Agenda - Executive Policy Committee - May 21, 2003

Report - Alternative Service Delivery Committee - May 15, 2003

Item No. 2 Selection Report - Winnipeg Golf Services Special Operating Agency File GL-5.6.1 (Vol. 7)

STANDING COMMITTEE RECOMMENDATION:

The Alternate Service Delivery Committee concurred in the administrative recommendation and recommends to Council, namely:

1. That the 2003 to 2007 Operating Plan for Winnipeg Golf Services Special Operating Agency as summarized within this report be approved.

2. That Clause 3 of the Report of the Committee on Protection, Parks and Culture dated April 11, 1994 and adopted by Council on April 27, 1994 be amended by striking out Recommendations III and IV and substituting the following:

   "III. That for the years 1995 to 2001, $1.00 from all rounds of golf played be allocated to the reserve.
   IV. That authority be delegated to the Chief Administrative Officer to approve loans to the Golf Services Special Operating Agency at the City's rate of borrowing for golf course enhancements."

3. That golf course fees for the 2003 season as outlined in Appendix "B" be approved.

4. That the COO of Winnipeg Golf Services be authorized to negotiate extensions to the duration of golf course management contracts as follows:
   - Canoe Club Golf Course be extended by one year;
   - John Blumberg Golf Course be extended by two years,

   and further that the Chief Administrative Officer be authorized to enter into said extensions should they be negotiated to his/her satisfaction.

5. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto

Agenda - Executive Policy Committee - May 21, 2003

Report - Alternative Service Delivery Committee - May 15, 2003

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On May 15, 2003, the Alternative Service Delivery Committee concurred in the administrative recommendation and submitted its recommendation to Executive Policy Committee and Council.

Re: Selection Report – Winnipeg Golf Services Special Operating Agency

For submission to: Alternative Services Delivery Committee

Original report signed by: Director of Planning, Property and Development

Report date: May 7, 2003

Recommendation(s):

1. That the 2003 to 2007 Operating Plan for Winnipeg Golf Services Special Operating Agency as summarized within this report be approved.

2. That Clause 3 of the Report of the Committee on Protection, Parks and Culture dated April 11, 1994 and adopted by Council on April 27, 1994 be amended by striking out Recommendations III and IV and substituting the following:

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   - John Blumberg Golf Course be extended by two years,

   and further that the Chief Administrative Officer be authorized to enter into said extensions should they be negotiated to his/her satisfaction.

REPORT SUMMARY

Key Issues:

- The contracts for John Blumberg and Canoe Club golf courses be extended to coincide with the expiration of the Harbour View golf course contract (end of the 2005 golf season) in order to allow for the greatest flexibility in considering the future operation and management options for these sites.
- A decision on the future of City operated and three contracted golf courses (Harbour View; John Blumberg; Canoe Club) be made after the 2005 golf season as opposed to following the 2004 golf season proposed in the 2002 Winnipeg Golf Services Selection Report.
- The Golf Course Reserve Fund requires an amendment in order to allow for the flexibility to implement golf course improvements. The recommended change is

in keeping with the intent of the 2002 Golf Services SOA Business Plan and Selection Report adopted by Council.

Implications of the Recommendation(s):

General implications:

	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
X	Involves a multi-year contract

Comment(s):

- the multi year contracts for the Canoe Club Golf Course and John Blumberg Golf Course are recommended to be extended to coincide with the expiry of the contract for Harbour View Golf Course.

Policy implications:

X	No
	Yes

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):

-

REASON FOR THE REPORT:
The Winnipeg Golf Services Operating Charter stipulates that a Selection Report (summary of annual business plan) be submitted to Council each year.

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

DISCUSSION:
The year 2002 was the first 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)

In this first year of operation, Winnipeg Golf Services began to make its presence known as a competitor in the Winnipeg golf market. Emphasis was put on physical asset improvements, improved customer service, establishment of new customer markets, and improving amenities available to golfers.

The 2003 to 2007 business plan calls for continued work in the aforementioned areas as well as a more aggressive approach to marketing and generating revenues from the golf courses.

Strategic Direction

The Agency will continue to manage golf courses as valuable City assets and shift the strategic and operational focus to that of maximizing the return to the City. In the selection report adopted by Council in April 2002, it was stated that the existing mix of operating methods (City operated/contracted/leased) would be maintained for a period of 3 years (i.e. to the end of the 2004 golf season). Throughout this period, an assessment of all City golf course assets would be completed and recommendations made on the short and long term future of golf course properties under the jurisdiction of the City. For reasons identified in the following "Extension of Management Agreements" section of this report, it is suggested that this assessment period be extended by 1 year to the end of the 2005 golf season. The existing mix of leased, contractor managed and City operated golf courses will be maintained until that time.

Extension of Management Agreements

In order for the assessment of City operated golf courses, contracted courses and future opportunities at leased courses to have the greatest effect on future revenue opportunities, it is necessary to time the expiration of contracts to coincide with the most opportune time to go to market for proposals. In the case of contracted operations, agreements are presently set to expire as follows:

John Blumberg Golf Course, Ben Smirnov Enterprises Ltd.	November 30, 2003
Canoe Club Golf Course, Don Ferguson Maintenance Services Ltd.	March 31, 2005
Harbour View Golf Course, Lakeland Golf Management Inc.	March 31, 2006
Tuxedo Golf Course, Western Golf Management (Manitoba) Ltd.	February 28, 2016

John Blumberg, Canoe Club, and Harbour View golf courses expire at different times but within two golf seasons of each other. It is suggested that the term of these contracts be adjusted to expire after the same golf season. In order to accomplish this, John Blumberg and the Canoe Club would be extended to expire after the 2005 golf season. This would require the addition of two seasons added to the contract for John Blumberg and one additional season to the contract for the Canoe Club. At the present time, no consideration is being given to changes to the Tuxedo Golf Course contract as its term (Feb. 2016) is in the too distant future in relation to the other contracted courses.

Granting the aforementioned extensions would result in the Blumberg, Canoe Club and Harbour View contracts expiring on or about the same time (after the 2005 golf season) thus allowing for a request for proposals to be issued for the operation of these sites individually or as a package.

The current operators of the Canoe Club and John Blumberg have been consulted informally on this matter and both have indicated an interest in principle to negotiate extensions. If Winnipeg Golf Services could not come to terms with one or both of the current operators, the term of the contract(s) would be left to expire and proposal call(s) could be issued for the respective one or two year terms. Alternatively, the courses

could be operated by City staff to bridge the short periods of time until future operating methods are determined.

Fees

Fees for the 2003 golf season are contained in Appendix B. For comparison purposes, fees for 2002 and 2001 are illustrated. Generally, the adult and senior fees are increasing by $1.00 per 18 hole round. Junior fees for 18 holes increase by $0.50 at Windsor and Kildonan and by $1.00 at John Blumberg. Miscellaneous Service fees are recommended to remain constant for this year.

The proposed fee increases are modest and it is expected that they will not cause a decline in the number of rounds played. The Municipal courses still have the most economical fee structure among public and semi-public courses in the Winnipeg market. This is a position that Winnipeg Golf Services wishes to maintain at this time.

Golf Course Reserve Fund

The Golf Course Reserve Fund was created by City Council on April 27, 1994, to provide funding for enhancements to the Municipal Golf Courses in order to keep them competitive with those in the private sector. In most years since 1994, $1.00 from every round played on the courses was transferred to the Reserve. The Chief Administrative Officer is currently the Fund Manager.

Since January 1, 2002, the Municipal Golf Courses have been operating as a Special Operating Agency. The intent of creating the SOA was to allow for greater flexibility in operations and implementing changes and improvements. The Operating Charter and financial plan approved by Council implicitly granted the flexibility to utilize the reserve as referenced herein but no formal change to the resolution that established the reserve was made at that time. Recommendation #2 of this report will now formalize that which was intended in establishing the SOA.

The new mandate of the Golf Course Reserve, in accordance with the Agency's financial plan, is to be a funding source for the SOA. In the future, all improvements and asset acquisitions over the projected period in the business plan are to be financed by earnings retained from operations. It is anticipated that loans will be required in order to implement improvements in a timely manner. No expenditures will be made from the golf course reserve. Any loans for golf course improvements are to be obtained from the City of Winnipeg at the City's rate of borrowing using the Golf Course Reserve as the funding source. The Golf Course Reserve will be replenished through the repayment of principal and interest on any loans made to the Agency.

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 and recommendations made annually.
	2. Target market to highest revenue consumers	Promotion targeted to adult regulars
	3. Gradually increase proportionate amount of seniors fees	Senior fees increased 15% compared to adult fee increase of 10% over 2 years
	4. Establish Municipal courses as user friendly	Promotion depicts fun, inviting atmosphere for women and new golfers
Improve golf course playability	1. Engage golf course architect to prepare improvement master plan	Landscape Architect engaged
	2. Assess maintenance practises, methods and schedules to optimize playing conditions	Continuously assessed and improvements implemented
	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 fairway mower purchased for Kildonan; minor drainage improvements undertaken
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 prior to start of 2003 season
	3. Customer feedback to evaluate effectiveness	Customer surveys in 2003
	4. Standardize counter service techniques	Clubhouse staff and starters provide consistent service as per training

GOAL	STRATEGIES	STATUS
Sustainable environmental initiatives	1. Minimize use of harmful chemicals	Staff trained on chemical application and use; chemical application minimized
	2. Naturalization strategies	Habitat assessment complete; European Buckthorn removed; mowing methods adjusted (no-mow zones)
	3. Environmental assessment of each golf course	Manitoba Golf Superintendents Association Environmental Assessment complete and recommendations being implemented
Improve image of Municipal golf courses	1. Establish WGS visual identity and positioning statement	Design expertise to be contracted in fall/2003
	2. Establish and implement etiquette and speed of play guidelines	Golfers are continuously educated on golf etiquette; starters acting in capacity of course marshals helped improve speed of play; full scale marshal program to be introduced
	3. Establish a golf advisory board	Advisory board to be established in 2003
	4. Sponsor community events and charities	Donations and sponsorships given to charities and events that promote Municipal golf courses
Corporate sponsorship	1. Sponsorship of WGS events and annual tournament	Jazz Golf, Pepsi, Labatts sponsored events in 2002
	2. Attain sponsorship for	Sponsors being solicited for 2003 programs (Nite Lite

GOAL	STRATEGIES	STATUS
	new programs	golf; community flyer; Municipal tournament)
	3. Review existing sponsor contracts	Contracts will be assessed in 2003
Improve merchandise sales	1. Introduce new items for sale	Clothing line introduced; logo'd clothing will be sold in 2003
	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; annual changes / improvements
	4. Market to non golfers	Community flyers and mobile signs attract non golfers to pro shops
	5. Major promotions	Mothers/Fathers Day, Christmas, end of season clearance promotions run
Improve food and beverage sales	1. Assessment of food and beverage operation	Assessment conducted with food and beverage contractor – improvements agreed upon
	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 done in 2002 met with limited success. Contests and promotion specials will be tried in 2003
	4. Visual upgrade of concessions	General appearance improved in 2002. Further improvements planned for 2003

GOAL	STRATEGIES	STATUS
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
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 2. Review Harbour View operation to streamline reporting relationships 3. Issue proposal calls for contracts as they expire	Recommendations made annually Ongoing Recommendations made as required
Manage Cross Country Ski operations and trail grooming	1. Administer agreement with Cross Country Ski Association of Manitoba 2. Assess future viability of trail grooming in parks	Contractor adhering to all terms and conditions Trail grooming in parks turned over to Public Works

Financial Performance

Pro forma 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 2002, the Agency's operating deficit was $239,000 in comparison to a budgeted deficit of $152,000. This $87,000 difference is mainly attributable to poor weather conditions in the spring and fall of 2002. In June, Environment Canada confirmed that the spring of 2002 was the coldest on record in the Prairies. This combined with cold and wet conditions in October effectively reduced the playable golf season by approximately 10 weeks.

Financially, the adverse weather conditions affected green fees, equipment rentals, and concession revenues. Overall, revenues were $423,000 lower than budgeted. Expense savings of $334,000 minimized the overall deficit. On a positive note, gross profit on merchandise sales exceeded budget by $1,300. Although a relatively minor amount, it is a positive indicator as an area for future growth potential.

The years 2003 to 2007 show increased revenue growth as well as steady increases in the City's return on investment on golf operations.

Human Resource
The Agency currently operates with 3 permanent staff and 51 seasonal staff. No change in this compliment is anticipated for 2003.

All terms of the CUPE collective agreement apply to Winnipeg Golf Services. Discussions are currently underway with union representatives with the intent of negotiating a supplementary agreement for the CUPE membership of the Agency.

Information Technology
The Planning, Property and Development Department provides Information Technology services to the Agency. No major IT projects are contemplated in the near future. Systems and equipment will continue to be upgraded through existing resources.

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

No substantive changes are anticipated with respect to land holdings or furnishings, tools and other miscellaneous equipment.

In 2003, Winnipeg Golf Services will assume responsibility for the servicing and administration of its turf maintenance equipment. This was previously done by the Equipment and Materials Services Branch.

Preliminary discussion has been held with the operator of a leased course regarding the replacement of a clubhouse structure. This will proceed through the normal approval process for structures on City properties.

Performance Measurement
The following summarizes performance indicators and measures of success the Agency will strive to achieve through the 2003 to 2007 term:

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	Meet or exceed the forecasted financial return to the City over the course of the 5-year business plan. Increased value of the physical assets through infrastructure improvements.

Indicator	Measure of Success
Customer Service Continually improve the image that we portray to customers.	Track each customer complaint, determine legitimacy, take appropriate action and provide 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 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.
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. 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 will impact on the rounds played at municipal courses. A significant increase in marketing and promotion as well as playability and aesthetic improvements is planned in order to retain the current customer base and make the municipal courses an attractive choice for new golfers.

Capital Improvement Master Plan: The Municipal courses have had effectively no capital improvements done in the last decade or more. As a result, the condition of the courses and clubhouses has fallen below the standard generally acceptable for public courses. A capital improvement master plan is near completion and a program will be implemented that brings 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 make the municipal courses stand out among public golf courses.

Supplementary Agreement

The Agency is currently negotiating a supplementary agreement with CUPE. It was hoped that this would be in place for the 2003 season but due to Collective Agreement negotiations it was delayed. The Supplementary Agreement will be finalized prior to the end of the current season.

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. It is anticipated that staff and the Union will embrace change in a positive and progressive manner as the Agency moves forward.

Financial Impact Statement

Date: May 5, 2003

Project Name:

First Year of Program 2003

	2003	2004	2005	2006	2007
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
External	-	-	-	-	-
Grants (Identify)	-	-	-	-	-
Reserves, Equity, Surplus, Other	-	-	-	-	-
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:

Five year financial projection are contained in appendix A attached hereto.

"Original signed by"
Gord Courage, Manager
Support Services Division

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

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 selection report 2003.doc

APPENDIX “A”

WINNIPEG GOLF SERVICES - FINANCIAL PROJECTIONS

2002 (unaudited) and 5 years ending December 31, 2007

Golf Services - Special Operating Agency
Projected Balance Sheet
December 31

	2002 Actual (Unaudited)	2003 $	2004 $	2005 $	2006 $	2007 $
ASSETS (Note 7)						
Current						
Accounts Receivable	2,821	3,000	3,000	3,000	3,000	3,000
Inventory (Note 2)	74,010	74,010	74,010	74,010	74,010	74,010
Prepaid Expenses	4,583	4,583	4,583	4,583	4,583	4,583
	81,414	81,593	81,593	81,593	81,593	81,593
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
Buildings (Note 2)	3,382,823	3,432,823	3,457,823	3,457,823	3,457,823	3,807,823
Golf Course Improvements (Note 2)	-	685,000	885,000	1,115,000	1,285,000	1,285,000
Furniture and Other Equipment (Note 2)	658,600	798,600	898,600	978,600	1,058,600	1,358,600
	24,417,988	25,292,988	25,617,988	25,927,988	26,177,988	26,827,988
Less: accumulated depreciation	199,181	425,479	687,402	969,575	1,270,748	1,603,171
	24,218,807	24,867,509	24,930,586	24,958,413	24,907,240	25,224,817
	24,300,221	24,949,102	25,012,179	25,040,006	24,988,833	25,306,410
LIABILITIES (Note 7)						
Current						
Due to City of Winnipeg (Note 3c)	230,229	77,506	68,775	53,480	(106,968)	157,538
Accounts payable and accrued liabilities	12,262	12,500	12,500	12,500	12,500	12,500
Vacation Liability	34,661	31,195	28,075	25,268	22,741	20,467
Current portion of long-term debt (Schedule 2)	0	5,690	72,415	82,450	113,086	119,870
	277,152	126,891	181,765	173,698	41,360	310,376
Long Term (Notes 3b and 7d)						
Retirement allowance	121,000	108,900	98,010	88,209	79,388	71,449
Long-term debt - Acquired Assets	3,975,690	3,975,690	3,975,690	3,975,690	3,975,690	3,975,690
Long-term debt - Required for Capital Plan	75,000	944,310	946,895	864,445	751,359	681,489
	4,171,690	5,028,900	5,020,595	4,928,344	4,806,437	4,728,628
RETAINED EARNINGS						
Contributed Surplus	20,090,388	20,090,388	20,090,388	20,090,388	20,090,388	20,090,388
Operating Surplus/Deficit	(239,009)	(297,077)	(280,569)	(152,424)	50,648	177,018
	19,851,379	19,793,311	19,809,819	19,937,964	20,141,036	20,267,406
	24,300,221	24,949,102	25,012,179	25,040,006	24,988,833	25,306,410

Golf Services - Special Operating Agency
Statement of Projected Changes in Financial Position
For the Years Ended December 31

	2002 Actual (Unaudited)	2003	2004	2005	2006	2007
Net inflow (outflow) of cash related to the following activities:						
OPERATING						
Net earnings (loss) for the year	(239,009)	(58,068)	16,508	128,145	203,072	126,370
Non-Cash items:						
Depreciation	199,181	226,298	261,923	282,173	301,173	332,423
	(39,828)	168,230	278,431	410,318	504,245	458,793
Changes in non-cash operating working capital items						
Accounts receivable	(2,821)	(179)	-	-	-	-
Inventory	(74,010)	-	-	-	-	-
Prepaid Expenses	(4,583)	-	-	-	-	-
Accounts payable and accrued liabilites	12,262	238	-	-	-	-
Vacation Liab	34,661	(3,466)	(3,119)	(2,808)	(2,527)	(2,274)
Retirement Allowance	121,000	(12,100)	(10,890)	(9,801)	(8,821)	(7,939)
	46,681	152,723	264,422	397,710	492,898	448,580
FINANCING						
Increase in Long-term debt - Acquired Assets	3,975,690	0	0	0	0	0
Incr in Long-term debt - Required for Capital Plan	75,000	875,000	69,310	(72,415)	(82,450)	(63,086)
Contributed Surplus	20,090,388					
	24,141,078	875,000	69,310	(72,415)	(82,450)	(63,086)
INVESTING						
Purchase of Land	(20,376,565)	-	-	-	-	-
Purchase of Buildings	(3,382,823)	(50,000)	(25,000)	-	-	(350,000)
Purchase of Golf Course Improvements	-	(685,000)	(200,000)	(230,000)	(170,000)	-
Purchase of Furniture and Other Equipment	(658,600)	(140,000)	(100,000)	(80,000)	(80,000)	(300,000)
Proceeds from disposal of equipment						
	(24,417,988)	(875,000)	(325,000)	(310,000)	(250,000)	(650,000)
NET CASH INFLOW (OUTFLOW)	(230,229)	152,723	8,732	15,295	160,448	(264,506)
CASH POSITION, BEGINNING OF YEAR	0	(230,229)	(77,506)	(68,775)	(53,480)	106,968
CASH POSITION, END OF YEAR	(230,229)	(77,506)	(68,775)	(53,480)	106,968	(157,538)

Golf Services - Special Operating Agency
Statement of Projected Revenues and Expenses
For the Years Ended December 31

	2002 Actual (Unaudited)	2003	2004	2005	2006	2007
Revenues: (Note 4)						
Green Fees (Schedule 3)	2,141,655	2,654,230	2,809,055	2,949,381	3,111,999	3,111,999
Equipment Rentals (Schedule 4)	193,515	237,702	237,703	245,338	250,945	250,945
Merchandise Gross Profits (Schedule 5)	39,317	45,000	48,000	55,000	57,500	57,500
Concessions (Schedule 6)	121,008	178,602	182,174	200,391	204,400	204,400
Miniature Golf (Schedule 7)	-	25,935	25,935	25,935	30,257	34,795
Other	25,676	27,500	27,500	30,000	30,000	30,000
Net Revenue-Leasing Operations (Schedule 8)	(1,511)	11,055	11,580	42,691	68,190	67,498
Total Revenues	2,519,660	3,180,024	3,341,947	3,548,735	3,753,291	3,757,137
Expenses: (Note 5)						
Salaries & Employee Benefits (Schedule 9)	1,131,827	1,247,117	1,282,267	1,307,910	1,334,063	1,360,740
Services (Schedule 10)	479,461	706,177	710,276	723,908	738,565	750,012
Materials,Parts,Supplies (Schedule 11)	189,506	162,915	165,973	169,092	212,275	215,519
Interest on Short Term Debt	(1,355)	12,048	16,000	16,000	16,000	16,000
Interest on Long Term Debt - Capital Plan	2,250	41,700	59,250	61,159	56,814	53,367
Total Expenses	1,805,434	2,169,957	2,233,766	2,278,070	2,357,718	2,395,638
Net Revenue	714,226	1,010,067	1,108,181	1,270,665	1,395,573	1,361,499
Allocated to the City: (Note 6)						
Property Tax Equivalents (Schedule 12)	214,772	221,215	215,354	223,968	232,927	242,244
Departmental Support Costs (Schedule 13)	41,000	41,820	42,656	43,510	44,380	45,267
Office Accommodation Costs	14,641	14,800	14,641	14,641	14,641	14,641
Provision for Payroll Taxes	-	1,914	3,258	4,183	5,127	6,089
Provision for Business Taxes	25,100	25,100	25,100	25,100	25,100	25,100
Interest on Long Term Debt - Acquired Assets	238,541	238,541	238,541	238,541	238,541	238,541
City's Return on Investment	220,000	260,000	280,000	300,000	320,000	320,000
Total Costs allocated to the City	754,054	803,390	819,550	849,943	880,716	891,882
Other Costs:						
Depreciation, Fixed Assets (Schedule 1A)	199,181	249,438	261,923	282,173	301,173	332,423
Annual Audit Fee	-	10,000	10,200	10,404	10,612	10,824
Total Other and Allocated Costs	953,235	1,062,828	1,091,673	1,142,520	1,192,501	1,235,129
Net Income	(239,009)	(52,761)	16,508	128,145	203,072	126,370

Golf Services - Special Operating Agency
Notes to the Financial Projection
For Five Years ending December 31, 2007

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 hypotheses:

(a) Assets and Liabilities
That the City has transfered the assets named in note 2 to the Golf Services Special Operating Agency. These include all assets being used at City-operated golf courses, courses being operated under management contract and properties being leased to third parties. Fixed assets are listed in Schedule 1. Depreciable assets are financed by long-term debt. All land assets have been acquired from the City in exchange for an equity position. The Special Operating Agency has assumed all known liabilities of the City-operated facilities.

(b) Long-Term Debt
The City provide 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 generate interest at the rate of 6%, and will be repayable commencing in 2007.

(c) Short-Term Debt
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 $400,000.00.

4. ASSUMPTIONS - REVENUE

a) Green Fees

Green fees will be increased by $1.00 in each of the years 2003, 2004, 2005 and 2006. No increase is projected in 2007. The number of rounds is based on the 5 year average (1997 – 2001) and is projected to increase by 3.029% over the term of the business plan.

b) Equipment Rentals

The auto cart fleet consists of 48 units (38 owned; 10 leased). The number of auto cart rentals over the period is projected to increase from 8170 in 2003 to 8410 in 2007. The fee per use will increase from $23.00 to $25.00 over the period. Other rental equipment includes individual clubs, club sets and pull carts. Modest revenue increases are projected on these items. Allowance has been made for the leveling of pull cart revenue as the projected popularity of auto carts increases. Club set revenues will increase moderately as the courses are more actively marketed to beginner golfers.

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 profits are projected to increase by 50% over the term of the business plan and the average profit margin will increase from 31.03% in 2003 to 33.33% in 2007. 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.

d) Concessions

Concession revenues will show modest growth (2% per year) until the end of the current contract with the concession operator in 2004. A 10% increase is projected in 2005 when a new contract is awarded or a new method of concession operation is implemented. Alcoholic beverages account for 58% of net revenue while food and non-alcoholic beverage sales account for 42%. It is expected that this split will remain constant over the term of the business plan.

e) Miniature Golf

A miniature golf course will be developed at Crescent Drive Golf Course in 2003 for play starting in 2004. This site offers the advantage of not requiring additional 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 remaining constant through the first 2 years and modest growth shown in years 3 and 4.

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 show modest growth 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. The position of Operations Assistant is presently under review. No salary adjustment has been taken into account. Projections include a 2% 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. Allowance has been made for the acquisition of Marketing expertise.

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. Approximately $50,000 is budgeted for routine and preventative maintenance and approximately $105,000 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 increase by 284% in 2003 and remain at that level for the balance of the term of the plan. This increases is required to adequately fund promotion related to merchandise sales, special events, retention of current customers and attraction of new demographic groups.

I) Rentals

Rental of 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, supervisory skills and other programs that contribute to a more effective operation.

k) Other Parts and Accessories

Parts for aging equipment and irrigation systems.

l) Transfers to Reserves

The expense line, "Transfer to Golf Course Reserve" has been provided for comparative purposes only. All improvements and asset acquisitions over the projection period are projected to be financed by earnings retained from operations in addition to loans to be obtained from the City of Winnipeg using the Golf Course Reserve as the funding source.

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 of $14,800 are as allocated by the Civic Accommodations Utility and apply to the premises 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.

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.

c) 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 b) above.

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) Due to City of Winnipeg/Long Term Debt
Please see comments related to these items under 3) Hypotheses

APPENDIX “B”

WINNIPEG GOLF SERVICES

2003
GREEN FEES AND MISCELLANEOUS SERVICES

KILDONAN / WINDSOR		2001	2002	2003
ADULT		20.00	21.00	22.00
SENIOR (weekday / weekend after 2:30)		13.00	14.00	15.00
JUNIOR (weekday / weekend after 2:30)		11.00	11.50	12.00
TWILITE	adult / senior	12.00	13.00	14.00
	junior	11.00	11.50	12.00
SUNRISE (Windsor)	adult / senior	12.00	12.00	12.00
	junior	11.00	11.50	12.00
JOHN BLUMBERG (18 hole)				
ADULT		22.00	23.00	24.00
SENIOR (weekday / weekend after 2:30)		15.00	16.00	17.00
JUNIOR (weekday / weekend after 2:30)		12.00	13.00	14.00
TWILITE	adult / senior	13.00	14.00	15.00
	junior	12.00	13.00	14.00
SUNRISE	adult / senior	12.00	13.00	13.00
	junior	11.00	12.00	13.00
JOHN BLUMBERG (9 hole)				
ADULT		12.00	12.50	12.50
2nd round		10.00	10.00	10.00
SENIOR		9.00	9.50	9.50
2nd round		5.50	5.50	5.50
JUNIOR		9.00	9.50	9.50
2nd round		4.50	4.50	4.50
CRESCENT DRIVE / HARBOUR VIEW				
ADULT		10.00	10.50	11.00
2nd round		8.50	9.00	9.00
SENIOR		8.00	8.50	8.50
2nd round		5.00	5.50	5.50
JUNIOR		7.50	8.00	8.00
2nd round		3.50	3.50	4.00
SUNRISE	adult / senior	8.00	8.50	8.50
	junior	7.50	8.00	8.00
MISCELLANEOUS SERVICES				
Auto cart	18 hole	23.00	24.00	24.00
	9 hole	12.00	12.00	12.00
User fee private auto cart	18 hole	11.00	12.00	12.00
	9 hole	6.50	7.00	7.00

Rental clubs	7 piece	18 hole	6.50	7.00	7.00
		9 hole	4.50	5.00	5.00
	11 piece		10.00	11.00	11.00
Pull Cart		18 hole	4.00	4.50	3.95
		9 hole	2.50	3.00	3.00