Minutes - Executive Policy Committee – July 11, 2012

Minute No. 361
Report - Alternate Service Delivery Committee – July 6, 2012

Item No. 4 Winnipeg Golf Services Special Operating Agency – 2012 Business Plan (Selection Report)

COMMITTEE RECOMMENDATION:

On July 6, 2012, the Alternate Service Delivery Committee concurred in the Recommendations 1, 2 and 3 of the Winnipeg Public Service and submits the following to Council:

1. That the 2012 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2011 budget be approved, and the 2013 and 2014 financial projections, as outlined in Appendix A, be received as information.

2. That an operating line of credit increase from $6.0 million to $6.5 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.

Minutes - Executive Policy Committee – July 11, 2012

Report - Alternate Service Delivery Committee – July 6, 2012

DECISION MAKING HISTORY:

Moved by Councillor Fielding,

That the recommendation of the Alternate Service Delivery Committee be concurred in and forwarded to Council.

Carried

COMMITTEE RECOMMENDATION:

On July 6, 2012, the Alternate Service Delivery Committee concurred in the Recommendations 1, 2 and 3 of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

Further on July 6, 2012, Dave Sauer, Winnipeg Labour Council, submitted a presentation dated July 6, 2012 with respect to the Winnipeg Golf Services Special Operating Agency - 2012 Business Plan (Selection Report).

COMMITTEE DECISION:

On July 6, 2012, the Alternate Service Delivery Committee concurred in the Recommendation 3, of the Winnipeg Public Service and appointed the following Advisory Board members for a two-year term, namely:

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

ADMINISTRATIVE REPORT

Title: **Winnipeg Golf Services (WGS) Special Operating Agency - 2012 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	D Joshi COO

RECOMMENDATIONS

1. That the 2012 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2011 budget be approved and the 2013 and 2014 financial projections, as outlined in Appendix A, be received as information.

2. That an operating line of credit increase from $6.0 million to $6.5 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 2012 will be held at 2011 rates.
- The number of rounds used to calculate the green fee revenue is based on 100,000 rounds and a typical prairie golf season of 195 days.
- The Agency is projected to exceed its line of credit in 2012 due to shortfalls in green fee revenues. The increase is due to the second successive year of poor weather during in the spring/early summer and the Seine River flooding at Windsor Park.
- An increase in the line of credit from the current $6,000,000 to the recommended $6,500,000 will provide the Agency with adequate operating funds for 2012.

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: July 3, 2012

Project Name:

Winnipeg Golf Services (WGS) Special Operating Agency - 2012 Business Plan (Selection Report)

COMMENTS:

The recommendations contained in this report include that the operating line of credit increase from $6.0 million to $6.5 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 2012 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: Alan Shane, Acting COO, WGS
Date: July 5, 2012
File No.

v:\golf services\wgs 2012 bus plan_july 3, 2012.doc

APPENDIX A

WINNIPEG GOLF SERVCES:
2012 BUSINESS PLAN (SELECTION REPORT)

Overview

This report outlines a 2012 budget and operating plan for Winnipeg Golf Services (WGS) Special Operating Agency. 2012 will be the tenth year of operation for WGS. 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

WGS 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.

Following direction from Council on May 25, 2011 and from the Alternate Service Delivery Committee on June 16, 201, WGS issued an Expression of Interest (EOI) for one or more of seven of its golf courses – Kildonan Park, Windsor Park, Crescent Drive, Harbour View, Canoe Club, John Blumberg and Tuxedo.

The EOI invited submissions for the purchase for commercial/residential development of the golf course land, or the long term lease and operation of the course by the private sector or any other innovative uses of the land for one or more of the courses. Currently, WGS is reviewing the submissions.

SOA Financial Return

For 2012, the Agency is forecasting a loss of $863,551, which is $144,317 less than the $1,007,868 loss for 2011 adopted budget. In 2011, as in 2010, weather conditions were unfavorable for golf. There was intermittent rain until June which resulted in flooding and poor playing conditions at Crescent Drive and Windsor Park. The flooding meant that Crescent Drive did not open until mid-May and Windsor did not open all 18 holes until mid- August. Revenues from green fees and equipment rentals are projected to be slightly higher in 2012.

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 revised three-year average has been used for the 2012 business plan.

Fees for the 2012 golf season

WGS is proposing to hold the green fee rates for 18 holes at $31 for 2012. By holding the rates steady in 2012, the Agency is focusing on stabilizing the rounds played at the courses. Fees for the 2012 golf season, as well as fee information dating back to 2002, is contained in Appendix A-2.

WGS is holding the rates steady as the golf courses have not shown an increase in the value of the golfing experience that justifies increasing the fees. This is especially pertinent given the delays in opening the course due to spring flooding, the unreliable summer weather and the poor playing conditions of last three years.

Holding the green fee rates at $31 for 2012 is expected to increase the number of rounds played at the municipal courses following a 10% decline in rounds for 2011. Kildonan Park rounds in increased in 2011 by 3,065 or 10% over 2010. However, there was a 28% decline in rounds at Windsor Park (-6,843 rounds), a 20% decline in rounds at Crescent Drive (-4,288), and 9% decline in rounds at Harbour View (-1,810) over the same period. 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 not increasing the green fees for 2012, 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 – fees remain same as 2011.
	2. Target market to consumers.	Promotions targeted to adult regulars

GOAL	STRATEGIES	STATUS
		(twilight, afternoon specials).
	3. Gradually increase proportionate amount of seniors fees.	Senior fees remain same as 2011.
	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).
Improve golf course playability	1. Engage golf course architect to prepare improvement master plan.	Master Plan completed 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.	Manitoba Best customer service program adopted.
	2. Customer service training.	Manitoba Best training for clubhouse and maintenance staff is ongoing. Managing Excellence attended by supervisory staff.
	3. Customer feedback to evaluate effectiveness.	E-mail 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.

GOAL	STRATEGIES	STATUS
Improve image of Municipal golf courses	1. Establish and implement etiquette and speed of play guidelines. 2. Sponsor community events and charities.	Golfers are continuously educated on golf etiquette; the introduction of course marshals helped improve speed of play. Donations and sponsorships given to charities and events that promote the golf courses.
Corporate sponsorship	1. 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. 2. Redesign / redecorate pro shops. 3. Market to non-golfers. 4. Major promotions.	Clothing line introduced, new product lines continually assessed. Pro shops modernized, displays changed regularly. Mobile signs attract non-golfers to courses and pro shops. Fathers Day/Mothers Day, fall, Christmas, end of season clearance promotions.
Improve food and beverage sales	1. Assessment of food and beverage operation. 2. Monitor food and beverage service. 3. Cross promotions. 4. Visual upgrade of concessions.	Longer term contracts for food services at Kildonan, Windsor and Harbour View provide stability. Daily monitoring done by golf course staff; weekly reviews held with food contractor during the season; food specials. Concession operator aggressive in promoting food specials for tournaments. General appearance improved with new signage and visual enhancements.
Increase auto cart revenues	1. Assess auto cart usage and financial return.	Auto cart fleet increased to 100 cars

GOAL	STRATEGIES	STATUS
Administer golf course leases	1. Renegotiate leases as they expire.	All expired leases have been renegotiated and executed. New lease at Crescent Drive for spa development.
Administer agreements for contracted courses	1. Review green fees in consultation with contractors. 2. Review Harbour View operation to streamline reporting relationships.	Consultation done annually and fees adjusted as market allows. Ongoing – monthly meetings with departmental managers.
Manage Cross Country Ski operations and trail grooming	1. Administer agreement with Cross Country Ski Association of Manitoba.	Review proposal for longer term arrangement with Association.

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 2012, the Agency is forecasting a net loss of $863,551, which is $144,317 less than the $1,007,868 net loss for 2011 adopted budget.

Because of the projected increase in the deficit, the Agency is recommending an increase in the line of credit from the current $6,000,000 to $6,500,000. The increase will provide the Agency with adequate operating funds for 2012.

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 based a typical prairie golf season of 195 days.

The projections for 2013 to 2014, in Appendix A-1, reflect those for 2012 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 4 permanent staff and 51 seasonal staff. The four permanent positions include a new WAPSO position which was added in 2011 – the golf courses coordinator position.

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 sewage treatment plant at the John Blumberg golf course was replaced with an inground holding tank.

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 2011.

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	• Exceed the forecasted financial return to the City as contained in the business plan.
Customer Service Continually improve the image that	• Respond promptly to customer complaints and enquiries,

Indicator	Measure of Success
we portray to customers.	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. • 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.	• Did not meet merchandise sales targets. • Improved food and beverage quality and service 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 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, coupled with unpredictable weather, 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: 2012 FINANCIAL PROJECTIONS

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

	2011 Actual (Audited)	2012 $	2013 $	2014 $
ASSETS (Note 7)				
Current				
Cash	-	-	-	-
Due from City of Winnipeg	-	-	-	-
Accounts Receivable	293,973	293,973	293,973	293,973
Inventory (Note 2)	61,143	61,143	61,143	61,143
Prepaid Expenses	5,000	5,000	5,000	5,000
	360,116	360,116	360,116	360,116
Land, buildings and equipment: (Schedule 1)				
Land (Note 2)	20,376,565	20,376,565	20,376,565	20,376,565
Buildings (Note 2)	2,543,772	2,543,772	2,543,772	2,558,772
Golf Course Improvements (Note 2)	1,037,834	1,187,834	1,312,834	1,397,834
Furniture and Other Equipment (Note 2)	1,516,397	1,556,397	1,586,397	1,616,397
	25,474,568	25,664,568	25,819,568	25,949,568
Less: accumulated depreciation	2,306,056	2,568,270	2,816,224	3,068,103
	23,168,512	23,096,298	23,003,344	22,881,465
	23,528,628	23,456,414	23,363,460	23,241,581
LIABILITIES (Note 7)				
Current				
Due to City of Winnipeg	5,699,290	6,470,511	7,222,237	7,955,902
Accounts payable and accrued liabilities	117,141	117,141	117,141	117,141
Deferred Revenue	52,325	52,325	52,325	52,325
Vacation Liability	52,362	47,126	42,413	38,172
Current portion of long-term debt (Schedule 2)	157,565	170,436	184,886	195,718
	6,078,683	6,857,539	7,619,002	8,359,258
Long Term				
Retirement allowance	97,000	87,300	78,570	70,713
Environmental Liability	10,000	10,000	10,000	10,000
Long-term debt	3,872,359	3,891,923	3,862,037	3,796,319
	3,979,359	3,989,223	3,950,607	3,877,032
RETAINED EARNINGS				
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/(Deficit)	(7,104,072)	(7,965,006)	(8,780,807)	(9,569,367)
	13,470,586	12,609,652	11,793,851	11,005,291
	23,528,628	23,456,414	23,363,460	23,241,581

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

	2010 Actual (Audited)	2011 Council Adopted	2011 Actual (Audited)	Variance	2012	2013	2014
Revenues: (Note 4)							
Green Fees (Schedule 3)	1,635,154	1,905,770	1,517,109	(388,661)	1,780,770	1,873,371	1,965,969
Equipment Rentals (Schedule 4)	259,362	260,412	279,488	19,076	284,517	289,638	294,851
Concessions (Schedule 5)	53,361	45,887	54,564	8,677	46,665	47,505	48,360
Merchandise Sales (Schedule 6)	79,139	82,853	66,311	(16,542)	80,620	82,071	83,548
Other (Schedule 7)	199,182	22,847	246,284	223,437	34,939	35,567	36,207
Net Revenue-Leasing Operations (Schedule 9)	232,959	139,121	264,085	124,964	254,600	254,459	254,314
Total Revenues	2,459,157	2,456,890	2,427,841	(29,049)	2,482,111	2,582,611	2,683,249
Expenses: (Note 5)							
Salaries & Employee Benefits (Schedule 10)	1,513,118	1,429,189	1,354,556	(74,633)	1,468,432	1,503,547	1,541,538
Services (Schedule 11)	677,435	582,912	615,478	32,566	575,530	585,997	597,059
Materials,Parts,Supplies (Schedule 12)	279,396	334,157	233,515	(100,642)	240,391	244,720	249,127
Interest on Short Term Debt (Schedule 13)	25,491	50,012	51,836	1,824	79,299	88,178	98,256
Interest on Long Term Debt - Capital Plan	57,558	80,707	65,707	(15,000)	66,379	68,901	68,948
Total Expenses	2,552,999	2,476,977	2,321,091	(155,886)	2,430,031	2,491,343	2,554,928
Net Revenue	(93,842)	(20,087)	106,750	126,837	52,080	91,268	128,321
Allocated to the City: (Note 6)							
Property Tax Equivalents (Schedule 14)	255,158	247,253	248,990	1,737	254,671	262,310	267,556
Departmental Support Costs (Schedule 15)	50,935	52,463	52,463	-	54,036	55,658	57,327
Office Accommodation Costs	16,789	16,789	16,789	-	16,789	16,789	16,789
Provision for Payroll Taxes	26,483	25,586	25,797	211	26,262	26,735	27,216
Provision for Business Taxes	28,249	28,249	28,249	-	28,249	28,249	28,249
Interest on Long Term Debt - Acquired Assets	184,095	182,648	182,648	-	181,115	179,490	177,767
Transfer to General Revenue for 311	79,463	79,488	81,115	1,627	81,115	81,115	81,115
Transfer to BTS Internal Service Provider	-	1,667	-	(1,667)	1,667	1,667	1,667
Total allocated to the City	641,172	634,143	636,051	1,908	643,904	652,013	657,686
Other:							
Depreciation, Fixed Assets (Schedule 1B)	295,443	343,161	300,534	(42,627)	264,831	247,954	251,879
Annual Audit Fee	6,500	10,477	6,695	(3,782)	6,896	7,103	7,316
Total Other and Allocated to the City	943,115	987,781	943,280	(44,501)	915,631	907,070	916,881
Net Income/(Loss)	(1,036,956)	(1,007,868)	(836,530)	171,338	(863,551)	(815,802)	(788,560)

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

	2011 Actual (Audited)	2012	2013	2014
Net inflow (outflow) of cash related to the following activities:				
OPERATING				
Net earnings (loss) for the year	(836,530)	(863,551)	(815,802)	(788,560)
Non-cash items relating to operations:				
Amortization	300,534	264,831	247,955	251,879
Decrease in environmental liabiilty	(191,600)	-	-	-
Increase in Retirement Allowance	(10,000)	(9,700)	(8,730)	(7,857)
Working capital from operations	(737,596)	(608,420)	(576,577)	(544,538)
Changes in non-cash operating working capital items:				
Accounts receivable	23,330	-	-	-
Inventory	(9,285)	-	-	-
Prepaid Expenses	(4,814)	-	-	-
Accounts payable and accrued liabilites	27,240	-	-	-
Deferred Revenue	(12,839)	-	-	-
Vacation Liab	11,441	(5,235)	(4,713)	(4,241)
	(702,523)	(613,655)	(581,290)	(548,779)
FINANCING				
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	825,368	771,220	751,725	733,665
Increase/(decrease) in Long-term debt - Required for Capital Plan	(86,825)	32,435	(15,436)	(54,886)
	738,543	803,655	736,289	678,779
INVESTING				
Purchase of Buildings	-	-	-	(15,000)
Purchase of Golf Course Improvements	(53,392)	(150,000)	(125,000)	(85,000)
Purchase of Furniture and Other Equipment	17,372	(40,000)	(30,000)	(30,000)
Proceeds from disposal of equipment				
	(36,020)	(190,000)	(155,000)	(130,000)
NET CASH INFLOW (OUTFLOW)	-	-	-	-
CASH POSITION, BEGINNING OF YEAR	-	-	-	-
CASH POSITION, END OF YEAR	-	-	-	-

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

	2010 $	2011 $	2012 $	2013 $	2014 $
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Net Income (Loss) for year (Cumulative)	(6,267,542)	(7,104,072)	(7,967,623)	(8,783,425)	(9,571,985)
	14,307,116	13,470,586	12,607,035	11,791,233	11,002,673

Golf Services - Special Operating Agency
Notes to the Financial Projection
For One Year ending December 31, 2012

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 remain the same as the 2011 rates. The number of rounds is based on an average of 100,000 and a typical prairie golf season of 195 days.

b) Equipment Rentals

The auto cart fleet consists of 62 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%. 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 continues 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 Spa Development.

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.

I) 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 $6.5M.

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, 2011 is $4,029,924 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: 2012 GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Kildonan/Windsor											
Adult	21.00	22.00	23.00	24.00	25.00	26.00	27.00	30.00	30.00	31.00	31.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50	22.00	22.00	23.00	23.00
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	18.00	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	20.00
Twilite junior	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	20.00	20.00
Sunrise (Windsor)	12.00	12.00	13.00	13.00	13.00	13.00	13.50	15.00	15.00	16.00	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	15.00
2nd round	9.00	9.00	9.50	10.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00
Senior	8.50	8.50	8.50	9.00	9.00	9.50	10.00	11.00	11.00	12.00	12.00
2nd round	5.50	5.50	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
Junior	8.00	8.00	8.00	8.50	8.50	9.00	9.50	10.00	10.00	11.00	11.00
2nd round	3.50	4.00	4.00	4.50	4.50	4.50	4.50	5.00	5.00	5.00	5.00
Sunrise	8.50	8.50	8.50	9.00	9.00	9.00	9.50	11.00	11.00	12.00	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	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	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	20.00
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	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	6.00
Pull cart (18)	4.50	3.95	4.50	4.50	4.50	5.00	5.00	5.00	5.00	6.00	6.00
Pull cart (9)	3.00	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 2011

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	32,580
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	17,203
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	17,667
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	17,741
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**	**85,191**

APPENDIX B: ADVISORY BOARD

POSITION	MEMBERS
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	Ben Fey
Stakeholder Representatives:	Rob Officer
	Frank Pammer
	Betty Grant
Chief Operating Officer (ex-officio)	Al Shane