

PART D

SUPPLEMENTAL CONDITIONS

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GENERAL

D1. GENERAL CONDITIONS

- D1.1 In addition to the *General Conditions for Provision of Services*, these Supplemental Conditions are applicable to the Work of the Contract.
- D1.2 The General Conditions are amended by striking out “The City of Winnipeg Act” wherever it appears in the General Conditions and substituting “The City of Winnipeg Charter”.
- D1.3 The General Conditions are amended by striking out “Board of Commissioners” or “Commissioner” wherever it appears in the General Conditions and substituting the “Chief Administrative Officer”.
- D1.4 The General Conditions are amended by striking out “Tender Package” wherever it appears in the General Conditions and substituting “Request for Proposal”.
- D1.5 The General Conditions are amended by striking out “Tender Submission” wherever it appears in the General Conditions and substituting “Proposal Submission”.
- D1.6 The General Conditions are amended by striking out “Bidding Instructions” wherever it appears in the General Conditions and substituting “Bidding Procedures”.
- D1.1 In addition to the *General Conditions*, these Supplemental Conditions are applicable to the Work of the Contract.

D2. GLACIAL SAND & GRAVEL INTRODUCTION

- D2.1 The Glacial Sand and Gravel Special Operating Agency (GSG) is a non-tax supported agency of the City of Winnipeg operating within the Department of Public Works. GSG is a producer, processor and marketer of primary construction materials for customers in the Winnipeg region. The agency is managed by a Chief Operating Officer (COO) who has been granted significant delegated authority and operating independence to manage the agency in a business-like manner. The COO is guided by GSG’s operating charter and Council approved business plans and reports to the Chief Administrative Officer through the Director of Public Works.
- D2.2 The COO is responsible for developing and implementing GSG’s long-term strategy and for submitting the annual business plan to the Alternate Service Delivery Committee of Council for approval by Executive Policy Committee and Council. The COO consults with an Advisory Board as well as the Director of Public Works in developing these plans.
- D2.3 The fundamental mission of GSG continues to be the maximization of Winnipeg taxpayers’ return on investment in GSG and its aggregate resources (see Background & Overview). Toward fulfilling of its mission, GSG is seeking the services of an independent professional consultant to assist in generating and assessing strategic business options for GSG going forward.
- D2.4 These services are expected to include:
- (a) Generating a long-list of realistic business options for GSG, developing high level evaluation criteria to assess these options, evaluating and short-listing the better options using the above criteria;
 - (b) Modeling and analysis of the short-listed options to arrive at a preferred option; and

- (c) Developing a preliminary action plan (or preliminary business plan if appropriate) to implement the preferred option.

D2.5 It is anticipated that the successful Bidder's team will include members of the engineering/construction consulting community or members of the management/business advisory services community or a combination of these. However, GSG will consider duly qualified consulting teams from other relevant areas of industry and business.

D2.6 GSG's plans to have the assignment started by November 1, 2004 to produce by February 1, 2005 the basic elements of a plan upon which it can develop a detailed course of action (including a detailed business plan if necessary) and implementation plan.

D3. BACKGROUND & OVERVIEW

D3.1 GSG was formally approved as a Special Operating Agency by City Council in February 2001. It was granted an initial three year "transition" period to December 31, 2003 in which to implement its original business plan and establish itself as a viable player in the local industry. During this time GSG had been given exclusive rights to sell sand, gravel and crushed limestone products to the City of Winnipeg for all of its maintenance needs. Materials required by The City for capital works would continue to be supplied through the open tender process. Along with selling materials to The City, GSG was also expected to sell into the broader marketplace including private sector customers and other government organizations.

D3.2 GSG continues to be a formal part of the Department of Public Works although as a non-tax supported SOA maintains a significant degree of operating independence. GSG is guided by the following mandate:

To supply customers, on a competitive basis, quality aggregate products in a timely and cost efficient manner, both internal and external to the City of Winnipeg.

GSG Vision and Mission:

Vision

Through the utilization of its human and natural resources to operate a cost effective and profitable enterprise.

Mission

To produce, supply, and sell high quality aggregate products at competitive prices in a manner that maximizes the financial potential of the City of Winnipeg's non-renewable resources.

GSG Values

- Fairness and accountability in all business transactions and staff deployments
- Financial responsibility

GSG Strategic Direction

D3.3 GSG was mandated by Council to manage and husband the aggregate resources of the Pine Ridge and Transcona Gravel Pits in order to provide the greatest financial return during the depletion of the aggregate reserves. The expectations for Glacial Sand and Gravel operating as an SOA were that it would:

- (a) function under all accepted financial practices.
- (b) be professional and business-like in all business operations.
- (c) be a good corporate citizen.

- (d) assist the employees in all aspects of their development through training and career planning.
- (e) provide a financial benefit to the City of Winnipeg as an SOA beyond the benefit that could be achieved under other Alternative Service Delivery options that were originally assessed.

GSG Operational Overview

- D3.4 The Glacial Sand and Gravel SOA aggregate resource component consists of two land parcels. The first and major component is the Pine Ridge Gravel Pit itself. Located south of Birds Hill on Heatherdale Road, north east of the City of Winnipeg, the Pine Ridge Gravel Pit is 248 acres in size and has sand and gravel reserves estimated at 20 million tonnes. The Pine Ridge Gravel Pit is one of the last remaining good quality, clean, above water sand and gravel deposits in close proximity to the City of Winnipeg. GSG maintains a fleet of leased and owned material mining, handling and processing equipment at its Pine Ridge Pit. All of GSG's building and office facilities are also located at the Pine Ridge location.
- D3.5 The Transcona Gravel Pit is the second land component. Located off Highway 207 north of Highway 15, east of the City of Winnipeg, it is 34 acres in area. No formal asset quantity valuation has been undertaken for this resource, however, approximately 50 percent of its estimated resources have been mined by The City and others to date.
- D3.6 GSG also owns a dormant 58 acre parcel of limestone property at Gunton, Manitoba. The site contains high-grade limestone but, to date, only limited mining has taken place.
- D3.7 GSG operates year round with a staff compliment of 6 reaching 14 during peak production season from May to September and generates all of its revenues (approximately \$3,000,000 in F'02 and F'03) from the open market sale of its products and services (primarily sand and gravel derived products and re-marketed crushed limestone products). The combined tonnage of materials marketed annually by GSG in recent years approximates 400,000 to 500,000 tonnes. GSG purchases all of its operating and administrative support services as economics dictate from a variety of providers both internal and external to The City of Winnipeg. The fundamental premise is that GSG act in as much a business-like manner as it can to maximize returns for the taxpayers of Winnipeg.

Local Competitor Scan

- D3.8 The aggregate resources of the Capital Region include limestone products that are quarried from the Stonewall/Stony Mountain area and the Tyndall/Garson areas. The majority of limestone products used in road works, in competition with the products produced at the Pine Ridge Gravel Pit, are quarried in the Stonewall area. The majority of sand and gravel products in competition with the Glacial Sand and Gravel products are from the Birds Hill area.
- D3.9 Transport cost is a major component in the supply and delivery of aggregates to the City of Winnipeg area. The closer a resource is to its end use destination, the less the transportation cost. Aggregate products produced farther from the City of Winnipeg have less value directly proportional to the additional transportation costs.
- D3.10 Some of the private sand and gravel pits located GSG's vicinity include:
 - (a) Borland Construction Ltd.
 - (b) Chabot Enterprises Ltd.
 - (c) Charkewich Sand and Gravel
 - (d) FS Materials Ltd.

- (e) Inland Aggregates Limited
- (f) Lester's Cartage and Construction Ltd.
- (g) Mulder Construction and Materials Ltd.
- (h) Ross Sand and Gravel
- (i) Taras Gravel Supplies
- (j) In addition to these is the R.M. of Springfield Pit.

D3.11 End products for the aggregate materials mined in the area include:

- (a) Base Course Materials (A Base, C Base and traffic gravel)
- (b) Granular Backfill (for underground works)
- (c) Portland cement concrete aggregates (coarse and fine)
- (d) Asphalt cement concrete aggregates (coarse and fine)
- (e) Various specialty sand products; and
- (f) Treated sand (treated with road salt for ice control)

D4. SCOPE OF WORK

D4.1 This section of the document describes the anticipated three-phase approach to the work involved in this assignment. The following phase descriptions are intended to guide bidders in the development of their bids:

Phase I - Generation and Culling Long-list of Business Options

D4.2 The Contractor will work with GSG and Public Works management to generate a long-list of possible realistic business options for GSG going forward. Possible options could include sale or lease of the assets, strategic operating alliance(s)/joint venture, variations of the current operating model (operating as a value added processor/supplier to the marketplace), or others. The long-list is not expected to be exhaustive but rather to ensure that an appropriate degree of thought and creativity is used in considering realistic options.

D4.3 The Contractor will develop quantitative and qualitative evaluation criteria with which to assess high level financial and non-financial merits of each of the long-listed options. The long-list will then be culled based on this assessment to a short-list of perhaps 2 or 3 warranting more detailed financial modeling and analysis in Phase II. It is expected that the Contractor will conduct some meaningful mid to low-level market analyses during this phase to establish potential base line demand for the various products used in GSG's marketplace (e.g. sands, gravels, asphaltic and Portland cement concrete aggregates, limestone, etc.). The market analyses will be key to drawing supportable conclusions about GSG's economical potential under any of a variety of possible options being considered.

D4.4 A brief written summary of the approaches and outcomes of this phase is to be provided in the overall Summary Report expected at the end of the assignment.

Phase II - Modeling and Analysis to Determine Preferred Business Option

D4.5 Using the short-listed options established in Phase I, the Contractor will develop appropriately detailed financial models to assess and compare their financial merits. GSG will work with the Contractor in establishing appropriate assumptions for the financial models as well as in establishing appropriate qualitative evaluation criteria.

- D4.6 It is expected that information and assumptions required for the financial models may come from past studies and GSG business plans, GSG audited statements, current operating information, marketing analyses conducted by the Contractor in Phase I and other sources.
- D4.7 The outcome of this phase will be a joint recommendation by the Contractor and COO to the Director of Public Works and Chief Administrative Officer of The City of a preferred business option for implementation by GSG.

Phase III - Develop Action Plan

- D4.8 Phase III will include development of a preliminary action plan to implement the preferred option. The action plan may include developing the basic elements of a preliminary business plan for the preferred option as necessary (ie. for any strategy other than an exit strategy). The elements of such a preliminary business plan would include but not be limited to:
- (a) High level competitive strategy and operating model (i.e. target markets, product offerings, production capabilities);
 - (b) Level and type of any necessary capital investment;
 - (c) Capital structure;
 - (d) Staffing plan (e.g. seasonal and permanent staff compliment and classifications); and
 - (e) Anticipated implementation timeline with milestones.
- D4.9 Various background studies including asset valuation, aggregate reserve analysis, and market assessment were completed prior to the development of the initial business plan for GSG in 2000. These studies will be made available in hard copy to the successful Bidder. Along with the studies listed above, GSG will also provide the successful Bidder with copies of all past annual reports, audited financial statements and business plans (also known as "Selection Reports") prepared by GSG management.

Report

- D4.10 The Contractor will be expected to prepare an Executive Summary Report outlining his/her approaches used in research and analyses and outlining their findings and recommendations. The outcome from the detailed analytics in Phases I & II are to be included in appendices as appropriate and shall become the property of GSG.
- D4.11 The Executive Summary Report including appendices shall be provided in hard copy (6 bound copies) as well as in electronic format (one copy on CD ROM).

D5. DEFINITIONS

- D5.1 When used in this Request for Proposal:
- (a) "**Business Day**" means any Calendar Day, other than a Saturday, Sunday, or a Statutory or Civic Holiday;
 - (b) "**Submission Deadline**" and "**Time and Date Set for the Final Receipt of Bids**" mean the time and date set out in the Bidding Procedures for final receipt of Proposals;

D6. CONTRACT ADMINISTRATOR

- D6.1 The Contract Administrator is:

Mr. W. Joe Funk, P. Eng., MBA
Chief Operating Officer
Glacial Sand and Gravel SOA

Box 524
Oakbank, MB R0E 1J0
Telephone No. (204) 986-5335
Facsimile No. (204) 986-7996

- D6.2 At the pre-commencement meeting, the Contract Administrator will identify additional personnel representing the Contract Administrator and their respective roles and responsibilities for the Work.

D7. NOTICES

- D7.1 GC.7.06 is hereby amended to delete reference to "registered mail" and to replace same with "ordinary mail".
- D7.2 GC.7.06 is further amended hereby to include delivery by facsimile transmission (fax) as an acceptable means of delivering notices, consents, approvals, statements, authorizations, documents or other communications required or permitted to be given under this Contract. Deliveries by fax will be deemed to have been received on the day of delivery, if a business day, or if not a business day, on the business day next following the day of delivery.
- D7.3 Further to GC.7.06, all notices, consents, approvals, statements, authorizations, documents or other communications to the City, except as expressly otherwise required in D7.4, D7.5 or elsewhere in the Contract, shall be sent to the attention of the Contract Administrator at the address or facsimile number identified in D6.1.

- D7.4 All notices of appeal to the Chief Administrative Officer shall be sent to the attention of the Chief Financial Officer at the following address or facsimile number:

The City of Winnipeg
Chief Administrative Officer Secretariat
Administration Building, 3rd Floor
510 Main Street
Winnipeg MB R3B 1B9
Facsimile No.: (204) 949-1174

- D7.5 All notices, requests, nominations, proposals, consents, approvals, statements, authorizations, documents or other communications required to be submitted or returned to the City Solicitor shall be sent to the following address or facsimile number:

The City of Winnipeg
Corporate Services Department
Legal Services Division
185 King Street, 3rd Floor
Winnipeg MB R3B 1J1
Facsimile No.: (204) 947-9155

D8. CONFIDENTIALITY AND OWNERSHIP OF INFORMATION

- D8.1 Information provided to the Contractor by the City or acquired by the Contractor during the course of the Work is confidential. Such information shall not be used or disclosed in any way without the prior written authorization of the Contract Administrator.
- D8.2 The Contract, all deliverables produced or developed, and information provided to or acquired by the Contractor are the property of the City. The Contractor shall not disclose or appropriate to its own use, or to the use of any third party, all or any part thereof without the prior written consent of the Contract Administrator.

- D8.3 The Contractor shall not make any statement of fact or opinion regarding any aspect of the Contract to the media or any member of the public without the prior written authorization of the Contract Administrator.

SUBMISSIONS

D9. AUTHORITY TO CARRY ON BUSINESS

- D9.1 The Contractor shall be in good standing under The Corporations Act (Manitoba), or properly registered under The Business Names Registration Act (Manitoba), or otherwise properly registered, licensed or permitted by law to carry on business in Manitoba, or if the Contractor does not carry on business in Manitoba, in the jurisdiction where the Contractor does carry on business, throughout the term of the Contract, and shall provide the Contract Administrator with evidence thereof upon request.

SCHEDULE OF WORK

D10. COMMENCEMENT

- D10.1 The Contractor shall not commence any Work until he is in receipt of a letter of intent from the Award Authority authorizing the commencement of the Work.
- D10.2 The Contractor shall not commence any Work on the Site until:
- (a) the Contract Administrator has confirmed receipt and approval of:
 - (i) evidence that the Contractor is in good standing under The Corporations Act (Manitoba), or properly registered under The Business Names Registration Act (Manitoba), or otherwise properly registered, licensed or permitted by law to carry on business in Manitoba;
- D10.3 The Contractor shall commence the Work by November 1, 2004.
- D10.4 The City intends to award this Contract by October 22, 2004.

INDEMNITY

D11. INDEMNITY

- D11.1 Notwithstanding GC.7.04, the Contractor may limit its indemnification of the City to a specified amount, which shall be no less than the value of the Contract.