Agenda – Executive Policy Committee – May 11, 2011

REPORTS

Item No. 3 Winnipeg Golf Services Operational Review

COMMITTEE RECOMMENDATION:

On May 6, 2011, the Audit Committee recommended to the Executive Policy Committee and Council:

1. That the recommendations contained in the Operational Review of Winnipeg Golf Services Audit dated November 2010, be received as information.

2. That the City of Winnipeg Public Service be directed to report back to the Alternate Service Delivery Committee and Council:

    A. In the short-term, conduct a competitive bid process for the operation of the City-run golf courses;

    B. In the long-term, follow the City Auditor's recommendations regarding the divestiture of City-owned golf courses for commercial or residential development, continued operation of such golf courses by the private sector, or any other proposals, including the identification of courses, timelines and process to be followed.

Agenda – Executive Policy Committee – May 11, 2011

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On May 6, 2011, the Audit Committee passed the following resolution:

WHEREAS the City Auditor has submitted a report to Council entitled "Operational Review of Winnipeg Golf Services" (November 2010) (the "Audit Report");

AND WHEREAS Recommendation 9 of the Audit Report (short-term option) states:

- "Competitive leases to management companies be awarded based on a "Request for Bid" for the three City-owned and operated golf courses."

AND WHEREAS Winnipeg Golf Services incurred an operating loss of approximately $1,000,000 in each of 2009 and 2010, and is projecting an operating loss of approximately $1,000,000 for 2011;

AND WHEREAS it is desirable for the City of Winnipeg to explore all options with respect to City-owned golf courses, to ensure that citizens are getting the best value from these properties;

THEREFORE BE IT RESOLVED that the Audit Committee recommend to the Executive Policy Committee and Council:

1. That the recommendations contained in the Operational Review of Winnipeg Golf Services Audit dated November 2010, be received as information.

2. That the City of Winnipeg Public Service be directed to report back to the Alternate Service Delivery Committee and Council:

    A. In the short-term, conduct a competitive bid process for the operation of the City-run golf courses;

    B. In the long-term, follow the City Auditor's recommendations regarding the divestiture of City-owned golf courses for commercial or residential development, continued operation of such golf courses by the private sector, or any other proposals, including the identification of courses, timelines and process to be followed.

Audit Department Report
Winnipeg Golf Services Operational Review – November 2010

An Operational Review of the Special Operating Agencies was included in the City Auditor's 2009-2010 Audit Plan in response to a request from the Alternate Service Delivery Committee. In November 2009, The Audit Department through a Request for Proposal process awarded a contract to conduct an operational review of Winnipeg Golf Services to Golf Convergence. The Audit Department reviewed the report provided by Golf Convergence and agreed with the recommendations presented.

Report Summary

The Winnipeg Golf Services (WGS) has been in existence for approximately eight years and during that time, the golf industry has changed dramatically. Decreased participation along with increased competition are two factors that have altered the external environment. Lack of investment in infrastructure and staff training, inadequate information systems and labour constraints imposed by the collective bargaining agreements have contributed to an internal environment that requires significant change to be successful over the longer-term.

In the short-term, Golf Convergence recommends contracting out the management of the City operated golf courses. External firms bring best practice business processes to maximize the potential of these courses. City of Winnipeg taxpayers will no longer have to subsidize golf course operations which incurred an approximate $1 million loss in 2009. Instead, the City will receive annual lease payments and property taxes and WGS customers will receive increased value as a contract management company may be willing to invest up to $1 million in improvements per course under a long-term lease. If contract management is not pursued Golf Convergence makes several recommendations to improve the operations of the City operated golf courses including the requirement to make capital investments in the golf courses. These actions will improve short-term results and should reduce the annual losses.

In the longer-term, Golf Convergence recommends that the City divest itself from the operation of public golf courses since the need is adequately met in the private sector. Any surplus property can then be sold for commercial or residential development to raise capital for reinvestment in other open park space.

Winnipeg Golf Services management reviewed the recommendations and has agreed to implement those within their control. Some recommendations require Council direction before management can initiate action.

Policy

The report is submitted in accordance with the City Organization By-law 7100/97 section 19(d)(iv) that the Audit Committee will "Receive and review audit reports, and table such reports with its recommendations at a regular meeting of Executive Policy Committee".

Audit Department Report
Winnipeg Golf Services Operational Review – November 2010

Recommendation:
The Audit Committee receive as information the Winnipeg Golf Services Operational Review dated November 2010, and forwarded the matter to the Executive Policy Committee and Council.

Attachment - Winnipeg Golf Services Final Report


Winnipeg Golf Services Final Report