REPORT OF THE

ALTERNATE SERVICE DELIVERY COMMITTEE

DATED APRIL 9, 2002

On motion of Councillor Angus, the Report of the Alternate Service Delivery Committee, dated April 9, 2002, was considered clause by clause.

Selection Report 2002 - Glacial Sand and Gravel Special Operating Agency (SOA) File GL-5.6.1 (Vol. 6)[c/r S-8 (Vol. 2)]

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

2001 was Glacial Sand and Gravel's first full 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 good 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. Treated sand is produced and stockpiled annually at four Street Maintenance Yards. 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.

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

Currently, Glacial Sand and Gravel has a staff establishment of ten positions. Of these positions, seven are year-round and three are seasonal (April - November). However, in 2001, operational changes were made to the Equipment and Materials Division of Public Works. As a result, Glacial Sand and Gravel lost clerical support that was previously purchased from this Division.

Staffing changes that were implemented to replace the lost clerical support were the addition of a Clerk A position and the upgrading of the Clerk B position to a Clerk C position. These staffing changes allowed for greater flexibility in vacation and sick time relief. No additional costs to the Agency have been incurred due to the staffing changes.

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 2002. Material costing and inventory control software will follow.

Glacial Sand and Gravel continues to conform to the standards established by the City of Winnipeg for communications and reporting.

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Equipment

A tender for a stacking conveyor has been issued for delivery in the summer of 2002. This conveyor will enable Glacial Sand and Gravel to eliminate the need for hiring a loader when processing material. In addition, this conveyor will eliminate 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 crushing equipment was delayed in 2001 while Glacial Sand and Gravel explored different production options and sales opportunities.

Financial Highlights

The net income from 2001 operations exceeded budget projections by $79,000.00. This was the result of higher than projected sales volumes and lower than expected equipment charges.

For 2002, expenditures and revenues will be consistent with the original 2001 Selection Report. Expenditures will see an increase in equipment charges. Revenues will reflect the targeting of processed aggregate sales, resulting in less aggregates being sold but at a greater unit value.

Income tax equivalency payments for 2001 totaled $26,000.00. This amount may be negatively impacted if losses are incurred in 2002.

Pro forma financial statements have been prepared, which include a projected balance sheet, statement of earnings and retained earnings, and statement of cashflows, and are identified as Appendix “A” hereto.

Performance Measurement

2001 was the first full year of operation for Glacial Sand and Gravel as an SOA. The Agency was able to begin establishing measures 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, 2001)
Financial	Quarterly financial targets as outlined in the Selection Report	To meet and/or exceed	Exceeded
	Budgeted net income as per Selection Report projections	To meet and/or exceed	Exceeded
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 developed
	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
	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.

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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.	Local 500 Representative
Bob Morris (retired)	Business Representative
Patrick Payne (President, Malibu Homes)	Business Representative
Ed Bruning (I.H. Asper School of Business)	Business Representative

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.

The Alternate Service Delivery Committee recommends:

I. That the 2002 Selection Report for the Glacial Sand and Gravel Special Operating Agency be approved.

II. 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.

Moved by Councillor Angus,
Adoption of the clause.

Carried.

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411 - 2. On March 20, 1997, Council adopted Clause 1 of the Report of the Executive Policy Committee dated March 17, 1997, with respect to "*Reshaping Our Civic Government"* which identified the development of Special Operating Agencies as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, Council adopted Clause 3 of the Report of the Executive Policy Committee dated February 17, 1999, with respect to the *1999 Alternative Services Delivery Review Agenda* which identified the municipal golf course operation as an Alternate Service Delivery candidate. A Feasibility Study was subsequently prepared and presented to the Alternate Service Delivery Committee.

On February 23, 2000, Council adopted the recommendations contained in Clause 2 of the Report of the Alternate Service Delivery Committee dated February 4, 2000, directing that an Operating Charter and Business Plan for a Special Operating Agency with a mandate to manage and be accountable for maximizing the return on city-owned golf course assets, be prepared for consideration by Council.

Municipal golf courses have historically been regarded as recreation facilities that served a public good or social need. While revenue generation was important, it was not always the basis on which operational and strategic decisions were made.

It is the intention of the Agency, under the jurisdiction of the Planning, Property and Development Department to manage golf courses as valuable City assets and shift the strategic and operational focus to that of maximizing profitability.

The existing asset mix is comprised of:

Leased Properties - Private Clubs on City-owned lands:

Assiniboine Golf Course
Rossmere Country Club
St. Boniface Golf Club

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Transcona Golf Club
Wildwood Club
Charleswood Golf Club - terminated October, 2001

Management Agreements - Private Operators on City Owned Lands

Canoe Club Golf Course
Tuxedo Golf Course

Contractor Operated City Courses

John Blumberg Golf Course
Harbour View Golf Course and Recreation Complex (Contractor operated; City maintained)

City Operated and Maintained Courses

Kildonan Park Golf Course
Windsor Park Golf Course
Crescent Drive Golf Course

In the short term, the existing mix of leased, externally managed and city-operated golf courses will be maintained. This strategy is required in order to reasonably assess the long-term viability and cost effectiveness of the courses in each of the categories. After a period of three years, an evaluation will be carried out and a business decision will be made relative to the future of these City assets.

During the initial three years of the business plan, the City operated courses, which have suffered in recent years from a lack of investment and improvement, will see significant capital funding invested in improvements to physical infrastructure and on-course playability features. This will provide the basis on which to assess the future viability of these courses to that of alternative methods of operation or uses.

Accountability Framework

Operating as an SOA will enhance the financial and organizational accountability of Winnipeg Golf Services. A flow chart outlining the accountability structure of the Agency is included in Section 8 of the Operating Charter identified as Appendix “A” hereto.

The expectations of Winnipeg Golf Services is that it will:

- Provide a financial benefit to the City beyond that of other ASD options or that of a Departmental Branch function.
- Improve the value of the City’s golf course assets.
- Improve the public image of Municipal Golf Courses.
- Function under Generally Accepted Accounting Principles (GAAP).
- Be professional and business-like in all operational matters.

Financial Performance and Reporting Framework

Pro forma financial statements have been prepared which include a projected balance sheet, statement of projected revenues and expenses, statement of projected changes in financial position, and projected statement of equity identified as Appendix “C” hereto.

The Agency will analyse the cost of services provided by City departments and will make future purchase decisions based on the best business interests of the Agency.

Operating as an Agency, Winnipeg Golf Services will fully cost its operations and will be subject to an annual audit, quarterly reporting and an annual report in accordance with the Operating Charter.

Financial returns outlined in the Agency’s annual year-end report, in excess of those outlined in the financial projections will be reviewed and proper treatment determined by the Alternate Service Delivery Committee.

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Human Resource Framework

Golf Services envisions a team of motivated employees that are focused on providing the best possible level of service to our clientele within the context of the overall financial and operational success of the Agency. It is the intent of the Agency to invest time, energy and resources into the existing staff complement through training and development that will result in a more adaptable and productive unit. New staff will be carefully screened and selected in order to ensure a compatible fit with the direction, philosophy and skill set required for future success.

The former staff complement of Municipal Golf Courses consisted of:

- 0.6 Coordinator
- 0.5 Operations Assistant
- 1.0 Maintenance Foreman
- 50 seasonal staff

The Golf Services staff complement will consist of:

- 1.0 Chief Operating Officer
- 1.0 Operations Assistant
- 1.0 Maintenance Foreman
- 51 seasonal staff

The additional seasonal staff person is a Maintenance I position that is required to repair and maintain the fleet of turf equipment (92 units), auto carts (48 units) and miscellaneous small equipment.

All terms of the collective agreement and union representation continue to apply with the exception of those items that may be changed through negotiation and agreement between the Agency and the Union.

Information Technology Framework

Golf Services has negotiated a tentative internal service agreement with the Property and Information Systems (P&IS) Division of the Planning, Property and Development Department for the provision of technical, mapping and graphics support services. This agreement will be finalized upon approval of the establishment of the Agency.

P&IS will provide the following list of services to the Agency in the planning, development, implementation and support of information systems and graphic services:

- Information Systems & Technology Architecture Control
- Information Systems Methods Planning
- Information Systems & Technology Migration Planning
- Data Systems Support
- Information Systems & Technology Support
- Security Support
- Electronic Communications Support
- Mapping Services
- Publication Graphic Services

Additional services (e.g. Project Management, Database Management, Application Development, etc.) may be acquired on a project-by-project basis and full costs will be determined during project and business planning.
The Agency is not contemplating any major IT projects in the immediate future. Over the term of the plan, systems and equipment will continually be upgraded through existing resources. Communication will be enhanced via e-mail capability at each site and at the office of the Maintenance Foreman. Daily reporting of revenues and attendance including year to date totals will be automated.

When appropriate, the Agency will ensure that consistency and connectivity is maintained with standards established by the City of Winnipeg for communication and reporting.

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Physical Asset Management

The operation and management of golf courses requires the use of a variety of material assets that can be categorized as follows:

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

The land assets of the Agency consist of 12 sites with a total assessed value of $20,376,565.00 as determined by the City of Winnipeg Property Assessment Department as of January 1, 2002. Each site houses a number of physical structures including some or all of clubhouse, maintenance building(s), equipment storage, chemical storage, starter enclosure, concession stand, pro shop, rain shelter(s), pump house.

The City does not own the physical structures at the Assiniboine, Rossmere and Wildwood sites. The buildings and land that the buildings are on are owned by the private operators. The Canoe Club clubhouse facility is not viewed as a golf course asset.

The condition of buildings varies considerably. Kildonan and Windsor clubhouses for example were constructed in the 1920's and, although quite functional, require significant annual maintenance and would benefit from a major renovation or replacement.

John Blumberg, Harbour View and Crescent Drive clubhouses are newer in relative terms but are at or near the stage where maintenance funds will be required to keep them in good operating condition.

Clubhouse facilities at the leased courses are the responsibility of the lessees. Tuxedo clubhouse was replaced in 2000.

The Agency maintains four golf course sites utilizing 90 pieces of equipment plus 2 half-ton trucks. Turf maintenance equipment includes tractors, rough cutters, fairway mowers, greens mowers, tee mowers, utility vehicles and aerators. Specialty equipment and attachments such as backhoes, spreaders, tillers, trenchers, leaf blowers, snow blowers and snowmobiles are also used and maintained. Equipment and vehicles will only be replaced as required. Some equipment does not receive extensive use and its usable life could exceed the projected replacement period. Each piece of equipment is assessed prior to replacement.

The Agency operates and/or maintains only five of the twelve sites under its jurisdiction. Furnishings, tools and equipment are supplied to Windsor, Kildonan, and Crescent Drive for all clubhouse and maintenance purposes. In the case of Harbour View and Blumberg, only limited equipment and furnishings are supplied, as the respective contractors are responsible for the supply of some of these items.

Hand tools and small equipment are replaced on a regular basis as required. Clubhouse furnishings at all sites that the Agency is responsible for is old, dated and in need of replacement or repair. This will be undertaken on a priority basis over the term of the business plan.

Performance Measurement

The success of the Golf Services SOA will be measured by the extent to which the Service Goals and Strategies are achieved. Ultimately, the Agency must attain the financial goals it has set and improve the overall asset worth of the City's golf course operation.

Performance of the Agency will be measured primarily in the following areas:

Goal	Description	Measure of success
Financial	Financial return to the City and improvement of the golf course asset.	Meet or exceed the forecasted financial return to the City over the course of the 5-year business plan. Increased value of the physical assets through infrastructure improvements.

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Customer Service	Continually improve the image that we portray to customers.	Track each customer complaint, determine legitimacy, take appropriate action and provide feedback. Improved staff appearance through adherence to uniform guidelines. Assessed through observation and independent checks. Consistent use of appropriate greetings over the counter and on the telephone measured through observation, independent assessment and customer feedback. Positive customer survey results with satisfaction levels of 80%+. Aesthetic 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.

Specific annual and long-term goals will be established from which to measure the success of the Agency. These goals will be prepared in consultation with the Advisory Board and detailed in the annual business plan.

Issues

Competition: Winnipeg Golf Services will actively compete in the golf market. Green fees will be reflective of market pricing and other additional sources of revenue will be explored. The municipal golf courses presently are at the high end of rounds played among public golf courses in the Winnipeg market. New public courses that come into the market, depending on their green fee rate and degree of difficulty, could impact on the rounds played at municipal courses. A significant increase in marketing and promotion will be implemented in order to retain the current customer base and make the municipal courses an attractive choice for new golfers.

Course and Clubhouse Improvements: The Municipal courses have had effectively no capital improvements done in the last decade. As a result, the condition of the courses and clubhouses has fallen below the standard generally acceptable for public courses. A capital improvement program will be implemented that brings the courses and clubhouses up to a reasonable standard. This program is designed to 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 make the municipal courses stand out among public golf courses.

Staff and Union Support**:** Permanent staff is aware of the challenges the Agency must overcome to be successful. Seasonal staff will be briefed on the vision and goals of the Agency and will be given the opportunity for input as to how targets are achieved. CUPE has, to date, been supportive of the efforts of the SOA in its formative stage. Support, cooperation and input from the staff and Union are essential to the success of the Agency.

Implementation

Golf Services implemented changes in 2001 that began the transition process toward an SOA. This transition will continue to be phased in throughout the 2002 season. In the short term, the existing mix of leased, externally managed and city-operated golf courses will be maintained. This strategy is required in order to reasonably assess the long-term viability and cost effectiveness of the courses in each of the categories. After a period of three years, an evaluation will be carried out and a business conclusion will be made relative to the future of these City assets.

During this three year period, the City operated courses, which have suffered in recent years from a lack of investment and improvement, will see significant capital funding invested in improvements to physical infrastructure and on-course playability features. This will provide the basis on which to assess the future viability of these courses to that of alternative methods of operation or uses.

Following the 2004 operating season, the Agency will conduct an overall assessment of its operation and make recommendations regarding future methods of operation for each grouping of golf courses (City operated; externally managed; leased).

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Conclusion

Creation of the Special Operating Agency will allow the City to test its performance in the golf market while not jeopardizing the value of its golf course assets. A financially responsible and realistic strategy for the operation and long-term sustainability of municipal golf course operations has been developed which provides for a reasonable chance of success and a significant challenge for management and staff.

The creation of the SOA will provide the opportunity for the municipal golf courses to return to a position of prominence in the Winnipeg golf market. The Agency will recognize competition in the industry and be proactive in providing the best possible golf experience within its identified market niche. An aggressive approach will be employed in retaining the current customer base and attracting new clientele.

The Agency will be fully accountable for meeting service needs of customers in a timely, high quality, cost effective manner. The financial and operational flexibility afforded to the SOA will enable the Agency to make decisions in a business-like manner and customize services to satisfy golfer demands.

The Alternate Service Delivery Committee recommends:

I. That the Winnipeg Golf Services be authorized to commence operations as a Special Operating Agency and that this change be retroactive to January 1, 2002.

II. That a loan in the amount of $695,000.00 be approved as outlined in the Financial Projection [Appendix "C", note 3(b)] from the Golf Course Reserve Fund at the City's borrowing rate, to finance capital improvements required by the Agency.

III. That an operating line of credit in the maximum amount of $400,000.00 be approved at the City's borrowing rate. Funds will be accessed through the inter-company balance with the general revenue fund to meet ongoing cash flow requirements of the Special Operating Agency.

IV. That the Winnipeg Golf Services Operating Charter as provided for in Section 81.10 through 81.16 of the City of Winnipeg Act be approved as outlined in Appendix "A", including:

A. the delegations and exemptions required by the Agency to exercise business-like practices, as outlined in Appendix "I" of the Operating Charter.

B. the establishment of the Agency's Advisory Board membership and terms of appointment as outlined in section 3.10 of the Operating Charter in Appendix "A".

C. the percentage of Council votes as being 2/3 majority of the total number of members of Council necessary to dissolve the Agency or change the Agency's Operating Charter.

V. 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.

Copy of attachments referred to in the above clause are on file in the office of the City Clerk.

Moved by Councillor Angus,
Adoption of the clause.

Carried.