Agenda - Executive Policy Committee – March 16, 2011

Moved by Councillor

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Report – Alternate Service Delivery Committee – March 15, 2011

Item No. 1 Winnipeg Golf Services Special Operating Agency - 2011 Business Plan (Selection Report)

COMMITTEE RECOMMENDATION:

On March 15, 2011, the Alternate Service Delivery Committee concurred in Recommendations 1 and 2 of the Winnipeg Public Service and submits the following to Council:

1. That the 2011 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2011 budget be approved, and the 2012 and 2013 financial projections as outlined in Appendix A to the report of the Winnipeg Public Service dated December 10, 2010, be received as information.

2. That an operating line of credit increase from $5.0 million to $6.0 million to support the Winnipeg Golf Services Special Operating Agency be approved, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of Winnipeg Golf Services.

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

Report – Alternate Service Delivery Committee – March 15, 2011

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On March 15, 2011, the Alternate Service Delivery Committee concurred in Recommendations 1 and 2 of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

COMMITTEE DECISION:

On March 15, 2011, the Alternate Service Deliver Committee concurred in Recommendation 3 of the Winnipeg Public Service and appointed the following Advisory Board members for a two-year term:

- Iain Day, Chief Operating Officer (ex-officio)
- John Irvine, Appointee of the Canadian Union of Public Employees (CUPE)
- Al Shane, Agency Staff Representative
- Rob Officer, Stakeholder Representative
- Frank Pammer, Stakeholder Representative
- Betty Grant, Stakeholder Representative

ADMINISTRATIVE REPORT

Title: **Winnipeg Golf Services (WGS) Special Operating Agency - 2011 Business Plan (Selection Report)**

Critical Path: **Alternate Service Delivery (ASD) Committee**
Executive Policy Committee (EPC)
Council

AUTHORIZATION

Author	Department Head	CFO	CAO
I. Day Acting COO, WGS	I. Day Acting COO, WGS	M Ruta A/CAO	M. Ruta Acting CAO

RECOMMENDATIONS

1. That the 2011 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2011 budget be approved and the 2012 and 2013 financial projections, as outlined in Appendix A, be received as information.

2. That an operating line of credit increase from $5.0 million to $6.0 million to support the Winnipeg Golf Services Special Operating Agency be approved, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of Winnipeg Golf Services.

3. That the Agency's Advisory Board membership be approved as set out in Appendix B.

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

IMPLICATIONS OF THE RECOMMENDATIONS

- The green fees for 2011 will increase by $1.
- The Agency is projected to exceed its line of credit in 2011 due to shortfalls in green fee revenues in 2010. The increase is due to the second successive summer of poor weather during golf season. As well, maintenance costs increased due to increasing repairs to aging equipment stock.
- An increase in the line of credit from the current $5,000,000 to the recommended $6,000,000 will provide the Agency with adequate operating funds for 2011.

HISTORY

Winnipeg Golf Services' Operating Charter stipulates that a business plan (selection report) be submitted to Council each year.

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

FINANCIAL IMPACT

Financial Impact Statement Date: October 22, 2010

Project Name:

Winnipeg Golf Services (WGS) Special Operating Agency - 2011 Business Plan (Selection Report)

COMMENTS:

The recommendations contained in this report include that the operating line of credit increase from $5.0 million to $6.0 million to support the Winnipeg Golf Services Special Operating Agency, said funds to be accessed through the inter-company balance with the General Revenue Fund at the City's short-term borrowing rate to meet ongoing cash flow requirements of Winnipeg Golf Services. It should be noted that the amount of the line of credit accessed by the Agency will be offset by an equal amount due to the General Revenue Fund.

The financial implications of the proposed 2011 business plan are as laid out in the attached Appendix A-1.

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

CONSULTATION

In preparing this report there was consultation with:

N/A

SUBMITTED BY

Department:	Winnipeg Golf Services
Division	
Prepared by:	Iain Day, Acting COO, WGS
Date:	December 10, 2010
File No.	

APPENDIX A

WINNIPEG GOLF SERVCES:
2011 BUSINESS PLAN (SELECTION REPORT)

Overview

This report outlines a 2011 budget and operating plan for Winnipeg Golf Services Special Operating Agency. 2011 will be the ninth 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
Canoe Club Golf Course
Tuxedo Golf Course

Managed Contracts
John Blumberg Golf Course
Harbour View Golf Course and Recreation Complex (contractor operated; City maintained)

Strategic Direction

Winnipeg Golf Services continues to compete in the competitive Winnipeg golf market. The market is well served with a wide range of types of courses ranging from private and semi-private championship quality courses to short, practice courses that are oriented to beginners and families. In all, there are approximately 50 courses within a 70 kilometre radius of Winnipeg.

SOA Financial Return
For 2011, the Agency is forecasting a loss of $1,007,062, which is $79,369 less than the $1,086,431 loss projected for 2010. In 2010 as in 2009, weather conditions were unfavorable for golf. There was extensive flooding on the courses in the spring followed by a rainy summer that resulted in poor playing conditions especially at Windsor.

Revenues from green fees, equipment rentals and merchandise sales are projected to be slightly higher in 2011.

In 2010, the operating revenues and expenditures were revised to reflect a more realistic return based on a three-year average for the 2007, 2008 and 2009 seasons of 100,000 rounds. This three-year average has been used for the 2011 business plan.

Fees for the 2011 golf season
WGS is proposing a modest increase of $1 in green fee rates from $30 to $31 for 2011. The modest increase accounts for inflation after holding the rates steady in 2010. Fees for the 2011 golf season, as well as fee information dating back to 2002, is contained in Appendix A-2.
WGS's courses have not shown an increase in the value of the golfing experience that justifies a larger increase in fees especially given the poor weather conditions and the resulting poor playing conditions of last two years.

Holding the green fee rates at $30 for 2010 was expected to increase the number of rounds played at the municipal courses after successive years of declining rounds. For Windsor and Kildonan and Harbour View, the unadjusted rounds for 2010 increased over 2009 while Crescent Drive declined. Appendix A-3 provides an account of the rounds played at Windsor Park, Kildonan Park, Crescent Drive and Harbour View golf courses since 1993.

WGS periodically surveys the fee structure of other public and semi-public courses within the Winnipeg market to determine market-pricing trends. By increasing the green fees to $31 for 2011, WGS is expected to remain competitive in the Winnipeg market.

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	Assess annually - changes made as market allows
	2. Target market to consumers	Promotions targeted to adult regulars (twilight, afternoon specials)
	3. Gradually increase proportionate amount of seniors fees	Senior fees increased
	4. Establish Municipal courses as user friendly	Promotion depicts fun, inviting atmosphere for women, juniors and new golfers (e.g. 'kids play free' at 9 hole courses accompanied by adult)

GOAL	STRATEGIES	STATUS
Improve golf course playability	1. Engage golf course architect to prepare improvement master plan	Master Plan complete and improvements ongoing (e.g. tree planting, cart paths, etc.)
	2. Assess maintenance practices, methods and schedules to optimize playing conditions	Continuously assessed and improvements implemented. New equipment purchased to improve playability (e.g. greens aerator, fairway mower)
	3. Make immediate maintenance improvements to demonstrate intent	Greens covers purchased to improve spring playability, greens cut prior to the start of daily play, new tees built, drainage improvement projects completed, and new irrigation pump.
Provide high quality customer service	1. Develop customer service strategy 2. Customer service training	Manitoba Best customer service program adopted Manitoba Best training for clubhouse and maintenance staff is ongoing. Managing Excellence attended by supervisory staff. .
	3. Customer feedback to evaluate effectiveness	E-mail announcements of special offers.
	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 and integrated Pest Management in accordance with Provincial regulations, chemical application minimized.
	2. Naturalization strategies	Habitat assessment complete, European Buckthorn removed, wildflower and natural vegetation plantings initiated.
	3. Environmental assessment of golf courses	In ground fuel storage tanks removed and replace with above ground tanks.
Improve image of Municipal golf courses	1. 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.
	2. 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	Various sponsors contribute to annual Municipal tournament. Contracts assessed annually.
	2. Attain sponsorship for new programs	Sponsors solicited for special events and tournaments. Tee marker sign advertising is growing
Improve merchandise sales	1. Introduce new items for sale	Clothing line introduced, new product lines continually assessed.
	2. Redesign / redecorate pro shops	Pro shops modernized, displays changed regularly.
	3. Market to non golfers	Mobile signs attract non golfers to courses and pro shops.
	4. 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	Longer term contracts for food services provide stability.
	2. Monitor food and beverage service	Daily monitoring done by golf course staff; weekly reviews held with food contractor during the season; food specials
	3. Cross promotions	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.
Administer golf course leases	1. Renegotiate leases as they expire	All expired leases have been renegotiated and executed – recent long term lease for Canoe Club.
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 – monthly meetings with departmental managers
	3. Issue proposal calls for contracts as they expire	Ongoing
Manage Cross Country Ski operations and trail	1. Administer agreement with Cross Country Ski	Contractor adhering to all terms and conditions

GOAL	STRATEGIES	STATUS
grooming	Association of Manitoba	

Financial Performance

Financial statements are attached as Appendix A-1 and include a Projected Statement of Financial Position, a Projected Statement of Operations and Deficit, a Projected Statement of Cash Flows, a Projected Statement of Equity as well as Notes to the Financial Projections.

For 2011, the Agency is projecting a net loss of $1,007,062, a decrease of $79,369 over the net loss projected for 2010.

Because of the projected increase in the deficit, the Agency is recommending an increase in the line of credit from the current $5,000,000 to $6,000,000. The increase will provide the Agency with adequate operating funds for 2011.

As mentioned previously, the revenue and expense projections were revised in 2010 to reflect the recent experience of declining rounds. An average of 100,000 total rounds is now used instead of 110,000 rounds.

The projections for 2012 to 2013, in Appendix A-1, reflect those for 2011 and are premised on market conditions and all other factors remaining constant and an annual inflation rate of 3%.

Human Resource

The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this complement is anticipated for 2011.

Information Technology

Recent technology upgrades included the automation of the golf courses' financial and statistical reporting and daily timekeeping activities. Access to the City's network at the clubhouses was established for communication and information purposes. WGS purchased an automated tee time booking system which was implemented for the 2009 golf season and allows customers to book on line, through 311 or by calling the clubhouse.

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.

Winnipeg Golf Services is responsible for the servicing and administration of its turf maintenance equipment. Equipment servicing is done by a combination of internal (WGS maintenance worker) and external (equipment service contractor) sources.

Mowing equipment is nearing the end of its life expectancy. New equipment (leased or purchased) will be acquired as appropriate in order to ensure a reasonable level of maintenance.

More drainage projects need to be carried out at Kildonan and Windsor golf courses to improved drainage and enhanced playability especially given the wet conditions of the last two seasons. A new irrigation pump was installed at Kildonan.

With new food services contracts for the golf courses, kitchen equipment was replaced and/or upgraded at Kildonan, Windsor and Harbour View golf courses.

In-ground fuel tanks were replaced with above ground tanks at the all golf courses. The process is underway to replace the sewage treatment plant at the John Blumberg golf course.

The exterior of Windsor club house was recently painted and repaired.

Performance Measurement

The following summarizes performance indicators and measures of success the Agency achieved in 2010.

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	• Did not meet the forecasted financial return to the City as contained in the business plan.
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 • Aesthetic and amenity improvements that meet with customer satisfaction as determined through user group feedback.
Associated Services Improved service and image through provision of golf related services.	• Increased merchandise sales. • Improved food and beverage quality and service in clubhouses and on courses. • Increased auto cart rentals.
Environment	

Indicator	Measure of Success
Reduce harmful affects of maintenance practices and contribute to the long-term viability of golf courses.	• Reduced use of harmful chemicals through licensed application and proper management. • Increased native vegetation and wildlife on golf course properties. • Recognition as an environmentally friendly golf course operation.

Issues and Challenges

The issues remain the same:

- Old maintenance equipment;
- Aging infrastructure;
- Increasing infrastructure deficit; and
- Deferred maintenance.

The above issues lead to a diminished value in the golfing experience which in turn leads to a reduction in total rounds and increasing annual losses as golfers go elsewhere for their golf.

APPENDIX A-1: 2011 FINANCIAL PROJECTIONS

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

	2009 Actual (Audited)	2010 Projected Actual	2011 $	2012 $	2013 $
ASSETS (Note 7)					
Current					
Cash	-	-	-	-	-
Due from City of Winnipeg	-	-	-	-	-
Accounts Receivable	281,502	281,502	281,502	281,502	281,502
Inventory (Note 2)	79,575	79,575	79,575	79,575	79,575
Prepaid Expenses	4,583	4,583	4,583	4,583	4,583
	365,660	365,660	365,660	365,660	365,660
Land, buildings and equipment:					
Land (Note 2)	20,376,565	20,376,565	20,376,565	20,376,565	20,376,565
Buildings (Note 2)	2,543,772	2,543,772	2,623,772	2,623,772	2,623,772
Golf Course Improvements (Note 2)	694,575	1,154,575	1,244,575	1,354,575	1,354,575
Furniture and Other Equipment (Note 2)	1,500,532	1,575,532	1,650,532	1,690,532	1,690,532
	25,115,444	25,650,444	25,895,444	26,045,444	26,045,444
Less: accumulated depreciation	1,710,858	2,031,169	2,374,330	2,665,111	2,938,140
	23,404,586	23,619,275	23,521,114	23,380,333	23,107,304
	23,770,246	23,984,935	23,886,774	23,745,993	23,472,964
LIABILITIES (Note 7)					
Current					
Due to City of Winnipeg	3,847,432	4,847,051	5,754,220	6,460,987	6,984,750
Accounts payable and accrued liabilities	125,165	125,165	125,165	125,165	125,165
Deferred Revenue	88,294	88,294	88,294	88,294	88,294
Vacation Liability	39,148	35,233	31,710	28,539	25,685
Current portion of long-term debt	120,785	131,825	172,739	194,107	262,931
	4,220,824	5,227,568	6,172,128	6,897,092	7,486,825
Long Term					
Retirement allowance	88,000	79,200	71,280	64,152	57,737
Environmental Liability	221,600	221,600	221,600	221,600	221,600
Long-term debt	3,881,749	4,184,924	4,157,185	4,113,078	4,000,147
	4,191,349	4,485,724	4,450,065	4,398,830	4,279,484
RETAINED EARNINGS					
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/(Deficit)	(5,216,585)	(6,303,016)	(7,310,078)	(8,124,587)	(8,868,003)
	15,358,073	14,271,642	13,264,580	12,450,071	11,706,655
	23,770,246	23,984,934	23,886,773	23,745,993	23,472,964

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

	2009 Actual (Audited)	2010 Council Adopted	2010 Projected Actual	Variance	2011	2012	2013
Revenues: (Note 4)							
Green Fees	1,748,862	1,813,172	1,732,643	(80,529)	1,905,770	2,013,371	2,105,969
Equipment Rentals	249,224	387,259	252,726	(134,533)	260,412	268,225	276,272
Concessions	56,721	83,430	49,170	(34,260)	45,887	47,264	48,681
Merchandise Sales	97,023	120,510	82,087	(38,423)	82,853	85,338	87,899
Other	78,594	28,405	20,551	(7,854)	22,847	23,532	24,239
Net Revenue-Leasing Operations	114,600	114,365	139,365	25,000	139,121	139,620	140,135
Total Revenues	2,345,024	2,547,141	2,276,542	(270,599)	2,456,890	2,577,350	2,683,195
Expenses: (Note 5)							
Salaries & Employee Benefits	1,278,584	1,419,715	1,412,205	(7,510)	1,428,383	1,462,673	1,492,384
Services	737,559	564,315	531,174	(33,141)	582,912	500,403	515,415
Materials,Parts,Supplies	293,611	288,946	338,613	49,667	334,157	344,185	354,512
Interest on Short Term Debt	15,269	177,694	44,593	(133,101)	50,012	57,479	45,918
Interest on Long Term Debt - Capital Plan	58,854	65,508	65,508	-	80,707	83,179	83,441
Total Expenses	2,383,877	2,516,178	2,392,093	(124,085)	2,476,171	2,447,919	2,491,670
Net Revenue	(38,852)	30,963	(115,551)	(146,514)	(19,281)	129,431	191,524
Allocated to the City: (Note 6)							
Property Tax Equivalents	234,754	240,052	253,615	13,563	247,253	254,670	262,310
Departmental Support Costs	49,451	50,935	50,935	-	52,463	54,036	55,658
Office Accommodation Costs	17,389	16,789	16,788	(1)	16,789	16,789	16,789
Provision for Payroll Taxes	24,015	26,474	25,586	(888)	25,586	26,353	27,145
Provision for Business Taxes	28,249	28,249	28,249	-	28,249	28,249	28,249
Interest on Long Term Debt - Acquired Assets	185,459	184,095	184,094	(1)	182,648	181,115	179,490
Transfer to General Revenue for 311	78,237	79,463	79,463	-	79,488	79,488	79,488
Transfer to BTS Internal Service Provider	-	1,667	1,667	-	1,667	1,667	1,667
City's Return on Investment	-	-	-	-	-	-	-
Total allocated to the City	617,555	627,723	640,397	12,673	634,143	642,367	650,796
Other:							
Depreciation, Fixed Assets	274,353	317,311	320,311	3,000	343,161	290,781	273,029
Annual Audit Fee	9,951	10,172	10,172	-	10,477	10,792	11,116
Total Other and Allocated to the City	901,859	955,206	970,880	15,673	987,781	943,940	934,941
Net Income/(Loss)	(940,711)	(924,244)	(1,086,431)	(162,187)	(1,007,062)	(814,509)	(743,416)

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

	2009 Actual (Audited)	2010 Projected Actual	2011	2012	2013
Net inflow (outflow) of cash related to the following activities:					
OPERATING					
Net earnings (loss) for the year	(862,474)	(1,086,431)	(1,007,062)	(814,509)	(743,416)
Non-cash items relating to operations:					
Amortization	274,353	320,311	343,161	290,781	273,029
Increase in environmental liabiilty	191,600	-	-	-	-
Increase in Retirement Allowance	(81,000)	(8,800)	(7,920)	(7,128)	(6,415)
Working capital from operations	(477,522)	(774,920)	(671,821)	(530,856)	(476,803)
Changes in non-cash operating working capital items:					
Accounts receivable	(15,011)	-	-	-	-
Inventory	(23,305)	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Accounts payable and accrued liabilites	16,609	-	-	-	-
Deferred Revenue	31,901	-	-	-	-
Vacation Liab	(12,776)	(3,915)	(3,523)	(3,171)	(2,854)
	(480,104)	(778,835)	(675,344)	(534,027)	(479,657)
FINANCING					
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	805,504	999,620	907,168	706,767	523,763
Incr in Long-term debt - Required for Capital Plan	(44,336)	314,215	13,175	(22,739)	(44,107)
Transfer to City of Winnipeg - General Revenue Fund	(78,254)	-	-	-	-
	682,914	1,313,835	920,343	684,028	479,656
INVESTING					
Purchase of Land	-	-	-	-	-
Purchase of Buildings	(3,949)	-	(80,000)	-	-
Purchase of Golf Course Improvements	(69,372)	(460,000)	(90,000)	(110,000)	-
Purchase of Furniture and Other Equipment	55,407	(75,000)	(75,000)	(40,000)	-
Proceeds from disposal of equipment	(184,997)				
	(202,911)	(535,000)	(245,000)	(150,000)	-
NET CASH INFLOW (OUTFLOW)	(100)	0	(1)	0	(0)
CASH POSITION, BEGINNING OF YEAR	100	-	-	(1)	(1)
CASH POSITION, END OF YEAR	-	-	(1)	(1)	(1)
	(3,847,432.00)	(4,847,049.00)	(5,754,220.00)	(6,460,987.00)	(6,984,750.00)

Golf Services - Special Operating Agency
Projected Statement of Equity
December 31

	2009 $	2010 $	2011 $	2012 $	2013 $
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Net Income (Loss) for year (Cumulative)	(5,216,585)	(6,303,016)	(7,310,078)	(8,124,587)	(8,868,003)
	15,358,073	14,271,642	13,264,580	12,450,071	11,706,655

Golf Services - Special Operating Agency
Notes to the Financial Projection
For One Year ending December 31, 2011

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 80% of total revenues. Projections 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 rates are projected to increase by an average of 3% or a $1 a round. The number of rounds are projected to remain constant or show a slight decline.

b) Equipment Rentals

The auto cart fleet consists of 82 units (all owned). The fee per use will increase to $32.00. Other rental equipment includes individual clubs, club sets and pull carts. Rates are assessed annually and adjusted to be competitive within the local market.

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 sales are projected to increase by 5% and the average profit margin will remain constant at approximately 33%. WGS will continue to focus on the beginner and recreational golfer market with high-end sales being accommodated through selective purchasing and special orders. The effect of new major golf merchandise retailers in the Winnipeg market continue to challenge the SOA to achieve sales targets.

d) Concessions

Lower than projected rounds in recent years has affected concession revenues. The concession operation will continue to be scrutinized in an effort to increase sales.

e) Miniature Golf

The construction of a mini golf course at Crescent Drive GC has been suspended pending implementation 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) are returned to the golf operation.

5 ASSUMPTIONS - EXPENSES

a) Salaries and employee benefits

The SOA operates with the following staff compliment 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 the Harbour View Golf Course and Recreation Complex Manager's retainer fee.

d) Allocated Departmental Costs

The SOA receives building maintenance services from the Planning, Property and Development Department. Funds are budgeted for routine and preventative maintenance, equipment repairs and replacements and special projects that are required to maintain current code, health and occupancy regulations and standards. The Agency will continually assess the cost of Planning, Property and Development 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 term of the business plan.

e) Auto Allowance

Auto allowance is paid as per provisions in the collective agreement.

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 are budgeted to promote the Agency's activities and programs.

l) 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.

6) 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 Civic Accommodations and apply to the office space allocated to Golf Services 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 Return on Investment is in accordance with Council's transfer policy for SOAs.

7) 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 Fund “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 $6M.

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 principal repayment is scheduled over ten years commencing two years after borrowing. A long-term loan has been provided by the City to finance the depreciable assets transferred to the Agency on start-up. The outstanding loan balance as at December 31, 2008 is $3,952,534 and generates interest at the rate of 6%.

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 A-2: 2011 GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Kildonan/Windsor										
Adult	21.00	22.00	23.00	24.00	25.00	26.00	27.00	30.00	30.00	31.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50	22.00	22.00	23.00
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	18.00
Twilite adult/senior	13.00	14.00	15.00	15.00	15.00	16.00	17.00	19.00	19.00	20.00
Twilite junior	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	18.00
Sunrise	12.00	12.00	13.00	13.00	13.00	13.00	13.50	15.00	15.00	16.00
Crescent Drive/ Harbour View										
Adult	10.50	11.00	11.00	11.50	12.00	12.50	13.00	14.00	14.00	15.00
2nd round	9.00	9.00	9.50	10.00	10.00	10.00	10.00	11.00	11.00	12.00
Senior	8.50	8.50	8.50	9.00	9.00	9.50	10.00	11.00	11.00	12.00
2nd round	5.50	5.50	6.00	6.00	6.00	6.00	6.00	7.00	7.00	8.00
Junior	8.00	8.00	8.00	8.50	8.50	9.00	9.50	10.00	10.00	11.00
2nd round	3.50	4.00	4.00	4.50	4.50	4.50	4.50	5.00	5.00	6.00
Sunrise	8.50	8.50	8.50	9.00	9.00	9.00	9.50	11.00	11.00	12.00
Miscellaneous Services (Windsor/Kildonan/ Crescent Drive)										
Auto cart 18 hole	24.00	24.00	25.00	25.00	25.00	25.00	26.00	28.00	30.00	32.00
Auto cart 9 hole	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00	15.00	16.00
Trail fee private auto cart (18)	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00	20.00	20.00
Trail fee private auto cart (9)	7.00	7.00	7.00	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	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	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	12.00	12.00	12.00
Pull cart (18)	4.50	3.95	4.50	4.50	4.50	5.00	5.00	5.00	5.00	5.00
Pull cart (9)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

APPENDIX A-3: ROUNDS PLAYED 1993 TO 2010

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Kildonan	40,023	45,896	43,306	42,624	39,416	48,100	48,332	49,180	48,278	41,336	45,203	37,378	34,875	38,021	34,718	30,642	27,860	29,515
Windsor	32,571	41,544	41,966	36,570	35,112	44,470	46,892	45,929	42,462	37,327	42,596	33,621	26,150	32,018	30,500	30,953	24,908	24,046
Crescent Drive	36,185	44,414	44,364	39,317	33,575	45,589	41,961	40,877	37,862	31,527	33,719	26,622	19,910	28,585	23,936	20,406	20,139	21,955
Harbour View	34,749	38,560	39,206	35,864	38,880	42,386	35821	37,457	35,492	28,118	29,987	24,419	26,454	26,749	21,221	19,487	18,735	19,551
Annual Totals	**143,528**	**170,414**	**168,842**	**154,375**	**146,983**	**180,545**	**173,006**	**173,443**	**164,094**	**138,308**	**151,505**	**122,040**	**107,389**	**125,373**	**110,375**	**101,488**	**91,642**	**95,067**

APPENDIX B: ADVISORY BOARD

POSITION	MEMEBERS
Departmental Head or designate (Chair)	Vacant
A corporate representative appointed by the Chief Administrative Officer	Vacant
Appointee of the Canadian Union of Public Employees	John Irvine
Agency Staff Representative	Al Shane
Stakeholder Representatives:	Rob Officer
	Frank Pammer
	Betty Grant
Chief Operating Officer (ex-officio)	Iain Day