



Request for Expressions of Interest and Proposals
150-2006

for:

the Purchase, Lease or Other Commercial
Arrangements for the Assets of
Glacial Sand and Gravel

Prepared by:

City of Winnipeg
Public Works Department
March 31, 2006

Table of Contents

- 1. Purpose of Document*
- 2. Description of Opportunity*
- 3. Description of EOIP Solicitation and Subsequent Process*
- 4. Response Instructions*

APPENDICES

Appendix A – Area and Sketch Map of Mine Property

Appendix B – General Listing of Facilities and Equipment

1. Purpose of Document

The purpose of this solicitation document is to describe the opportunity for private sector or other parties to purchase, lease or through some other commercial arrangement obtain access to the gravel pit reserves, equipment and facilities of Glacial Sand and Gravel (Glacial), a Special Operating Agency of The City of Winnipeg.

Glacial Sand and Gravel was established by The City of Winnipeg on January 1, 2001 pursuant to section 215(1) of The City of Winnipeg Charter. In accordance with section 215(7) of The Charter, Glacial Sand and Gravel is an affiliated body of The City of Winnipeg. For the purposes of this document the names City of Winnipeg and Glacial will be used interchangeably throughout.

The document includes a general description of the anticipated three-phase process for receiving, reviewing and evaluating non-binding Expressions of Interest and Proposals (EOIP) leading to detailed negotiations with one or more selected proponents.

The document also describes required EOIP submission content and evaluation criteria.

2. Description of Opportunity

The opportunity presented in this document will be of interest to a variety of potentially interested private sector for profit and other organizations. However, it will be of particular strategic interest to parties currently engaged in the heavy, industrial, commercial and institutional construction markets in Winnipeg and the surrounding region. This includes companies with direct or indirect interests in the construction and primary materials supply segments of the marketplace.

Description of Assets Under Consideration

The Glacial properties/aggregate reserves and facilities/equipment under consideration are described below:

A. “Pine Ridge” gravel pit:

Glacial’s Pine Ridge pit is situated on approximately 240 acres of land in Section 5 Township 12 Range 5E in the R.M. of Springfield (see Appendix A for area and property sketch maps). The property has one developed exit/entrance off Heatherdale Road one kilometer north of PR 213 (Garven Rd.).

The property has situated on it a portable office trailer, permanent stucco garage/staff room, permanent wooden loader shed, portable truck weigh scale, a portable laboratory shed.

Glacial recently conducted an update to its original Pine Ridge aggregate reserves assessment report of 1998. The findings estimate the remaining above water reserve of sands and gravels in the Pine Ridge pit to be approximately 19,600,000 tonnes (9,600,000 cubic metres) with another approximate 6,700,000 tonnes (3,300,000 cubic metres) below water at the time of testing between December 2005 and early February 2006. No significant volume of sands or gravels had been extracted between the testing period and the writing of this document. The complete

update report for the Pine Ridge property is available on the Bid Opportunities page at:

www.winnipeg.ca/matmgt/bidopp.asp

B. Processing, Handling and Misc. Equipment:

Appendix B contains a general listing of facilities, processing, handling and miscellaneous equipment owned by Glacial and available for sale or lease to interested parties. All of this equipment is housed at Glacial's Pine Ridge property.

C. Intellectual Property

The City of Winnipeg has registered the business name "Glacial Sand and Gravel" with the Manitoba Companies Office.

Caveat Emptor

The City makes no representations or warranty with respect to the quality, condition or sufficiency of the Property/Aggregate Reserves and Facilities/Equipment. They will be sold or leased "as is, where is".

Existing Agreement:

- Royalty Agreement with Customer A – Pine Ridge Pit;
Glacial currently has a long term agreement with Customer A. This agreement allows the customer to extract and process on site bank run in the Pine Ridge property within specified minimum and maximum tonnages annually at a predetermined price. The agreement remains in effect for several years unless the Agency is dissolved. In such event the customer is entitled to 24 months notice of termination of the agreement.
- Quarry Registration Certificates with Province of MB:
 - Pine Ridge Pit - PQ-2006-0173 and PQ-2006-0174;
- R.M. of Springfield Mining & Transportation licenses expiring December 31, 2006:
 - Pine Ridge Pit – Mining License #06-319;
 - Pine Ridge Pit – Transportation License #06-320.
- Collective labour agreements with the Canadian Union of Public Employees (CUPE) and the Winnipeg Association of Public Service Officers (WAPSO) (these agreements can be made available upon specific request);

General Concepts Contemplated by City:

Notwithstanding the sample concepts provided below, the City advises it will entertain other reasonable purchase, lease or other commercial arrangement options submitted by proponents.

- Potential Sale Option;
Under a sale option the City anticipates an outright cash sale and transfer of ownership of all or parts of the subject properties and equipment. The subject properties and equipment are:

Part A - Pine Ridge pit and facilities;
Part B - Equipment.

Proponents may consider each of the parts independently or may wish to bundle certain or all of them together as part of their EOIP.

- Potential Lease Option;
There are numerous potential lease options the City would consider. One option contemplated includes charging a fixed annual up front lease payment for access to a portion of the pit. Lessee(s) would extract (and probably process) bank run on site at a per tonne price. The value of the material extracted in the year would partially or completely offset the lease payment for that year. The primary property to be leased under this scenario would be the Pine Ridge pit and possibly some of the site facilities on that property. Glacial, as lessor, would manage the lease agreement(s), the property and the weigh scale.

This is just one possible scenario. The specific assets ultimately leased and other terms of the agreements are expected to vary based on EOIPs submitted.

- Other Commercial Arrangements;
The City is willing to entertain other reasonable creative commercial arrangements submitted by proponents.

3. Description of EOIP Solicitation and Subsequent Processes

The Alternate Service Delivery (ASD) Committee and then Executive Policy Committee (EPC) have concurred with administration's recommendation to issue this request for EOIP. The administration will follow a three Phase process for soliciting and negotiating the best possible arrangements for the taxpayers of Winnipeg from those EOIP's. The three phases and their anticipated timelines are as follows:

Phase I – EOIP Evaluation:

The City anticipates approximately 1 - 2 calendar weeks to review all EOIPs submitted. After completion of Phase I, the City will short list the submissions that are of the most interest to the City and will proceed to Phase II.

Phase II – Detailed Proposal Solicitation and Evaluation:

The City will invite the short listed proponents to submit detailed proposals. The City anticipates approximately 3 to 5 weeks to solicit and review the detailed proposals submitted. The evaluation of the detailed proposals will culminate in administration entering into negotiations with proponents of the most advantageous detailed proposals.

Phase III – Negotiation and Due Diligence:

The City reserves the right to negotiate details of the Contract with any Proponents. Proponents are advised to present their best offer, not a starting point for negotiations in their Proposal submission. The City may negotiate with the Proponents submitting, in the City's opinion, the most advantageous proposals. The City may enter into negotiations with one or more Proponents without

being obligated to offer the same opportunity to any other Proponents. Negotiations may be concurrent and will involve each Proponent individually with varying scopes. The City shall incur no liability to any Proponent as a result of such negotiations.

The City anticipates approximately 4 to 6 weeks for negotiations and due diligence. The aim of negotiations will be to establish final terms for the best options proposed and develop a recommendation to Council on those options.

If, in the course of negotiations, the Proponent amends or modifies a Proposal after the Submission Deadline, the City may consider the amended Proposal as an alternative to the Proposal already submitted without releasing the Proponent from the Proposal as originally submitted.

Confidentiality

Information provided to a Proponent by the City or acquired by a Proponent by way of further enquiries or through investigation is confidential. Such information shall not be used or disclosed in any way without the prior written authorization of the City. The Proponent shall not make any statement of fact or opinion regarding any aspect of the EOIP to the media or any member of the public without the prior written authorization of the City.

Council Approvals

Following the successful negotiation of terms and due diligence, administration will ultimately present recommended option(s) to Council for approval.

Under options where the sale of real property is required Council must declare the subject property(s) surplus before the sale can take place. No such declaration is required to lease property or to sell surplus equipment.

Notwithstanding any other section of this document, The City of Winnipeg may, in its sole discretion, at any time by written notice, terminate the EOIP solicitation or evaluation process or, after the selection of short-listed Proponents, elect not to proceed with more detailed proposal submissions and by written notice terminate the process. After termination as described above, the City will be under no obligation to any Proponent. In any such event, the City may at its further discretion, decide not to proceed with the disposition or other commercial arrangements for part or all of its interest in or assets of Glacial Sand and Gravel.

4. Response Instructions

Submission Content and Format

Interested parties can submit an EOIP in the format of their choice but must meet the following minimum requirements:

- Submit one (1) original and six (6) bound hard copies (Submission must also be available in MSOffice compatible electronic format if requested later);
- Indicate the name and mailing address of the proponent company as well as the primary contact person;

- Be signed by authorized officers of the company;
- Clearly indicate your interest in Glacial's various assets and your intended use of each (include a brief explanation of how the assets will fit with your current organization and operations);
- Clearly indicate the general structure and terms of your proposed arrangements (please respond to each of the following items);
 - i) What assets are to be purchased and/or leased or what other commercial arrangements are you proposing;
 - ii) What your expected ownership and management structures will be (include proposed consortium partners, third party managers, etc.);
 - iii) If not a purchase, how many years your arrangements will last;
 - iv) What annual material volumes you plan to extract (provide range to nearest 100,000 tonnes);
 - v) What dollar range ($\pm 20\%$) you are proposing under your specific arrangements (i.e. annual lease rate, asset purchase price, royalty rate, other as appropriate);
 - vi) What your anticipated purchase financing sources are and what percentage would be internal vs. external financing;
 - vii) How you would ensure the City has access to primary materials (e.g. sand, granular fill) at a fair price should it choose to obtain them from you.
- General company literature and background information should be included in an appendix;
- Contain an executed declaration of good faith as described below.

Good Faith Declaration

The Proponent declares that, in submitting its EOIP, it does so in good faith and that to the best of its knowledge no member of Council or any officer or employee of the City would have any pecuniary interest, direct or indirect, should the Proponent be awarded a contract for the purchase, lease or other commercial arrangements for the assets of Glacial Sand and Gravel.

Incomplete Submissions

The City reserves the right to reject any EOIP whether or not completed properly and whether or not it contains all required information. Without prejudice to this right, the City may request clarification where any Proponent's intent is unclear and may waive or request amendment where, in the opinion of the City, there is a minor irregularity or omission in the information that is to be submitted in an EOIP.

Non-Disclosure

Proponents must not disclose any details pertaining to their EOIP and the selection process in whole or in part to anyone not specifically involved in their submission, without the prior written approval of the City. Proponents shall not issue a news release or other public announcement pertaining to details of their EOIP submission or the selection process without the prior written approval of the City.

Any attempt on the part of any Proponent or any of its employees, agents, contractors or representatives to contact any member of City Administration other than the person designated for enquiries herein or any members of City Council or their staff with respect to this EOIP solicitation may lead to disqualification.

EOIP Evaluation Criteria

The options presented in the EOIP's will be evaluated against the following criteria.

Criteria

Financial

1. Value of anticipated cash flow stream
2. Financial risks to taxpayers

Operational

3. Operating risks to taxpayers
4. City access to reasonably priced primary materials
5. Length of agreement
6. Time to fully implement
7. Impacts on internal stakeholders
8. Impacts on external stakeholders

Strategic

9. Company/consortium experience
10. Fit with company operations

General definitions of these evaluation criteria are:

Financial

1. Value of anticipated cash flow stream – the Net Present Value (NPV) of proposed cash flows to the City of Winnipeg (considering all appropriate revenues and costs to the City) discounted at the City's appropriate short or long term borrowing rate. These rates currently range from 4.5% - 5.0%. Higher NPV options will receive higher ratings on this criterion.
2. Financial risks to taxpayers – the potential volatility and reliability of proposed cash flows, agency and corporate balance sheet impacts, and other possible financial risks identified as being associated with a particular option. Higher risk options will receive lower ratings on this criterion

Operational

3. Operating risks to taxpayers – risks related to human safety, environmental liability, property maintenance and other possible operating risks identified as being associated with a particular option. Lower risk options will receive higher ratings on this criterion.
4. City access to reasonably priced primary materials - the ability for the City to secure on short notice at reasonable prices primary materials for its operating and emergency needs (e.g. sand for sandbagging, granular fill materials for excavations, certain surfacing materials for emergency repairs, etc.). Options providing better access and pricing terms for the City will receive higher ratings on this criterion.
5. Length of agreement – the duration of lease term or other commercial arrangements proposed. Longer term arrangements being generally considered of higher value to the City

- although the quality of the cash flows proposed will be a consideration.
6. Time to fully implement – the length of time required of the City to completely transition to the proposed option. Options containing shorter times will receive higher ratings on this criterion.
 7. Impact on internal stakeholders – the impacts, both positive and negative, on various stakeholder groups within the City such as staff and management at Glacial, staff and management in other departments and agencies. Also considers the impacts on the operations of other departments and agencies. Options with more desirable net impacts will receive higher ratings on this criterion.
 8. Impacts on external stakeholders - the impacts, both positive and negative, on various stakeholder groups external to the City such as current Glacial customers, Manitoba Heavy Construction Association, adjacent property owners, etc. Options with more desirable net impacts will receive higher ratings on this criterion.

Strategic

9. Company/Consortium Experience – Proponents with more operating experience and better overall track record in the aggregate and construction industry will receive higher ratings on this criterion. This criterion will consider such factors as experience and track record with the safe and responsible mining, processing, and/or placing of gravels and aggregates in Manitoba, corporate responsibility and leadership in the community, credit and litigation history, etc..
10. Fit with company operations - Proponents with directly complimentary or similar operations, equipment, and infrastructure in the aggregate and construction industry will receive higher ratings on this criterion.

The Evaluation Committee may, in addition to the evaluation criteria described above, apply other evaluation criteria which the Evaluation Committee determines have become relevant during the evaluation process. The Evaluation Committee will apply the same criteria and methods to the evaluation of all EOIP Submissions.

Enquiries

Any Proponent who has questions as to the meaning or intent of any part of this document or who believes this document contains any error, inconsistency or omission should make an enquiry prior to the Submission Closing Date requesting clarification, interpretation or explanation in writing to the City at the following address:

Mr. W. Joe Funk, MBA, P. Eng.
Chief Operating Officer
Glacial Sand and Gravel
Box 524
Oakbank, MB R0E 1J0
(204) 985-5335

The City reserves the right to distribute any or all questions and answers to all of the Proponents.

Proponents are requested NOT to make verbal enquiries of City staff. Oral information provided to any Proponent by anyone at the City will not be binding on the City.

An information meeting for interested parties will be held from 9:00 a.m. -10:30 a.m. Winnipeg time on Thursday, April 13, 2006 at:

Conference Room #3
2nd Floor Administration Building
510 Main St.

Pre-registration for the meeting is recommended. Please contact:

Ms. Darlene Burling
Ph. 986-4855

Site Visits

It is the responsibility of interested parties wishing to visit the property(s) to arrange site visits directly with Joe Funk of Glacial Sand and Gravel at the above address.

Submission Deadline

The Submission Deadline is 4:00 p.m. Winnipeg time, Friday April 28, 2006.

Proposal Submissions determined by the Manager of Materials to have been received later than the Submission Deadline will not be accepted and will be returned upon request.

The City may extend the Submission Deadline by issuing an addendum at any time prior to the time and date specified for the submission of Proposals.

Proposal Submissions submitted by facsimile transmission (fax) or internet electronic mail (e-mail) will not be accepted.

Proposal Submissions shall be submitted to:

The City of Winnipeg
Corporate Finance Department
Materials Management Branch
185 King Street, Main Floor
Winnipeg MB R3B 1J1

Submission Confidentiality

To the extent permitted, the City shall treat all submissions as confidential, however the Proponent is advised that any information contained in any submission may be released if required by City policy or procedures, by The Freedom of Information and Protection of Privacy Act (Manitoba), by other authorities having jurisdiction, or by law.

All EOIP's submitted to the City will be kept in strict confidence with the City administrators

mentioned above for the sole purposes of evaluating and developing the best possible strategic option for Glacial. EOIP submissions will become property of the City of Winnipeg. The City will have the right to make copies of all EOIP submissions for its internal review process and to provide such copies to its staff, legal, technical and financial advisors and representatives.

Addenda

The City may, at any time prior to the Submission Deadline, issue addenda correcting errors, discrepancies or omissions in the EOIP, or clarifying the meaning or intent of any provision therein.

The City will issue each addendum at least two (2) Business Days prior to the Submission Deadline, or provide at least two (2) Business Days by extending the Submission Deadline. Addenda will be available on the Bid Opportunities page at The City of Winnipeg, Corporate Finance, Materials Management Branch internet site at:

www.winnipeg.ca/matmgt/bidopp.asp

The Proponent is responsible for ensuring and indicating in his/her submission that he/she has received all addenda and is advised to check the Materials Management Branch internet site for addenda shortly before the Submission Deadline.

No Contract

This is an inquiry only. By submitting an EOIP and participating in the process as outlined in this document Proponents expressly agree that no contract of any kind is formed under, or arises from this EOIP and that no legal obligations will arise. The City will have no obligation to enter into negotiations or a Contract with a Proponent, even though one or all of the Proponents are determined to be responsible and qualified, and the Proposals are determined to be responsive. The City will have no obligation to award a Contract where:

- the submission received does not provide the City with the anticipated revenue expected;
- only one submission is received; or
- in the judgment of the City, the interests of the City would best be served by not entering into a Contract.

Proponent's Costs and Expenses

Proponents are solely responsible for their own costs and expenses in preparing and submitting an EOIP and participating in the request for EOIP including the provision of any additional information or attendance at meetings.

Appendix A – Area and Sketch Map of Mine Property

No. 99

R.M. OF SPRINGFIELD

MAP REVISED:-

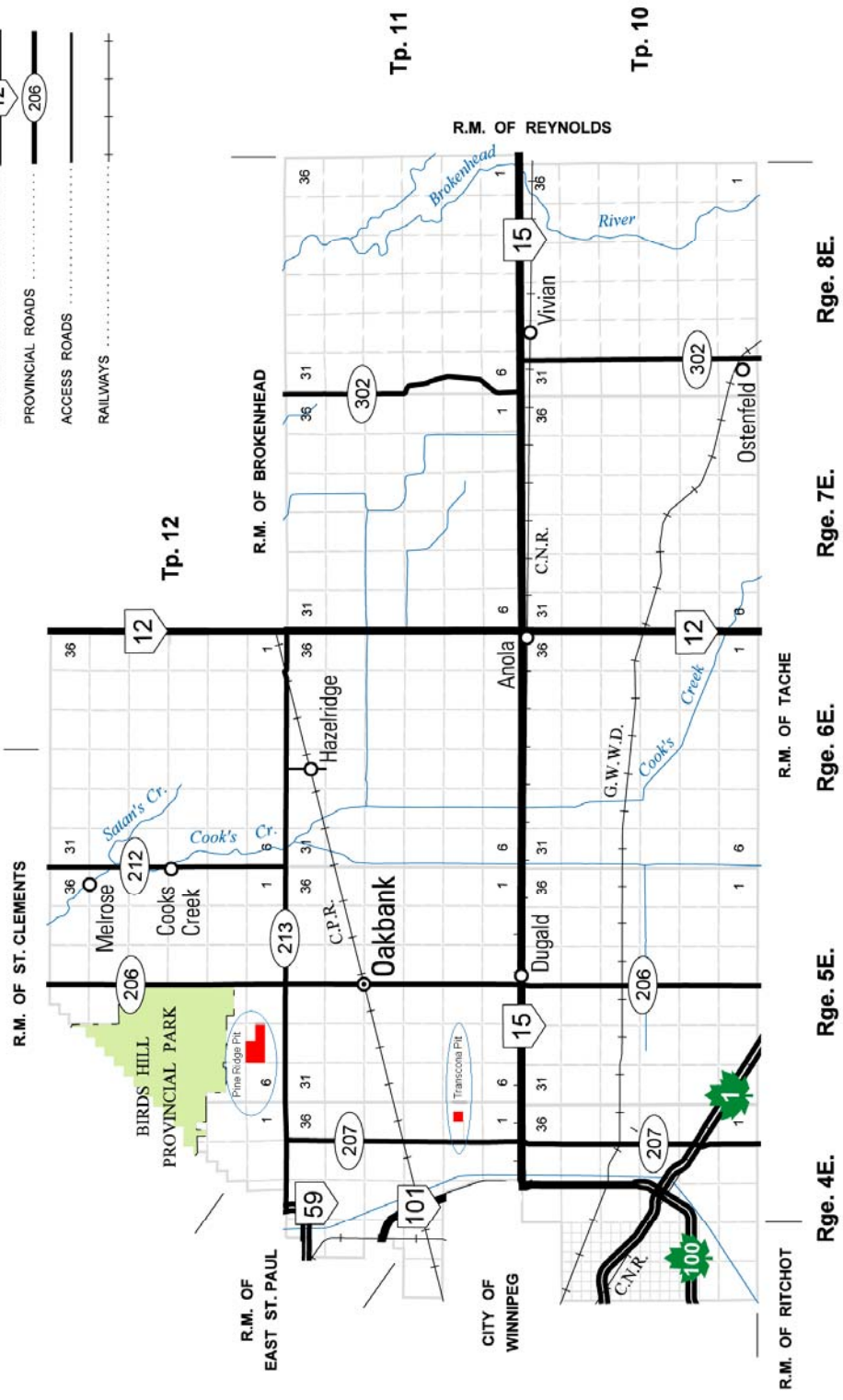
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TRANSPORTATION AND GOVERNMENT SERVICES
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SCALE IN KILOMETRES

LEGEND

- TRANS-CANADA HIGHWAY
- PROVINCIAL TRUNK HIGHWAYS
- PROVINCIAL ROADS
- ACCESS ROADS
- RAILWAYS



Appendix B – General Listing of Facilities and Equipment

General Listing of Glacial Sand and Gravel Facilities and Equipment

Facilities (all connected with electricity and monitored alarm system):

- 24' x 50' fully insulated office trailer with 2 washrooms, large meeting room, coffee station/sink area, common area and 2 inside offices;
- 11' x 80' Cardinal truck scale (new in 2004) w/portable scale shack and wireless network;
- approx. 15' x 20' staff room facility w/attached 15' x 20' garage (wood frame w/stucco);
- approx. 18' x 65' wood frame and clad loader shed with dirt floor;
- approx. 10' x 10' wood frame materials lab shack.

Processing/Handling Equipment:

Screen Plant Spread

- Nordberg FS303 6' x 20' Triple Deck Screener (2002);
 - 20+ cu. yd. feed hopper w/hydr. grizzly, 42" x 12' smooth belt & electric drive;
 - Portable 30" x 90' smooth belt feed conveyor;
 - Portable 24" x 70' ribbed belt transfer conveyor;
 - Portable 30" x 100' smooth belt transfer conveyor;
 - 4' x 10' Kolberg double deck screen box on A-frame w/catwalk and guardrail;
 - 42" x 30' ribbed belt transfer conveyor on steel legs;
 - 30" x 27' ribbed belt transfer conveyor on steel legs;
 - Portable 36" x 100' Kolberg self-propelled radial stacker w/hydraulic raise & fold (2002);
- 45' Power van w/6' x 6' hydraulic lift control tower and 365kW Caterpillar diesel genset (for 460 volt 3 phase 60 cycle screen plant spread above);

Wash Plant Spread

- Portable 30" x 30' conveyor with 6 cyl. diesel engine and 7 cu. yd feed hopper;
 - 4' x 10' Screen/wash deck with spray bars mounted on steel frame;
- Portable 100kW John Deere diesel genset on steel trailer;
- 36" x 30' ribbed belt transfer conveyor on steel legs;
- Portable 36" x 40' ribbed belt transfer conveyor;

Other Processing/Handling Equipment

- Komatsu 450-3 Wheel Loader (1998) w/4 new tires March 2006;
- PowerScreen Commander II 4' x 8' double deck screen plant w/3 1/2" hydraulic grizzly.

Miscellaneous Equipment:

- 1000 gallon above ground diesel fuel storage tank;
- older 10' x 40' portable wooden truck scale;
- tow behind 200 gallon water distributor with 8' wide gravity spray bar;
- 13' x 14' x 12" hopper with hydraulic scalper;
- 14' x 14' x 8" stationary scalping screen;
- 12' x 12' feed hopper;

Plus miscellaneous surplus belts, screens, hand/power tools, hardware, disposables, etc.