Minutes - Executive Policy Committee – July 19, 2006

Minute No. 581
Report - Alternate Service Delivery Committee - July 17, 2006

Item No. 2 **Winnipeg Golf Services Special Operating Agency - 2006 Annual Selection Report**
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 Winnipeg Golf Services Special Operating Agency 2006 Selection Report (summary of the Business Plan), including the 2006 budget be approved, and the Financial Projections for 2007 to 2010, as outlined in Appendix A to the report from the Director of Planning, Property and Development dated June 7, 2006, be received as information.

2. That golf course fees for the 2006 season, as outlined in Appendix B to the report from the Director of Planning, Property and Development dated June 7, 2006, be received as information.

3. That the operating line of credit to support the Winnipeg Golf Services Special Operating Agency in meeting ongoing cash flow requirements, be increased from $400,000.00 to $1,650,000.00, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's borrowing rate.

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

Minutes - Executive Policy Committee – July 19, 2006

Report – Alternate Service Delivery Committee – July 17, 2006

DECISION MAKING HISTORY:

Moved by Deputy Mayor 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, be considered by Committee.

Carried

Moved by Deputy Mayor Pagtakhan,

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

Carried

COMMITTEE RECOMMENDATION:

On July 17, 2006, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Further, on July 17, 2006, the Alternate Service Delivery Committee received from Mr. M. Sterdan, Chief Operating Officer, Winnipeg Golf Services Special Operating Agency, a communication dated July 17, 2006 with respect to the 2006 Annual Selection Report of the Winnipeg Golf Services Special Operating Agency.

RE: 2006 Annual Selection Report – (Summary of the Business Plan) - Winnipeg Golf Services Special Operating Agency (SOA)

FOR SUBMISSION TO: Alternative Services Delivery Committee

ORIGINAL REPORT SIGNED BY: Director of Planning, Property and Development

REPORT DATE: June 7, 2006

RECOMMENDATION:

1. **That the 2006 Selection Report (summary of the Business Plan) for Winnipeg Golf Services Special Operating Agency including the 2006 budget be approved, and the 2007 to 2010 financial projections be received as information, as tabled in Appendix A.**

2. **That golf course fees for the 2006 season as outlined in Appendix B be received as information.**

3. **That should the operating plan and budget be approved, the operating line of credit be increased from $400,000 to $1,650,000 to support the Special Operating Agency, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's borrowing rate to meet ongoing cash flow requirements of the Agency.**

Report Summary

Key Issues:

- In 2005 the Golf SOA exceeded its operating line of credit of $400,000 which was established at the inception of the SOA in 2002. The unaudited liability at the end of the 2005 fiscal year stood at $1,160,548. Based on current projections increasing the line of credit to $1,650,000 will provide Winnipeg Golf Services with adequate operating funds for the duration of the 2006 to 2010 business plan.

- In 2005, Winnipeg Golf Services incurred an unaudited deficit of $1,023,723. Poor weather conditions resulted in decreased rounds and reduced revenues. The 2006 to 2010 business plan has been adjusted to more accurately reflect anticipated revenues and expenditures over the next five years. The plan is still aggressive but achievable if weather conditions are favourable. The five year plan projects a net deficit for the Golf SOA in each year but maintains the annual return to the City at the historical level.

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

( ) Involves a multi-year contract

Comment(s):

Policy Implications

(x) No

( ) Yes

Comment(s):

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

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):

Report

REASON FOR THE REPORT:
The Winnipeg Golf Services Operating Charter stipulates that an annual business plan be submitted to Council each year.

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

DISCUSSION:
The year 2005 was the fourth 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)

Strategic Direction
Winnipeg Golf Services continues to make its presence known as a competitor in the Winnipeg golf market. Recent emphasis on physical asset improvements, improved customer service and marketing initiatives has demonstrated the Agency's commitment to providing a quality golf experience. The 2006 to 2010 business plan calls for continued work in the aforementioned areas as well as the exploration of technology innovations in the areas of automated tee time booking systems and point of sale software.

The Agency will continue to manage golf courses as valuable City assets with a focus on maximizing the financial return to the City.

SOA Financial Return

The Golf SOA has experienced two years of financial returns that were significantly less than projected in the business plan. Wet conditions, river flooding and storms in 2004 and 2005 contributed to poor golf playing conditions. As a result of the decreased rounds over the past two years (2004 and 2005) as well as the overall performance of the Golf SOA since its inception in 2002, the operating revenues and expenditures have been scrutinized to more accurately reflect anticipated future performance. The 2006 to 2010 business plan anticipates a reduced revenue stream from that projected in earlier business plans. The return to the City (averaging $870,000 annually) in the form of tax equivalents (property, business payroll), departmental support costs, interest on acquired assets and return on investment has not been altered. The resulting adjustment of the business plan to more accurately reflect operating revenues and expenditures over the next five years is that the Golf SOA will incur losses averaging $145,000 annually or approximately $725,000 over the life of the plan. The $145,000 annual loss is premised on the current method of operation continuing to be employed and the level of capital investment in the courses remaining at a modest level. The operational review, discussed below, will help to determine if the current operating model is the most profitable or if an alternate model should be explored. Until the review is complete and future operating decisions based on it have been made, the SOA will continue to function in accordance with the plan as laid out herein.

Operational Review

The existing mix of leased, contractor managed, and City operated golf courses will be maintained pending the results of a review of alternative strategic options for Winnipeg Golf Services. This review was initiated in 2005 with the appointment of an independent consultant. The results of the review will provide the SOA with a framework within which to make recommendations regarding the long-term use and operation of the City's golf course properties. The review team has completed its research and information gathering and is in the analysis stage. The final report is expected in the spring of 2006. It is hoped that changes to the use and/or operation of the City's golf courses (if any) can be reflected in the 2007 Golf SOA business plan and implemented in time for the 2007 golf season; however, this is dependant on the complexity and scope of the recommendations.

Fees for the 2006 golf season

Fees for the 2006 golf season are contained in Appendix B. For comparison purposes, fees dating back to 2001 are illustrated.

Adult, Senior and Junior fees are increasing by $1.00 per 18-hole round.

The 9-hole rate increases by $0.50 per round for Adults. The Senior and Junior 9-hole rate will remain unchanged in order to encourage additional play at the 9-hole sites due to decreasing rounds in recent years.

Miscellaneous Services fees remain unchanged. These fees are set in accordance with that which is considered achievable in the local market.

Overall, green fee rates have increased by 19% over the 4 years that the SOA has operated the City's golf courses. This represents an average increase of 4.75% per year. This rate of increase is generally acceptable to the users of the municipal courses and maintains a reasonable price gap between the municipal courses and other public and semi private golf courses in the Winnipeg market. This price point advantage is necessary to maintain current market share and position the municipal courses to increase market share if future improvements are made to attract new customers.

Winnipeg Golf Services surveys the fee structure of other public and semi public courses periodically to determine market pricing trends. Current fees charged at the municipal courses are competitive in the Winnipeg market.

Operating Line of Credit

In 2005 the Golf SOA exceeded its operating line of credit. Lower than projected net revenue resulted in a year end deficit and a need to borrow more than anticipated. The SOA carries a $400,000 line of credit with the City. This was established when the SOA was created in 2002. Up to the end of the 2004 operating season the line of credit was sufficient for the Agency's needs with only $244,000 having been used. The unaudited 2005 balance due to the City from the line of credit stands at $1,160,548. It is recommended that the Golf SOA's line of credit be increased to $1,650,000. This will provide the Agency with sufficient operating funds based on current projections for the duration of the 5 year business plan.

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 annually and changes made as market allows
	2. Target market to highest revenue consumers	Promotion targeted to adult regulars
	3. Gradually increase proportionate amount of seniors fees	Senior fees increased 25% compared to adult fee increase of 19% 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; 5 new tees built in 2005; drainage improvements planned for 2006.
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 is complete. Managing Excellence attended by supervisory staff in 2005. Updated training for new staff ongoing.
	3. Customer feedback to evaluate effectiveness	E-mail marketing program implemented at 3 courses in 2005.
	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 certified in pesticide application in accordance with Provincial regulations; chemical application minimized.
	2. Naturalization strategies	Habitat assessment complete; European Buckthorn removed; wildflower plantings planned for 2006.
	3. Environmental assessment of golf courses	Manitoba Golf Superintendents Association Environmental Assessment complete and recommendations being implemented. Fuel storage being studied.
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 2006
	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. Tee marker sign advertising is growing
	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	New concession operator engaged in 2004. Contract up for renewal.
	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 15 units purchased in 2005.
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 fees adjusted as market allows.
	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.

GOAL	STRATEGIES	STATUS
Manage Cross Country Ski operations and trail grooming	1. Administer agreement with Cross Country Ski Association of Manitoba	Contractor adhering to all terms and conditions. Agreement extended to cover the 2005/06 ski season.
	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 Statement of Financial Position, Statement of Operations and Deficit, and Statement of Cash Flows are attached as Appendix A.

In 2005, the Agency's operating deficit was $1,023,723. Shortfalls in revenues were experienced in green fees, equipment rentals, merchandise sales and concessions. Expense savings were realized in salaries and material, parts and supplies but were insufficient to offset revenue shortfalls.

The adverse weather conditions experienced in 2004 and 2005 contributed to the poor financial performance of the Agency. Saturated soil conditions carried over from 2004 made course maintenance a challenge in the early months of 2005. Although moisture levels were not excessive in the early part of the season, the precipitation that did fall left standing water in many locations due to the already saturated soil levels. Mid season high water levels on the Red and Seine Rivers forced Crescent Drive and Windsor Park Golf Courses to close for two weeks each. This occurred in late June/early July – prime golf time. Revenues were severely affected as a result. When the rivers receded and the golf courses opened, playing conditions for the balance of the season were marginal at best. Temporary greens were put in place to allow the greens that were covered with water to be restored. Some did not reopen for the balance of the 2005 season. In addition, a severe August storm forced the closing of 9 holes at Kildonan Park GC for 1 week. Broken trees and debris had to be removed in order to ensure the safety of golfers.

Based on recent experience and projected minimal growth in the number of golfers using the Municipal courses, revenues have been revised to reflect a more realistic pattern. The number of rounds and projected fee increases are still moderately aggressive but considered achievable based on reasonable weather conditions over the term of the business plan. The years 2006 to 2010 show net income losses in each year. The strategic review currently being carried out will identify the most economically viable future use and method of operation for the City's golf courses. The results of the study will be reflected in the Agency's next business plan (2007 to 2011).

Human Resource

The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this complement is anticipated for 2006. In order to reduce staff costs the Agency has decreased through attrition its regular seasonal maintenance staff complement and replaced these positions with lower paid student laborers. A spare list has been created for the clubhouse operation. This is intended to reduce overtime costs associated with sick time replacements and when additional staff is required for special events.

All terms of the CUPE collective agreement apply to Winnipeg Golf Services. Discussions were ongoing over 3 years to come to terms on a supplementary agreement. These discussions have been suspended pending the completion of the operational review. Should the City elect to continue to operate golf courses in their current form a supplementary agreement may need to be negotiated.

Information Technology

The Planning, Property and Development Department provide Information Technology services to the Agency through a service arrangement. A 2005 technology upgrade saw the golf course sites further automate financial/statistical reporting and daily timekeeping as well as gain access to the City network for communication and information purposes. In addition, the computerized golf handicapping system and the Shoot for the Green e-mail marketing program were improved. Systems and equipment will continue to be upgraded through existing resources.

Winnipeg Golf Services management continues to explore the viability of automated tee time booking systems. An automated system would greatly improve customer convenience in booking tee times and free staff to attend to other revenue generating activities.

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 2005/06 the Province of Manitoba reconstructed a portion of the Trans Canada Hwy from Winnipeg to Headingly. This included the installation of a center median to address safety issues related to vehicles making left hand turns into and out of John Blumberg Golf Course. The project impacted on the golf course's third hole where an existing bridge was removed and replaced with a culvert crossing. Winnipeg Golf Services was responsible for the cost of the bridge replacement. The work was completed in the off season and the hole opened for play at the start of the 2006 season.

As reported in the Winnipeg Golf Services 2005 business plan the sewage treatment plant at John Blumberg Golf Course is outdated and nearing the end of its useful life. A decision to replace the plant or extend services to the site has been put on hold until completion of the golf course strategic review.

Winnipeg Golf Services is responsible for the servicing and administration of its turf maintenance equipment. 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. In 2005, 17 new golf auto carts were purchased (15 added to the fleet; 2 replacements for carts damaged beyond repair from a break in). Based on current demand for auto carts a 2 to 3 year payback period is expected.

In 2004 a tee improvement program was initiated. In 2005 a new first tee at Kildonan Golf Course was constructed and four tee expansions were completed at Windsor Golf Course.

An improvement plan for 2006 to 2010 is in place. Priority projects for 2006 include:
- Completion of tee improvements at Windsor
- Drainage improvements at Blumberg, Windsor and Kildonan
- Cart path improvements at Kildonan and Windsor
- Reforestation at all sites

Performance Measurement

The following summarizes performance indicators and measures of success the Agency will strive to achieve through the 2006 to 2010 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. 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.

Indicator	Measure of Success
Environment Reduce harmful effects 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 impact on the rounds played at municipal courses. Marketing and promotion initiatives as well as playability and aesthetic improvements are planned in order to retain the current customer base and make the municipal courses an attractive choice for new golfers.

Merchandise Sales

The recent introduction of a new major golf retailer in the Winnipeg market has had an impact on the merchandise sales strategy at the municipal courses. A shift away from big ticket items (e.g. club sets) to impulse purchases has helped to maintain a reasonable level of merchandise sales. Winnipeg Golf Services will be challenged to find innovative approaches to grow merchandise sale revenues over the long term.

Golf Strategic Review: The strategic review will be completed in the spring of 2006. If it is decided to significantly change the method of operation or use of the golf courses, decisions in this regard will have to be made in September of 2006 for 2007 golf season implementation.

Capital Improvements: The Municipal courses had limited capital improvements done prior to the establishment of the Golf SOA. As a result, the condition of the courses and clubhouses has fallen below the standard generally acceptable for public courses. A capital master plan is complete and an improvement program was implemented in 2004 to bring 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 to stand out among public golf courses in the Winnipeg market.

John Blumberg Golf Course: The sewage treatment plant on-site is outdated and will soon be unusable. In consultation with the Water and Waste Department it has been determined that it would be more economical in the long term to access water and sewer service from Headingly than to replace the treatment plant or to connect to Winnipeg sewer and water. If possible this decision will be delayed until completion of the operational review. If the City is to continue to own and operate John Blumberg, the water and waste system will then be addressed.

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 is becoming more accustomed to and accepting of the businesslike approach to the operation.

Workplace Safety and Health Act

Recent changes to the Workplace Safety and Health Act have resulted in additional training and reporting requirements. Other pending changes could result in equipment related expenses. It is hoped that the new legislation will result in fewer injuries and a resulting reduction in work time lost.

Financial Impact Statement

Date: April 10, 2006

Project Name:

2006 Business Plan - Winnipeg Golf Services Special Operating Agency

First Year of Program 2006

	2006	2007	2008	2009	2010
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					
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts					
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The projected financial impact of the recommendations contained in this report are reflected in the attached appendices.

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

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By: N/A

External Consultation With: 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 2006 business plan.doc

APPENDIX A

WINNIPEG GOLF SERVICES

FINANCIAL PROJECTIONS

2005 (unaudited)
and
5 years ending December 31, 2010

Golf Services - Special Operating Agency
Projected Statement of Financial Position
December 31

	2004 Actual (Audited)	2005 Actual (Unaudited)	2006 $	2007 $	2008 $	2009 $	2010 $
ASSETS (Note 7)							
Current							
Cash	384	-	-	-	-	-	-
Due from City of Winnipeg	-	-	-	-	-	-	-
Accounts Receivable	3,280	213,824	213,824	213,824	213,824	213,824	213,824
Inventory (Note 2)	110,833	80,090	86,263	86,263	86,263	86,263	86,263
Prepaid Expenses	4,583	4,583	4,583	4,583	4,583	4,583	4,583
	119,080	298,497	304,670	304,670	304,670	304,670	304,670
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	20,376,565
Buildings (Note 2)	2,539,823	2,539,823	2,639,823	2,639,823	2,639,823	2,839,823	3,189,823
Golf Course Improvements (Note 2)	133,439	246,074	476,074	926,074	1,341,074	1,496,074	1,496,074
Furniture and Other Equipment (Note 2)	1,214,320	1,342,007	1,412,007	1,482,007	1,552,007	1,622,007	1,842,007
	24,264,147	24,504,469	24,904,469	25,424,469	25,909,469	26,334,469	26,904,469
Less: accumulated depreciation	571,778	822,141	1,081,490	1,366,839	1,680,813	2,020,037	2,388,636
	23,692,369	23,682,328	23,822,979	24,057,630	24,228,656	24,314,432	24,515,833
	23,811,449	23,980,825	24,127,649	24,362,300	24,533,326	24,619,102	24,820,503
LIABILITIES (Note 7)							
Current							
Due to City of Winnipeg	243,958	1,160,548	1,110,389	1,043,142	955,857	1,061,034	1,628,356
Accounts payable and accrued liabilities	8,896	52,187	20,109	20,109	20,109	20,109	20,109
Vacation Liability	47,196	34,295	37,703	33,933	30,540	27,486	24,737
Current portion of long-term debt (Schedule 2)	11,721	21,149	61,248	95,270	140,437	185,660	219,181
	311,771	1,268,179	1,229,449	1,192,454	1,146,943	1,294,289	1,892,383
Long Term							
Retirement allowance	146,000	146,000	133,500	120,150	108,135	97,322	87,589
Long-term debt	3,380,279	3,604,130	3,942,882	4,367,612	4,712,176	4,821,516	4,602,335
	3,526,279	3,750,130	4,076,382	4,487,762	4,820,311	4,918,837	4,689,924
RETAINED EARNINGS							
Contributed Surplus	20,574,661	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/Deficit	(601,262)	(1,612,142)	(1,752,840)	(1,892,574)	(2,008,585)	(2,168,682)	(2,336,462)
	19,973,399	18,962,516	18,821,818	18,682,084	18,566,073	18,405,976	18,238,196
	23,811,449	23,980,825	24,127,649	24,362,300	24,533,327	24,619,102	24,820,503

Golf Services - Special Operating Agency
Statement of Operations and Deficit
For the Years Ended December 31

	Council Adopted 2005	2005 Actual (Unaudited)	Variance	2006 Previously Approved	2006	2007	2008	2009	2010
Revenues: (Note 4)									
Green Fees	2,872,762	1,869,335	(1,003,427)	2,917,022	2,660,860	2,760,159	2,862,205	2,959,577	3,110,392
Equipment Rentals	302,582	171,252	(131,330)	309,823	308,305	308,305	318,459	318,459	318,459
Concessions	120,000	109,179	(10,821)	144,000	120,000	120,000	126,000	132,300	138,915
Merchandise Sales	153,831	107,752	(46,079)	158,447	158,447	163,200	168,095	168,095	173,138
Other	30,000	28,579	(1,421)	30,000	30,000	30,000	30,000	30,000	30,000
Miniature Golf	-	-	-	14,252	-	18,574	30,257	34,795	34,795
Net Revenue-Leasing Operations	37,717	38,390	673	64,417	65,115	68,422	67,535	66,614	65,658
Total Revenues	3,516,892	2,324,487	(1,192,405)	3,637,961	3,342,727	3,468,660	3,602,551	3,709,840	3,871,357
Expenses: (Note 5)									
Salaries & Employee Benefits	1,320,734	1,255,692	(65,042)	1,360,354	1,360,354	1,401,163	1,443,200	1,486,496	1,531,094
Services	711,316	642,048	(69,268)	625,108	625,108	643,862	688,177	733,822	780,836
Materials,Parts,Supplies	273,953	270,974	(2,979)	282,167	282,167	290,635	299,354	308,335	317,585
Interest on Short Term Debt	10,879	19,886	9,007	12,000	19,128	19,128	19,128	19,128	-
Interest on Long Term Debt - Capital Plan	34,909	22,909	(12,000)	53,556	41,556	67,887	95,577	114,548	161,551
Total Expenses	2,351,791	2,211,510	(140,281)	2,333,185	2,328,313	2,422,675	2,545,436	2,662,329	2,791,066
Net Revenue	1,165,101	112,977	(1,052,124)	1,304,776	1,014,414	1,045,985	1,057,115	1,047,511	1,080,291
Allocated to the City: (Note 6)									
Property Tax Equivalents	213,284	213,284	-	219,682	213,284	219,682	226,272	233,060	240,052
Departmental Support Costs	43,936	43,936	-	45,254	45,254	46,612	48,010	49,451	50,934
Office Accommodation Costs	17,313	15,206	(2,107)	17,323	17,358	17,300	17,295	17,814	18,348
Provision for Payroll Taxes	19,467	23,655	4,188	20,051	20,051	20,652	21,272	21,910	22,567
Provision for Business Taxes	25,853	25,853	-	26,628	26,628	27,426	28,249	29,097	29,970
Interest on Long Term Debt - Acquired Assets	181,181	187,961	6,780	181,181	187,961	187,961	186,747	185,459	185,660
City's Return on Investment	380,000	380,000	-	375,000	374,618	369,810	320,052	320,000	320,000
Total allocated to the City	881,034	889,894	8,860	885,119	885,154	889,443	847,897	856,791	867,531
Other:									
Depreciation, Fixed Assets	245,980	239,325	(6,655)	277,980	259,349	285,349	313,974	339,224	368,599
Annual Audit Fee	10,300	7,490	(2,810)	10,609	10,609	10,927	11,255	11,593	11,941
Total Other and Allocated to the City	1,137,314	1,136,709	(605)	1,173,708	1,155,112	1,185,719	1,173,126	1,207,608	1,248,071
Net Income/(Loss)	27,787	(1,023,733)	(1,051,520)	131,068	(140,698)	(139,734)	(116,011)	(160,097)	(167,780)

Golf Services - Special Operating Agency
Statement of Cash Flows
For the Years Ended December 31

	2005 Actual (Unaudited)	2006	2007	2008	2009	2010
Net inflow (outflow) of cash related to the following activities:						
OPERATING						
Net earnings (loss) for the year	(705,915)	171,887	165,448	136,204	88,959	81,058
Non-cash items relating to operations:						
Amortization	239,325	259,349	285,349	313,974	339,224	368,599
Increase in Retirement Allowance	-	(12,500)	(13,350)	(12,015)	(10,814)	(9,732)
Working capital from operations	(466,590)	418,736	437,447	438,163	417,370	439,925
Changes in non-cash operating working capital items:						
Accounts receivable	(186,272)	0	-	-	-	-
Inventory	30,743	(6,173)	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Accounts payable and accrued liabilites	43,291	(32,078)	-	-	-	-
Vacation Liab	(12,901)	3,408	(3,770)	(3,393)	(3,054)	(2,749)
	(591,728)	383,893	433,677	434,770	414,316	437,176
FINANCING						
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	916,589	(50,159)	(67,247)	(87,285)	105,177	567,322
Incr in Long-term debt - Required for Capital Plan	233,279	378,851	458,752	389,730	154,563	(185,660)
Transfer to City of Winnipeg - General Revenue Fund	(317,818)	(312,585)	(305,182)	(252,215)	(249,056)	(248,838)
	832,050	16,107	86,323	50,230	10,684	132,824
INVESTING						
Purchase of Land	-	-	-	-	-	-
Purchase of Buildings	-	(100,000)	-	-	(200,000)	(350,000)
Purchase of Golf Course Improvements	(112,635)	(230,000)	(450,000)	(415,000)	(155,000)	-
Purchase of Furniture and Other Equipment	(127,687)	(70,000)	(70,000)	(70,000)	(70,000)	(220,000)
Proceeds from disposal of equipment						
	(240,322)	(400,000)	(520,000)	(485,000)	(425,000)	(570,000)
NET CASH INFLOW (OUTFLOW)	-	(0)	-	0	(0)	0
CASH POSITION, BEGINNING OF YEAR	-	-	(0)	(0)	0	0
CASH POSITION, END OF YEAR	-	(0)	(0)	0	0	0
	(1,160,548.00)	(1,110,389.00)	(1,043,142.00)	(955,857.00)	(1,061,034.00)	(1,628,356.00)

Golf Services - Special Operating Agency
Notes to the Financial Projection
For Five Years ending December 31, 2010

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 hypothesis:

Green Fees

Green fees represent approximately 82% 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 fee revenue is projected to increase by an average of 3%per year from 2006 to 2010. The number of rounds is projected to remain relatively constant over the term of the business plan.

b) Equipment Rentals

The auto cart fleet consists of 62 units (all owned). The number of auto cart rentals over the period is projected to remain constant at10,930 per year. The fee per use will increase from the current $25.00 to $26.00 in 2008. Other rental equipment includes individual clubs, club sets and pull carts. Revenue from this source is expected to be flat over the term of the plan.

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 revenue is projected to increase by 9.27% over the term of the business plan and the average profit margin will remain constant at approximately 33%. 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 has and will continue to challenge the SOA to achieve sales targets.

d) Concessions

A new concession contractor was engaged in 2004. Over the past 2 years the contractor has worked to restore quality and customer confidence in concession services. Adverse weather conditions in 2004 and 2005 resulted in lower than projected rounds of golf at all courses. The concession operation suffered and as a result minimal growth in revenue is projected.

e) Miniature Golf

A miniature golf course is tentatively planned to be developed at Crescent Drive Golf Course in 2007. 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. The construction of the course will be dependant upon results of the Golf Strategic Review, availability of funding and its relative priority in comparison to other capital projects.

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 are flat 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.

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 2006 approximately $50,000 is budgeted for routine and preventative maintenance and approximately $100,000 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.

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 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.

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 a) 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 $1,650,000

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

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 B

WINNIPEG GOLF SERVICES

2006 FEES

WINNIPEG GOLF SERVICES

2006
GREEN FEES AND MISCELLANEOUS SERVICES

KILDONAN / WINDSOR		**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
ADULT		20.00	21.00	22.00	23.00	24.00	25.00
SENIOR (weekday / weekend after 2:30)		13.00	14.00	15.00	15.50	16.50	17.50
JUNIOR (weekday / weekend after 2:30)		11.00	11.50	12.00	12.50	13.00	14.00
TWILITE	adult / senior	12.00	13.00	14.00	15.00	15.00	15.00
	junior	11.00	11.50	12.00	12.50	13.00	14.00
SUNRISE (Windsor)	adult / senior	12.00	12.00	12.00	13.00	13.00	13.00
	junior	11.00	11.50	12.00	12.50	13.00	13.00
JOHN BLUMBERG (18 hole)							
ADULT		22.00	23.00	24.00	25.00	26.00	27.00
SENIOR (weekday / weekend after 2:30)		15.00	16.00	17.00	17.50	18.50	19.50
JUNIOR (weekday / weekend after 2:30)		12.00	13.00	14.00	14.50	15.00	16.00
TWILITE	adult / senior	13.00	14.00	15.00	16.00	16.00	16.00
	junior	12.00	13.00	14.00	14.50	15.00	16.00
SUNRISE	adult / senior	12.00	13.00	13.00	14.00	14.00	14.00
	junior	11.00	12.00	13.00	14.00	14.00	14.00
JOHN BLUMBERG (9 hole)							
ADULT		12.00	12.50	12.50	12.50	13.00	13.50
2nd round		10.00	10.00	10.00	10.50	11.00	11.00
SENIOR		9.00	9.50	9.50	9.50	10.00	10.00
2nd round		5.50	5.50	5.50	6.00	6.50	6.50
JUNIOR		9.00	9.50	9.50	9.50	10.00	10.00
2nd round		4.50	4.50	4.50	5.00	5.50	5.50
CRESCENT DRIVE / HARBOUR VIEW							
ADULT		10.00	10.50	11.00	11.00	11.50	12.00
2nd round		8.50	9.00	9.00	9.50	10.00	10.00
SENIOR		8.00	8.50	8.50	8.50	9.00	9.00
2nd round		5.00	5.50	5.50	6.00	6.00	6.00
JUNIOR		7.50	8.00	8.00	8.00	8.50	8.50
2nd round		3.50	3.50	4.00	4.00	4.50	4.50
SUNRISE	adult / senior	8.00	8.50	8.50	8.50	9.00	9.00
	junior	7.50	8.00	8.00	8.00	8.50	8.50
MISCELLANEOUS SERVICES (Windsor, Kildonan, Crescent Drive)							
Auto cart	18 hole	23.00	24.00	24.00	25.00	25.00	25.00
	9 hole	12.00	12.00	12.00	12.50	12.50	12.50
User fee private auto cart	18 hole	11.00	12.00	12.00	12.50	12.50	12.50
	9 hole	6.50	7.00	7.00	7.00	7.00	7.00
Rental clubs 7 piece	18 hole	6.50	7.00	7.00	7.00	8.00	8.00
	9 hole	4.50	5.00	5.00	5.00	6.00	6.00
11 piece	18 hole	10.00	11.00	11.00	11.00	12.00	12.00
Pull Cart	18 hole	4.00	4.50	3.95	4.50	4.50	4.50
	9 hole	2.50	3.00	3.00	3.00	3.00	3.00