Agenda - Council - November 21, 2007

Report - Alternate Service Delivery Committee – November 8, 2007

Item No. 1 Winnipeg Golf Services Special Operating Agency - 2008 Business Plan (Selection Report)
File GL-5.6.1

STANDING COMMITTEE RECOMMENDATION:

On November 14, 2007, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submits the following to Council:

1. That the 2008 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2008 budget be approved and the 2009 to 2012 financial projections, as outlined in Appendix "A" to the report from the Chief Financial Officer dated October 31, 2007, be received as information.

2. That the golf course fees for the 2008 season, as outlined in Appendix B to the report from the Chief Financial Officer dated October 31, 2007, be received as information.

3. That the operating line of credit be increased from $2,000,000.00 to $3,000,000.00 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.

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

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 14, 2007, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the matter to Council.

COMMITTEE RECOMMENDATION:

On November 8, 2007, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

Further, on November 8, 2007, the Alternate Services Delivery Committee directed the Winnipeg Golf Services Special Operating Agency to negotiate an extension to the Management Contract for John Blumberg Golf Course for a period of time up to ten (10) years that will include remediation measures to the existing sewage treatment plant, subject to approval by the Chief Administrative Officer in consultation with the Chief Financial Officer and the City Solicitor/Manager of Legal Services.

Mr. M. Sterdan, Chief Operating Officer, Winnipeg Golf Services Special Operating Agency, provided a PowerPoint Presentation with respect to the 2008 Business Plan (Selection Report) of the Winnipeg Golf Services Special Operating Agency.

RE: 2008 Business Plan (Selection Report) – Winnipeg Golf Services Special Operating Agency

FOR SUBMISSION TO **Alternate Service Delivery Committee**

ORIGINAL REPORT SIGNED BY: **Chief Financial Officer**

REPORT DATE: **October 31, 2007**

RECOMMENDATION:

1. **That the 2008 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2008 budget be approved, and 2009 to 2012 financial projections be received as information as tabled in Appendix A.**

2. **That the proposed golf course fees for the 2008 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 $2,000,000 to $3,000,000 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:

- The financial projections contained in this business plan anticipate the Agency exceeding its line of credit in 2008 and successive years. An increase in the line of credit from the current $2,000,000 to the recommended $3,000,000 will, based on current projections, provide the Agency with adequate operating funds for the duration of the 5 year plan.

- The revenues contained in the business plan have been revised to reflect the experience of 2006 (actual) and 2007 (forecast). These revenue projections are lower than those contained in previous business plans. Expenses have been adjusted to reflect the new SOA Transfer Policy.

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 a 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 2007 was the sixth 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
Wildewood 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 compete 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 2008 to 2012 business plan calls for continued work in the aforementioned areas as well as further

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 2007 golf season is forecasted to generate financial returns comparable to 2006. Weather conditions in 2007 were generally favorable although returns did not meet budgeted expectations.

In the 2008 to 2012 plan, operating revenues and expenditures have been more accurately projected to reflect a realistic return based on 2006 and 2007 experience while still remaining optimistic about the future of the Winnipeg golf market.

Operational Review
The existing mix of leased, contractor managed, and City operated golf courses will be maintained pending a decision on the review of alternative strategic options for Winnipeg Golf Services. The review is complete and consideration of recommendations is pending. Future business plans will be adjusted in accordance with the adoption of a future direction for the golf SOA.

Fees for the 2008 golf season
Proposed fees for the 2008 golf season are contained in Appendix B. For comparative purposes, fees dating back to 2002 are illustrated:

- Adult and Senior fees are increasing by $1.00 per 18-hole round. Junior fees will increase by $0.50 per round.
- The 9-hole rate increases by $0.50 per round for Adults, Juniors and Seniors. The second round rate for the 9 hole courses remains unchanged to encourage additional play.
- Miscellaneous Services fees remain substantially unchanged with the exception of an increase in the auto cart fee.

Overall, green fee rates have increased by approximately 28.5% over the 6 years that the SOA has operated the City's golf courses. This represents an average increase of 4.6% 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 public 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

Financial projections anticipate the SOA exceeding its current line of credit in each of the five years of the business plan. Lower than previously projected net revenue even with decreased expenses will result in annual deficits. If the business plan as contained herein holds true the current line of credit will be exceeded in 2008. It is recommended that the Golf SOA's line of credit be increased to $3,000,000. 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 39% compared to adult fee increase of 28.5% over 6 years
	4. Establish Municipal courses as user friendly	Promotion depicts fun, inviting atmosphere for women, juniors and new golfers
Improve golf course playability	1. Engage golf course architect to prepare improvement master plan	Master Plan complete; improvements ongoing
	2. Assess maintenance practices, 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; 5 new tees built in 2005; drainage improvement projects completed in 2006 and 2007.
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 and maintenance staff is ongoing. Managing Excellence attended by supervisory staff. .
	3. Customer feedback to evaluate effectiveness	E-mail marketing customer loyalty program in place at 3 courses.
	4. Standardize counter service	Clubhouse staff and starters provide

GOAL	STRATEGIES	STATUS
	techniques	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. Integrated Pest Management (IPM) training will be undertaken in 2008
	2. Naturalization strategies	Habitat assessment complete; European Buckthorn removed; wildflower and natural vegetation plantings initiated.
	3. Environmental assessment of golf courses	Manitoba Golf Superintendents Association Environmental Assessment complete and recommendations being implemented. Fuel storage improvements began in 2007.
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; the introduction of course marshals helped improve speed of play; pace of play study initiated in 20007.
	3. Establish a golf advisory board	Advisory board was established in 2006.
	4. Sponsor community events and charities	Donations and sponsorships given to charities and events that promote the golf courses
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; 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/Mothers 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 assessed annually.
	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	Auto cart usage continues to grow. Fleet increased by 60% (25 units) over 5 years. Additional units planned for purchase in 2008
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	Ongoing
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
	2. Assess future viability of trail grooming in parks	Trail grooming in parks turned over to Public Works.

Financial Performance
Financial statements including a projected balance sheet, statement of projected changes in financial position, and statement of projected revenues and expenses are attached as Appendix A.

In 2007, the Agency is forecasting a deficit of $387,105 in excess of the budgeted net income. A shortfall in revenue was the primary contributor to the deficit. Expense savings were realized but were insufficient to offset the revenue shortfall.

The 2008 to 2012 business plan reflects revenue/expense projections based on recent years experience. These projections are considered achievable given average golf weather and retention of current market share.

Human Resource
The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this complement is anticipated for 2008.

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 a decision on the future operation of golf courses. 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 provides Information Technology services to the Agency through a service arrangement. Recent technology upgrades saw the golf courses 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 and point of sale systems. Automating these systems would greatly improve customer convenience 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.

As reported in previous Winnipeg Golf Services business plans 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 sewage/water services to the site has been put on hold until it is determined what the future operation of this site will entail.

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 contractor) methods. Mowing equipment is nearing the end of its life expectancy. New equipment (lease or purchase) will need to be acquired in order to ensure a reasonable level of maintenance.

In the fall of 2006 and spring of 2007 drainage projects were carried out at Kildonan and Windsor golf courses. These changes have improved drainage, enhanced playability and altered the visual appeal of six golf holes.

An improvement plan for 2008 to 2012 is in place. Priority projects for 2008 include:
- Additional drainage 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 2008 to 2012 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.

Indicator	Measure of Success
	• Increased sales of food and beverage in clubhouses and on courses. • Increased auto cart rentals.
Environment Reduce harmful affects of maintenance practices and contribute to the long-term viability of golf courses.	• Reduced use of harmful chemicals. • Increased native vegetation and wildlife on golf course properties. • Recognition as an environmentally friendly golf course operation.

Issues and Challenges

Competition

Winnipeg Golf Services actively competes in the golf market. Green fees are reflective of market pricing and additional sources of revenue are continually explored. 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 ongoing presence of a major golf merchandise retailer in the Winnipeg market has had an impact on the 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 is complete. Results of the review are currently being considered.

Capital Improvements

The municipal courses had limited capital improvements done prior to the establishment of the Winnipeg Golf Services 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 initiated 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 the City is to continue to own and operate John Blumberg, the water and waste system will need to 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 are becoming more accustomed to and accepting of the businesslike approach to the operation.

Legislative Changes

- Recent changes to the Workplace Safety and Health Act have resulted in additional training and reporting requirements. It is hoped that the new legislation will result in fewer injuries and a resulting reduction in work time lost.
- The Province of Manitoba has proposed a new nutrient management regulation under the Water Protection Act that could impact fertilizer use on golf courses. Changes to current legislation will be monitored and acted upon accordingly.
- In 2008 golf course operators will require staff to be certified in Integrated Pest Management (IPM) in addition to the current Pesticide Applicator certification. This is a new Provincial regulation that is viewed positively from an environmental perspective, however, it comes at a cost.

Financial Impact Statement

Date: October 29, 2007

Project Name:

2008 Business Plan - Winnipeg Golf Services Special Operating Agency

First Year of Program **2008**

	2008	2009	2010	2011	2012
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:

Business Review and Credit Committee (BRACC)

External Consultation With: N/A

THIS REPORT SUBMITTED BY:

Department Chief Financial Office
Division Winnipeg Golf Services Special Operating Agency
Prepared by: Michael Sterdan, Chief Operating Officer
PPD File No.

APPENDIX B
WINNIPEG GOLF SERVICES
2008 PROPOSED GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008
Kildonan/Windsor							
Adult	21.00	22.00	23.00	24.00	25.00	26.00	27.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00
Twilite adult/senior	13.00	14.00	15.00	15.00	15.00	16.00	17.00
Twilite junior	11.50	12.00	12.50	13.00	14.00	14.50	15.00
Sunrise	12.00	12.00	13.00	13.00	13.00	13.00	13.50
John Blumberg (18)							
Adult	23.00	24.00	25.00	26.00	27.00	28.00	29.00
Senior*	16.00	17.00	17.50	18.50	19.50	20.50	21.50
Junior*	13.00	14.00	14.50	15.00	16.00	16.50	17.00
Twilite adult/senior	14.00	15.00	16.00	16.00	16.00	17.00	18.00
Twilite junior	13.00	14.00	14.50	15.00	16.00	16.50	17.00
Sunrise	13.00	13.00	14.00	14.00	14.00	14.00	14.50
John Blumberg (9)							
Adult	12.50	12.50	12.50	13.00	13.50	14.00	14.50
2nd round	10.00	10.00	10.50	11.00	11.00	11.00	11.00
Senior	9.50	9.50	9.50	10.00	10.00	10.50	11.00
2nd round	5.50	5.50	6.00	6.50	6.50	6.50	6.50
Junior	9.50	9.50	9.50	10.00	10.00	10.50	11.00
2nd round	4.50	4.50	5.00	5.50	5.50	5.50	5.50
Crescent Drive/Harbour View							
Adult	10.50	11.00	11.00	11.50	12.00	12.50	13.00
2nd round	9.00	9.00	9.50	10.00	10.00	10.00	10.00
Senior	8.50	8.50	8.50	9.00	9.00	9.50	10.00
2nd round	5.50	5.50	6.00	6.00	6.00	6.00	6.00
Junior	8.00	8.00	8.00	8.50	8.50	9.00	9.50
2nd round	3.50	4.00	4.00	4.50	4.50	4.50	4.50
Sunrise	8.50	8.50	8.50	9.00	9.00	9.00	9.50
Miscellaneous Services (Windsor/Kildonan/Crescent Drive)							
Auto cart 18 hole	24.00	24.00	25.00	25.00	25.00	25.00	26.00
Auto cart 9 hole	12.00	12.00	12.50	12.50	12.50	12.50	13.00
Trail fee private auto cart (18)	12.00	12.00	12.50	12.50	12.50	12.50	13.00
Trail fee private auto cart (9)	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Rental clubs 7 piece (18)	7.00	7.00	7.00	8.00	8.00	8.00	8.00
Rental Clubs 7 piece (9)	5.00	5.00	5.00	6.00	6.00	6.00	6.00
Rental Clubs 11 piece (18)	11.00	11.00	11.00	12.00	12.00	12.00	12.00
Pull cart (18)	4.50	3.95	4.50	4.50	4.50	5.00	5.00
Pull cart (9)	3.00	3.00	3.00	3.00	3.00	3.00	3.00

*restrictions apply