,717	64,417	67,699	66,784
Total Revenues	3,155,229	2,975,140	(180,090)	3,194,768	3,465,730	3,619,722	3,707,501	3,870,269
Expenses: (Note 5)								
Salaries & Employee Benefits (Schedule 9)	1,247,117	1,329,353	82,236	1,282,267	1,320,734	1,360,354	1,401,163	1,443,200
Services (Schedule 10)	734,526	484,245	(250,281)	588,656	626,316	625,108	643,862	688,177
Materials,Parts,Supplies (Schedule 11)	162,915	226,015	63,100	165,973	170,953	176,077	181,362	186,803
Interest on Short Term Debt	12,604	4,276	(8,328)	9,157	12,000	12,000	12,000	12,000
Interest on Long Term Debt - Capital Plan	30,750	6,750	(24,000)	20,400	38,059	48,906	56,630	66,056
Total Expenses	2,187,912	2,050,639	(137,272)	2,066,453	2,168,062	2,222,445	2,295,017	2,396,236
Net Revenue	967,317	924,500	(42,817)	1,128,315	1,297,668	1,397,277	1,412,484	1,474,033
Allocated to the City: (Note 6)								
Property Tax Equivalents (Schedule 12)	207,071	207,071	(0)	207,071	213,284	219,682	226,272	233,060
Departmental Support Costs (Schedule 13)	41,820	41,820	-	42,656	43,936	45,254	46,612	48,010
Office Accommodation Costs	14,641	17,197	2,556	17,236	17,313	17,323	17,265	17,783
Provision for Payroll Taxes	1,914	18,741	16,827	18,900	19,467	20,051	20,652	21,272
Provision for Business Taxes	25,100	25,100	0	25,100	25,853	26,628	27,426	28,249
Interest on Long Term Debt - Acquired Assets	238,541	238,541	(0)	238,541	238,541	238,541	238,541	237,000
City's Return on Investment	260,000	260,000	0	292,497	300,000	320,000	320,000	320,000
Total allocated to the City	789,087	808,470	19,382	842,001	858,394	887,479	896,768	905,374
Other:								
Depreciation, Fixed Assets (Schedule 1A)	226,298	228,440	2,142	272,708	303,083	328,583	353,083	380,458
Annual Audit Fee	10,000	5,600	(4,400)	10,000	10,300	10,609	10,927	11,255
Total Other and Allocated to the City	1,025,385	1,042,510	17,125	1,124,709	1,171,777	1,226,671	1,260,778	1,297,087
Net Income	(58,068)	(118,010)	(59,942)	3,606	125,891	170,606	151,706	176,946

Initial Business Plan Approval (2002)	**(52,761)**	**23,206**	**150,704**	**219,540**	
2003 Approval	**(58,068)**	**16,508**	**128,145**	**203,072**	**126,370**

Golf Services - Special Operating Agency
Notes to the Financial Projection
For Five Years ending December 31, 2008

1. DESCRIPTION OF BUSINESS

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

2. ACCOUNTING POLICIES

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

The projections include the following significant accounting policies:

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

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

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

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

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

3. HYPOTHESES

The financial projections have been based on the following hypotheses:
(a) Green Fees
Green fees represent approximately 85% of total revenues. Projections included assume that time available for play on all courses will remain constant in each of the five years. Weather variables, over which management has no control, represents the largest risk to attaining projected revenues.

4. ASSUMPTIONS - REVENUE

a) Green Fees

Green fees will be increased by $1.00 in each of the years 2004 to 2008. The number of rounds is projected to remain constant over the term of the business plan.

b) Equipment Rentals

The auto cart fleet consists of 48 units (38 owned; 10 leased). An additional 14 units are to be purchased or leased and will go into full service in 2005. The number of auto cart rentals over the period is projected to increase from 8170 in 2004 to 10,930 in 2008. The fee per use will remain constant at $25.00 over the period. Other rental equipment includes individual clubs, club sets and pull carts. Modest revenue increases are projected on these items. Allowance has been made for the levelling of pull cart revenue as the projected popularity of auto carts increases. Club set revenues will increase moderately as the courses are more actively marketed to beginner golfers.

c) Merchandise Gross Profits

Golf Services will be aggressive in merchandise sales. Pro shops at the 18 hole facilities have been expanded and clothing lines have been introduced. Gross profits are projected to increase by 12.5% over the term of the business plan and the average profit margin will remain constant at 33.04%. The focus will be on the beginner and recreational golfer market but high-end sales will also be accommodated through selective purchasing and special orders. The effect of new major golf merchandise retailers in the Winnipeg market will be monitored.

d) Concessions

Concession revenues are expected to decline in 2004 and 2005 as compared to that achieved in 2003. This is due to the erosion of the concession business over the past several years. A new concession contractor has been engaged and it is expected to take 2 years to restore quality and customer confidence in concession services. The years 2006 to 2008 will see growth in concession revenues.

e) Miniature Golf

A miniature golf course is planned to be developed at Crescent Drive Golf Course in 2005. This site offers the advantage of not requiring additional operating staffing as it will be located in close proximity to the existing clubhouse and starter building. The current staff compliment can service the mini golf. Revenues are being conservatively estimated with the number of rounds growing modestly over the term of the plan.

f) Other

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

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

5. ASSUMPTIONS - EXPENSES

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

1 Chief Operating Officer (full time) WAPSO Exempt
1 Operations Assistant (full time) CUPE
1 Foreman II/III (full time) CUPE
51 seasonal CUPE Utility, Maintenance and Clerk positions (may vary due to operational requirements)

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

b) Professional & Consultative Services
The SOA is responsible for the Manager's retainer fee for Harbour View Golf Course and Recreation Complex. Allowance has been made for the acquisition of Marketing expertise.

c) Special Services - Non-Professional
Provision for cash pick up and security services as well as miscellaneous service requirements.

d) Allocated Departmental Costs
The SOA receives building maintenance services from the Public Works Department. In 2004 approximately $50,000 is budgeted for routine and preventative maintenance and approximately $110,000 is budgeted for equipment repairs and replacements. As well this account funds special projects that are required to maintain current code, health and occupancy regulations and standards. The Agency will continually assess the cost of Public Works providing building maintenance service against that of alternative methods of service delivery and will make adjustments based on cost effectiveness and service quality over the five-year period.

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

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

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

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

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

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

k) Other Parts and Accessories
Parts for aging equipment and irrigation systems.

6. ASSUMPTIONS - AMOUNTS ALLOCATED TO CITY

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

b) Office Accommodation Costs
The costs are as allocated by the Civic Accommodations Utility and apply to the office space allocated to Golf Services at 65 Garry Street.

c) Provisions for Payroll and Business Taxes
These imputed costs have been estimated based on the prevailing rates of taxation.

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

7. ASSUMPTIONS - ASSETS AND LIABILITIES

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

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

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

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

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

8. FINANCIAL PROJECTIONS

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

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

APPENDIX C

WINNIPEG GOLF SERVICES

2004 FEES

GOLF SERVICES

2004
GREEN FEES AND MISCELLANEOUS SERVICES

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

APPENDIX D

WINNIPEG GOLF SERVICES

2003 ANNUAL AUDIT REPORT

2003 ANNUAL AUDIT REPORT

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

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

2003 Highlights

Tournaments and Special Events

In August the 81st Municipal Golf Tournament was held at the three 18 hole Municipal courses (Kildonan Park, Windsor Park and John Blumberg) with the Grand Final being staged at John Blumberg Golf Course. The Municipal tournament is the longest running golf event in Manitoba. It is unique in that it is open to public players only. This year 296 golfers entered representing a 14% increase over 2002 participation. Sponsorships from Jazz Golf, Coke and Labatts made the tournament extra special for local golfers. The Pro Am tournament held in conjunction with the Municipal tournament was very successful. Dave Klowak, Clubhouse Manager at Windsor Park Golf Course edged out 9 other local pros to take top prize.

In July the Platinum Jets Charity Golf Tournament was held at Kildonan Golf Course with 150 golfers taking part. The combined efforts of tournament organizers, golf course staff and a host of sponsors resulted in over $50,000 being raised and donated to local charities.

In June the Victoria General Hospital held their capital campaign fundraising tournament at Crescent Drive Golf Course. The event was a tremendous success and indications are that it will be an annual event at this site.

Customer Service

Clubhouse staff attended the Manitoba Tourism and Education Council *"Manitoba Best"* customer service training program prior to the start of the season. This program has assisted staff in dealing with routine matters in a positive customer friendly manner and provided tools that can be used to deal with difficult situations.

Customer service remains one of the highest priority areas for continuous attention and improvement.

Marketing and Promotion

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

The Agency was represented at the first Mid Canada Golf and Travel Show held at the Winnipeg Convention Centre. Over 3000 guests visited the Golf Services booth and were provided with information on the Municipal Golf Courses.

Research was initiated into the feasibility and value of an e-mail marketing program designed to reward loyal frequent golfers. It is expected that a program will be implemented in 2004.

Turf Maintenance

The acquisition of new equipment improved the level of maintenance on the courses. Leaf blowers were purchased for Windsor and Kildonan Golf Courses. This will allow for fairways and rough to be kept clear of leaves providing better playing conditions in the fall.

Eleven new greens covers were purchased. More than half of the greens at the 4 courses maintained by Golf Services are covered each winter. This results in a more consistent quality of turf when the courses open in the spring.

Environment

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

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

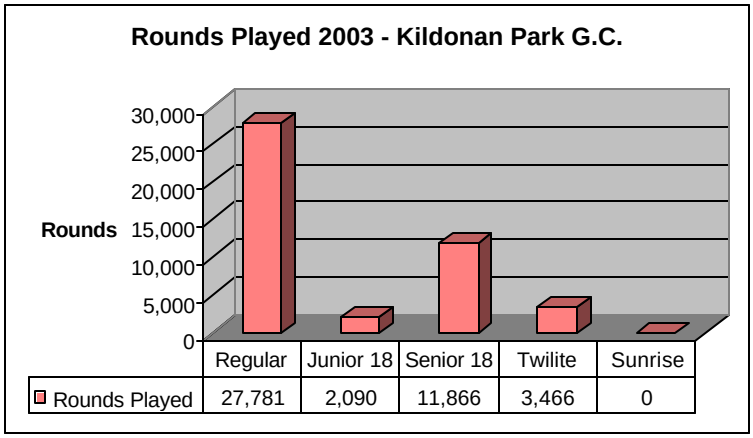
The reestablishment of native plant species through elimination of European Buckthorn continued in 2003. This will continue to be a priority for several years.

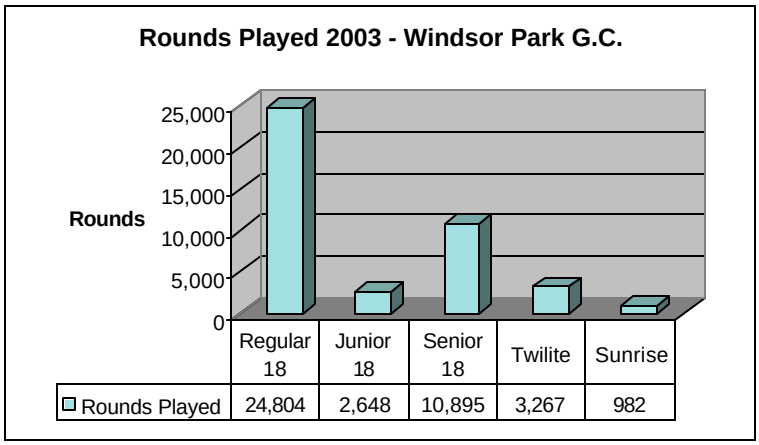
Electric auto carts are proving to be very popular among golfers. Gas carts will continue to be replaced with electric.

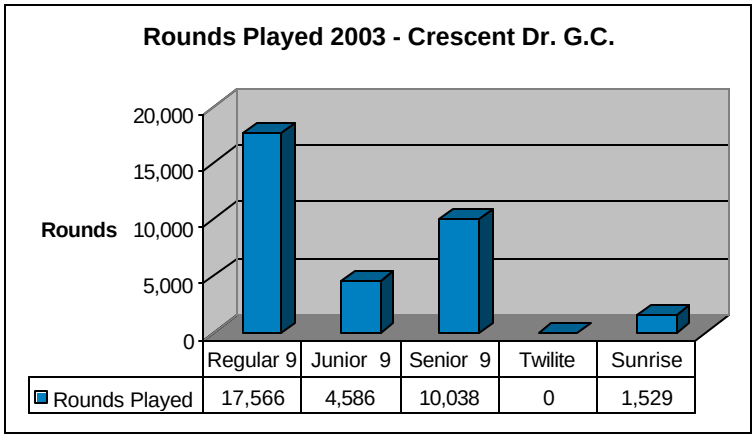
Golf Course Improvements

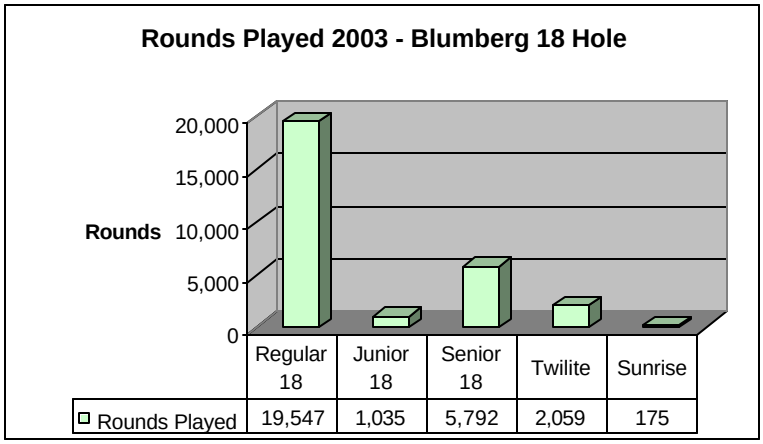
A master plan for golf course improvements has been completed. Recommendations from the plan will be implemented on an annual basis in accordance with available funding. Priorities include reforestation; drainage improvements; new tees and tee reconstruction; clubhouse renovations.

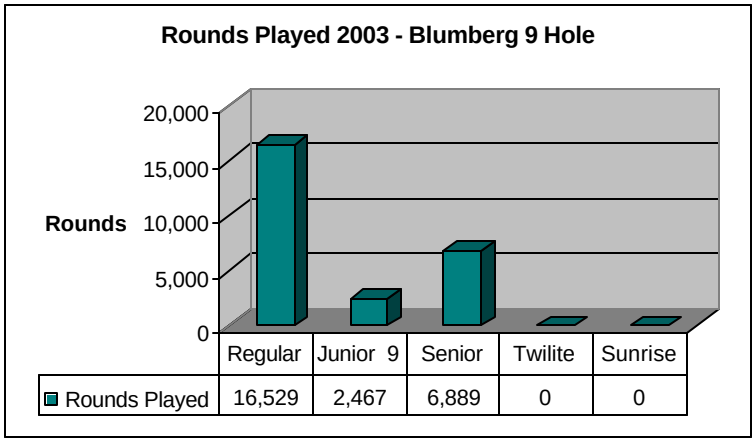
Statistics – 2003

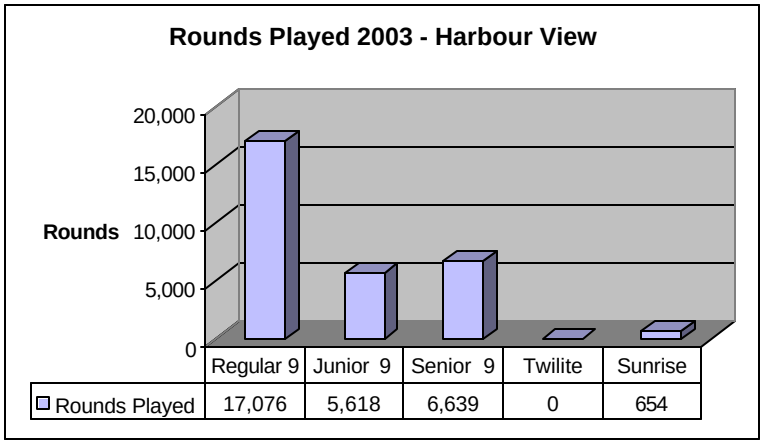


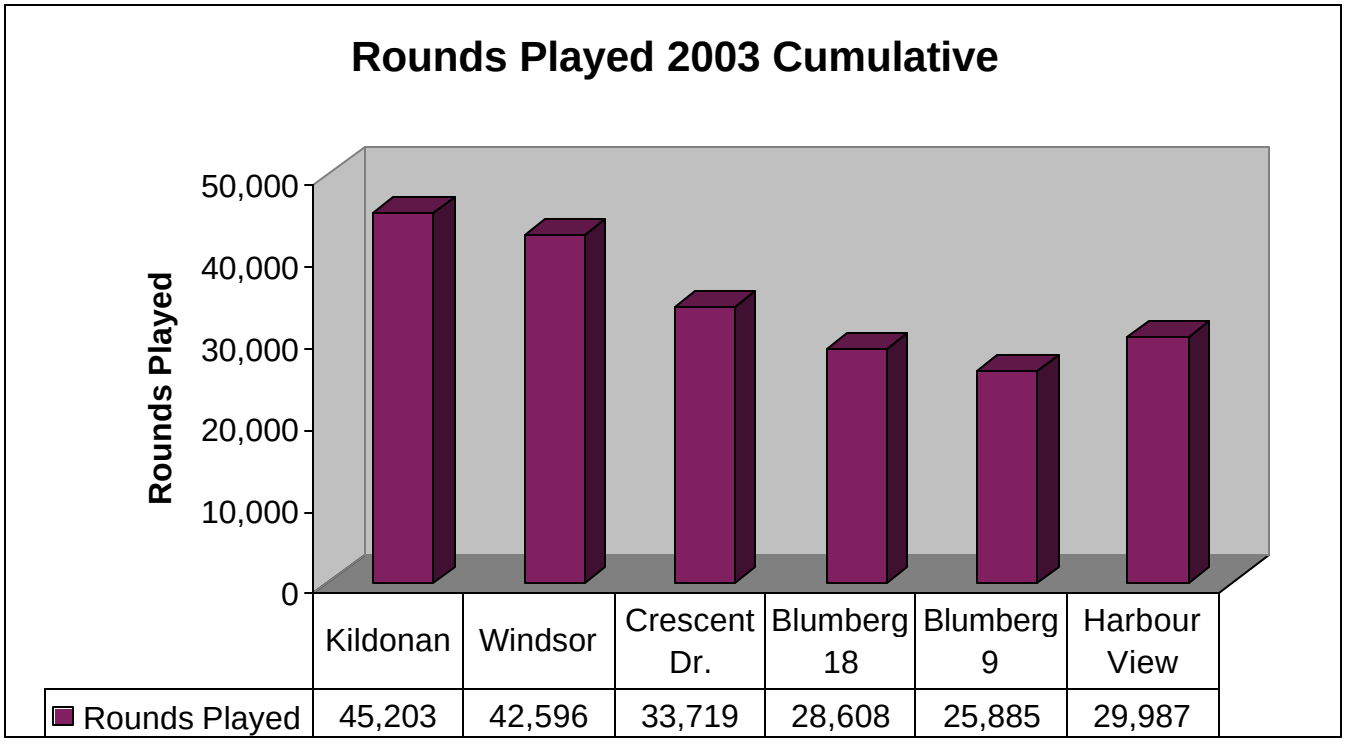





Rounds Played 2003 - Blumberg 18 Hole
20,000
15,000
Rounds 10,000
5,000
0
Regular 18
Junior 18
Senior 18
Twilite
Sunrise
Rounds Played
19,547
1,035
5,792
2,059
175


Rounds Played 2003 - Blumberg 9 Hole
20,000
15,000
Rounds 10,000
5,000
0
Regular
Junior 9
Senior
Twilite
Sunrise
Rounds Played
16,529
2,467
6,889
0
0


Rounds Played 2003 - Harbour View
20,000
15,000
Rounds 10,000
5,000
0
Regular 9
Junior 9
Senior 9
Twilite
Sunrise
Rounds Played
17,076
5,618
6,639
0
654



Financial Performance

In 2003 the Agency's operating deficit was $118,000 as compared to a budgeted deficit of $58,000. This difference of $60,000 when compared against the Agency's gross revenues of $2,975,000 represents a variation of 2%.

On a positive note, equipment rentals (5%) and merchandise sales (32%) exceeded projections. These are positive indicators.

The Auditor's Report is contained in the attached pdf file. The audited financial statements follow on the next page.

"Golf- auditors' report_ 2003.pdf"

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2003	2002
ASSETS		
Current		
Cash	**$ 3**	$ -
Accounts receivable	**17**	2
Inventory	**80**	74
Prepaid expenses	**5**	5
	105	81
Capital assets (Note 3)	**24,559**	24,219
	$ 24,664	$ 24,300
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	**$ 158**	$ 230
Accounts payable and accrued liabilities	**7**	12
Vacation payable (Note 5a)	**35**	35
Current portion of long-term debt (Note 6)	**6**	-
	206	277
Retirement allowance (Note 5b)	**121**	121
Long-term debt - City of Winnipeg (Note 6)	**4,120**	4,051
	4,447	4,449
SURPLUS		
Contributed surplus (Note 8)	**20,574**	20,090
Deficit	**(357)**	(239)
	20,217	19,851
	$ 24,664	$ 24,300

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	2003	2002
REVENUES		
Green fees	**$ 2,474**	$ 2,142
Equipment rentals	**251**	194
Concessions	**231**	121
Merchandise sales	**53**	39
Other	**50**	26
Total Revenues	**3,059**	2,522
EXPENSES		
Salaries and employee benefits	**1,329**	1,132
Services (Note 9a)	**579**	570
Material, parts and supplies	**305**	193
Debt and finance charges	**259**	251
Municipal tax equivalency charge (note 7)	**251**	240
Amortization	**229**	199
Rent (Note 9b)	**17**	15
Other	**9**	-
Total Expenses	**2,978**	2,600
Net income (loss) from operations	**81**	(78)
DEFICIT, BEGINNING OF YEAR	**(239)**	-
Transfer to The City of Winnipeg - General Revenue Fund	**199**	161
DEFICIT, END OF YEAR	**$ (357)**	$ **(239)**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

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

	2003	2002
OPERATING		
Net income (loss) for the year	**$ 81**	$ (78)
Non-cash items related to operations		
Amortization	**229**	199
Working capital from operations	**310**	121
Net change in working capital	**(27)**	(202)
	283	(81)
FINANCING		
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	**(72)**	230
Increase in Long-term debt - City of Winnipeg	**75**	75
Transfer to City of Winnipeg - General Revenue Fund	**(199)**	(161)
	(196)	144
INVESTING		
Cash acquired on start-up	**-**	3
Purchase of capital assets	**(84)**	(66)
	(84)	(63)
INCREASE IN CASH POSITION	**3**	-
CASH POSITION, BEGINNING OF YEAR	**-**	-
CASH POSITION, END OF YEAR	**$ 3**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003
(in thousands of dollars)

1. Commencement of Operations

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

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

The Agency commenced operations on January 1, 2002.

2. Summary of Significant Accounting Policies

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

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

Inventory

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

Capital assets

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

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

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

Revenue Recognition

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

Financial Instruments

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

3. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2003	2002
Land	**$ 20,376**	**$ -**	**$ 20,376**	$ 20,376
Building	**3,383**	**270**	**3,113**	3,249
Equipment	**1,182**	**157**	**1,025**	594
Golf course improvements	**46**	**1**	**45**	-
	$ 24,987	**$ 428**	**$ 24,559**	$ 24,219

4. Due to City of Winnipeg - General Revenue Fund

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

5. Employee Benefits

a) Vacation

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

b) Retirement allowance

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the retirement allowance liability as at December 31, 2003, at $121 thousand (2002 - $121 thousand).

c) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $57 thousand (2002 - $52 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of January 1, 2003 and has an actuarial surplus.

6. Long-Term Debt - City of Winnipeg

	2003	2002
Golf Course Reserve		
Golf course improvements loan, interest at 6%, with annual principal repayments of $10 thousand, commencing in 2004	**$ 150**	$ 75
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $264 thousand, commencing in 2007	**3,976**	3,976
	4,126	4,051
Current portion of long-term debt	**(6)**	-
	$ 4,120	$ 4,051

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

2004	$ 6
2005	12
2006	12
2007	39
2008	41
Thereafter	4,010
	$ 4,120

b) Interest on the golf course improvements loan during the year was $7 thousand (2002 - $2 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $239 thousand (2002 - $239 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $246 thousand (2002 - $241 thousand).

7. Municipal tax equivalency charges

Municipal realty tax equivalency charges are applicable to the five facilities owned. These charges are based on estimated assessments and mill rates that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses.

8. Contributed Surplus

Contributed Surplus increased by $484 thousand due to the transfer of equipment at net book value belonging to the Agency, which was previously administered by Fleet Services. Equipment transferred was attributable to the following golf courses:

Equipment - Kildonan Golf Course	**$ 196**
Equipment - Windsor Golf Course	**158**
Equipment - Crescent Drive Golf Course	**68**
Equipment - Harbourview	**62**
	$ 484

9. Related Party Transactions

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

a) In Services, an amount of $61 thousand (2002 - $59 thousand) for general government charges has been included and paid to the General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

b) An amount of $17 thousand (2002 - $15 thousand) has been transferred to the Civic Accommodations Fund for the rental of office space.

10. Comparative Figures

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