Agenda – Council – July 18, 2012

Report – Alternate Service Delivery Committee – July 6, 2012

Item No. 1 Winnipeg Golf Services Report on Expression of Interest #497-2011

COMMITTEE RECOMMENDATION:

On July 11, 2012, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee, and submits the following to Council:

1. That the Winnipeg Public Service initiate negotiations through a Modified Managed Competition (MMC) process at this time for the operation of City-run golf courses (Kildonan, Windsor, Crescent Drive and Harbour View) in response to Expression of Interest (EOI) # 497-2011, and consistent with direction from the May 25, 2011 Council decision.

2. That the Winnipeg Public Service report back to the Alternate Service Delivery Committee with recommendations resulting from the MMC process, with the intention of providing sufficient time to transition to an alternative operating model.

3. That EOI #497-2011 be closed.

4. That the requirement for a deposit be waived for negotiations through a Modified Managed Competition.

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

Agenda – Council – July 18, 2012

Report – Alternate Service Delivery Committee – July 6, 2012

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2012, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee, and submitted the matter to Council.

COMMITTEE RECOMMENDATION:

On July 6, 2012, 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 July 6, 2012, Mike Davidson, President, CUPE Local 500, submitted a presentation dated July 6, 2012 with respect to the Winnipeg Golf Services Report on Expression of Interest #497-2011.

ADMINISTRATIVE REPORT

Title: **Winnipeg Golf Services Report on Expression of Interest #497-2011**

Critical Path: **Alternate Service Delivery Committee – EPC – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
A. Shane B. Thorgrimson	A/COO, Golf Services SOA, A. Shane	N/A	D. Joshi, COO

RECOMMENDATIONS

1. That the Public Service initiate negotiations through a Modified Managed Competition (MMC) process at this time for the operation of City-run golf courses (Kildonan, Windsor, Crescent Drive and Harbour View) in response to EOI # 497-2011, and consistent with direction from the May 25, 2011 Council decision.
2. That the Public Service report back to the ASD Committee with recommendations resulting from the MMC process, with the intention of providing sufficient time to transition to an alternative operating model.
3. That EOI #497-2011 be closed.
4. That the requirement for a deposit be waived for negotiations through a Modified Managed Competition.
5. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

- 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 Proposals (RFP) process, awarded a contract to conduct an operational review of Winnipeg Golf Services (WGS) to Golf Convergence. The Audit Department reviewed the report provided by Golf Convergence, agreed with the recommendations presented, and submitted its report entitled *Operational Review of Winnipeg Golf Services* to Council. As the *Operational Review of Winnipeg Golf Services* audit noted, offering golf services through Winnipeg Golf Services (WGS) is

increasingly unaffordable, unsustainable, and costly to the City. According to the 2010 audited financial statements for WGS, losses were $1,036,956.

- In the short term, the audit's recommendation was to contract out the management of the City-operated golf courses, so that: external firms could bring best-practice business processes to maximize the potential of these courses; and, City of Winnipeg taxpayers would no longer have to subsidize golf course operations. Instead, the City would receive annual payments (and property taxes if applicable) and WGS customers would receive increased value, as a contract management company might be willing to invest in course improvements under a longer-term arrangement.

- On May 25, 2011, pursuant to the Auditor's *Operational Review of Winnipeg Golf Services*, Council directed the Public Service to report back to the Alternate Service Delivery Committee and Council [and]:
    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.

- On June 16, 2011, the ASD Committee requested that the Public Service issue and report back on an Expression of Interest (EOI) for proposals including the short- or long-term operation of all City-owned and operated golf courses.

IMPLICATIONS OF THE RECOMMENDATIONS

- The Public Service will follow the Alternate Service Delivery / Modified Managed Competition process with the intention of implementing an alternative operating model for City-run golf courses.

- For the purposes of the above, the Public Service will review and short-list relevant proposals provided in response to EOI # 497-2011 and begin negotiations in pursuit of agreements that are in the best interests of the City of Winnipeg. Agreement options include:

    Management Services Agreements
    - Management Agreements for Golf Courses are considered revenue-generating contracts because while we pay for the "service" the City shares in the profit for operating the golf course so the net difference is money payable to the City. Accordingly, being a revenue generating contract, the Chief Administrative Officer (CAO) has unlimited authority to approve same (no term restrictions and no monetary restrictions) pursuant to the Materials Management Policy. There are certain delegations to the CFO and the Manager of Materials, with monetary limits, for revenue generating contracts. However, while the authority to enter into a long term management agreement is within the approval authority of the Public Service, the Agreement on Internal Trade (AIT) would require a public bid solicitation process, such as EOI #497-2011, for "service" valued over $100,000.

Lease Agreements

- Leases having a term of five (5) years or less, with or without a right of renewal, but providing for cancellation by the City of Winnipeg prior to the expiry of the initial term, falls within the authority of Standing Committee for approval.
- Leases having a term of five (5) years or less without a cancellation provision require Council approval.
- Leases over five (5) years require Council approval.
- Under The City of Winnipeg Charter: Restriction on disposal of park land 205(2):

  Despite clause (1) (d), no land owned by the city and used for park or cemetery purposes on the day this Act came into force or acquired after that date by the City for park or cemetery purposes may be disposed of without approval by a vote of 2/3 of all members of Council.

  Generally, leases of park land having a term of five (5) years or less, with or without a right of renewal, but providing for cancellation by the City of Winnipeg prior to the expiry of the initial term, have not been considered to be dispositions and have not required approval by a vote of 2/3 of all members of Council.

- Golf course operations for the 2012 season will proceed on a status quo basis. A specific closing date will be established later in the season with the intent of optimizing the time frame required to transition to an alternative operating model.

- Any process resulting in the alternative operation of City-run golf courses will follow the prescribed requirements outlined in the relevant collective agreements.

- The Chief Operating Officer of Winnipeg Golf Services will undertake an evaluation of golf course facility and inventory condition, for the purpose of agreement negotiation, where applicable.

HISTORY

Background

An Expression of Interest (EOI) was issued on the Materials Management Bid Opportunities website and on MERX on September 30, 2011, for seven (7) City-owned golf courses: Canoe Club, Crescent Drive, Harbour View, John Blumberg, Kildonan, Tuxedo, and Windsor. Notice of the EOI was published in the Winnipeg Free Press, the Globe and Mail and the National Post. The closing date was October 26, 2011, although under the stated terms of the EOI, submissions were permitted after the specified closing date.

The EOI invited submissions for the purchase of the golf course lands for commercial/residential development, or the long-term lease and operation by the private sector, or any other innovative uses of the land, for one or more of the identified golf courses. The EOI specified that any negotiations were to be at the sole discretion of the City. The EOI resulted in a total of 73 responses at the time this report was written. At the time the EOI was prepared, negotiations for purchase or long term lease of the lands were contemplated, and the EOI provided that “Prior to initiating negotiations, a deposit of $50,000 will be required to be paid to the City as an indication of the Proponent’s bona fides.” Now that the recommended approach is negotiations through a Modified Managed Competition for operation of City-run golf courses, a deposit is no longer appropriate and should be waived.

Discussion

In its *Operational Review of Winnipeg Golf Services*, the Audit Department observed that decreased participation along with increased competition are factors that have altered the external environment for golf in Winnipeg.

Since 1985, the golf market in Winnipeg has changed significantly with the introduction of new courses inside and in close proximity to the Winnipeg market. Winnipeg Golf Services is no longer the only provider of public golf in Winnipeg. Golfers now can be more selective in terms of price, product and location.

Golf Convergence, the consulting firm retained by the Audit Department, noted that there is an over supply of golf courses in the Winnipeg market with most of the courses pursuing the same target market (i.e. the entry level golfer) to the point that the local golf market is highly competitive. They go on to say that the City should divest itself of the operation of public golf courses, as the need can be adequately met by the private sector. According to their calculations, the Winnipeg market is oversupplied by 10% for public golf courses.

Therefore, based on the report by the Audit Department, the responses to EOI # 497-2011, and in keeping with Council's direction , the Public Service recommends initiating negotiations through a Modified Managed Competition process, for the operation of the City-run golf courses (Kildonan, Windsor, Crescent Drive and Harbour View) at this time.

FINANCIAL IMPACT

Financial Impact Statement Date: June 25, 2012

Project Name:

Winnipeg Golf Services Report on Expression of Interest #497-2011

COMMENTS:

There recommendations constained in this report include that 1) the Public Service initiate negotiations at this time for the operation of City-run golf courses in response to EOI # 497-2011, consistent with direction in the short-term from Council through the Alternative Service Delivery (ASD) Committee recommendation in May of 2011, 2) the Public Service report back to the ASD Committee on the results of negotiations with the intention of providing sufficient time to transition to an alternative operating model for the 2013 golf season, 3) the requirement for a deposit be waived for negotiations through a Modified Managed Competition, and 4) that the Chief Administrative Officer be delegated the authority to finalize the terms of agreements stemming from the negotiation process as applicable, and that EOI #497-2011 for these purposes be now considered closed.

There are no direct financial implications associated with these recommendations.

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

CONSULTATION

In preparing this report there was consultation with:

Planning Property and Development
Legal Services (as to legal issues)
Materials Management

SUBMITTED BY

Department Winnipeg Golf Services (SOA)
Prepared by: Gary Holmes
Date: June 26, 2012
File No.

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