Agenda - Executive Policy Committee – March 6, 2013

Report – Alternate Service Delivery Committee – February 25, 2013

Item No. 4 Winnipeg Golf Services SOA – 2013 Business Plan (Selection Report)

COMMITTEE RECOMMENDATION:

On February 25, 2013, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the 2013 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2013 budget be approved and the 2014 and 2015 financial projections, as outlined in Appendix A, be received as information.

2. That an operating line of credit increase from $6.5 million to $7.5 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 Winnipeg Golf Services SOA Operating Charter be amended by dissolving the agency's Advisory Board and deleting all references to it therein.

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

Pursuant to the provisions of the Operating Charters of the Special Operating Agencies, changes to the Operating Charter require approval of two-thirds of the members present at Council.

Agenda - Executive Policy Committee – March 6, 2013

Report – Alternate Service Delivery Committee – February 25, 2013

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On February 25, 2013, 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.

ADMINISTRATIVE REPORT

Title: **Winnipeg Golf Services (WGS) Special Operating Agency - 2013 Business Plan (Selection Report)**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
A. Shane Acting COO, WGS	A. Shane Acting COO, WGS	M. Ruta	D. Joshi, COO

RECOMMENDATIONS

1. That the 2013 Business Plan (Selection Report) for Winnipeg Golf Services Special Operating Agency including the 2013 budget be approved and the 2014 and 2015 financial projections, as outlined in Appendix A, be received as information.

2. That an operating line of credit increase from $6.5 million to $7.5 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 be dissolved.

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 2013 be increased as per schedule A-2
- The number of rounds used to calculate the green fee revenue is based on approximately 90,000 rounds and a typical prairie golf season of 195 days.
- The Agency is projected to exceed its line of credit in 2013 due to shortfalls in green fee revenues.
- An increase in the line of credit from the current $6,500,000 to the recommended $7,500,000 will provide the Agency with adequate operating funds for 2013.

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:** November 9, 2012

Project Name:

Winnipeg Golf Services (WGS) Special Operating Agency - 2013 Business Plan (Selection Report)

COMMENTS:

The recommendations contained in this report include that the operating line of credit increase from $6.5 million to $7.5 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 2013 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: November 9th, 2012
File No.

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APPENDIX A

WINNIPEG GOLF SERVCES:
2013 BUSINESS PLAN (SELECTION REPORT)

Overview

This report outlines a 2013 budget and operating plan for Winnipeg Golf Services (WGS) Special Operating Agency. 2013 will be the twelfth 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 kilometer radius of Winnipeg.

Following direction from Council on May 25, 2011 and from the Alternate Service Delivery Committee on June 16, 2011, 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 has initiated negotiations through a Modified Management Competition for the operation of Kildonan Park, Windsor Park, Crescent Drive and Harbour View Golf Courses with the intent of implementing an alternative operating model for City-run golf courses in 2013. Note: As negotiations are currently ongoing for city operated and maintained courses, the financial projections included in this plan assume continued operations as listed in the overview.

SOA Financial Return
For 2012, the Agency is forecasting a loss of $942,188, which is $105,658 more than the $836,530 loss recorded in 2011.

For 2013, the operating revenues and expenditures were revised to reflect a more realistic return based on a three-year average for the 2010, 2011 and 2012 seasons of 90,000 rounds. This revised three-year average has been used for the 2013 business plan.

Fees for the 2013 golf season

WGS is proposing to increase the green fee rates at the 18 hole courses while holding green fee rates at 2012 levels for the 9 hole courses. Green fee information for the 2013 golf season as well as fee information dating back to 2002, in contained in Appendix A-2

WGS are increasing the green fee rates at the 18 hole courses to offset increased operating costs. While operating costs at the 9 holes courses have increased as well the green fee rates were not increased as the current green fee levels do not yet provide a value for the experience.

Rounds played at WGS courses in 2012 increased by 518 players which was slightly higher than in 2011. In 2012 rounds played at Kildonan Park decreased by 3,099 or 9.5%, but Windsor Park experienced an increase of 8,009 rounds played or 46.5%. The increase in rounds played at Windsor Park was the result of players returning after the 2011 flood year. Crescent Drive and Harbour View golf courses both experienced a decrease in rounds played. At Crescent Drive rounds played decreased by 1,661 or 9.4% while at Harbour View rounds decreased by 2,731 or 15.3%. Appendix A-3 provides an account of the rounds played at Kildonan Park, Windsor Park, Crescent Drive and Harbour View golf courses.

WGS periodically surveys the fee structure of other public and semi-public courses within the Winnipeg market to determine market-pricing trends. Given the 2013 green fee increase, WGS courses still offer the lowest rates 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 for 2013 will increase at the 18 hole courses..
	2. Target market to consumers.	Promotions targeted to adult regulars (twilight, afternoon specials).
	3. Gradually increase proportionate amount of senior's fees.	Senior fees will increase slightly in 2013 at the 18 hole courses..
	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 when accompanied by an adult).
	5. Continue value added specials	Valued added promotions now

GOAL	STRATEGIES	STATUS
	(Afternoon special w/auto cart, etc)	represent a large part of our overall green fee and equipment revenues.
Improve golf course playability	1. Assess maintenance practices, methods and schedules to optimize playing conditions.	Continuously assessed and improvements implemented. Some new equipment purchased to improve playability (e.g. greens aerator, fairway mower).
	2. Staff schedule changed.	The staff schedule was changed to improve cutting practices for early morning players. .
	3. Make immediate maintenance improvements to demonstrate intent.	Installation on new fairway distance markers improved playability and reduced maintenance costs.
	4. Reforestation	Reforestation program implemented in 2012.
	5. Cart path expansion	Continue to expand cart path system so auto carts can be operated in periods of bad weather increasing revenues.
Provide high quality customer service	1. Develop customer service strategy.	Manitoba Best customer service program adopted.
	2. Continued 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. Currently developing the use of Twitter as a marketing tool.
	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. Migratory Bird Control Program.	Follow approved Migratory Bird Management plan submitted annually.

GOAL	STRATEGIES	STATUS
Improve image of Municipal golf courses	1. Establish and implement etiquette and speed of play guidelines.	Golfers are continuously educated on golf etiquette; the introduction of course marshals helped improve speed of play.
	2. Sponsor community events and charities.	Donations given to charities and events that promote the golf courses.
Improve merchandise sales	1. Introduce new items for sale.	Clothing line introduced, new product lines continually assessed.
	2. Redesign / redecorate pro shops.	Pro shops modernized, displays changed regularly.
	3. Market to non-golfers.	Mobile signs attract non-golfers to courses and pro shops. Fathers Day/Mothers Day, fall, Christmas, end of season clearance promotions.
	4. Installation of electronic sign on Main Street	To be installed in 2013 pending the outcome of the EOI process.
Improve food and beverage sales	1. Assessment of food and beverage operation.	Short term contracts implemented for food services at Kildonan, Windsor and Harbour View pending the outcome of the EOI process.
	2. Monitor food and beverage service.	Daily monitoring done by golf course staff; weekly reviews held with food contractor during the season; food specials.
	3. Cross promotions.	Concession operator aggressive in promoting food specials for tournaments.
	3. Visual upgrade of concessions.	General appearance improved with new signage and visual enhancements.
Increase auto cart revenues	4. Assess auto cart usage and financial return.	Auto cart fleet increased to 100 cars
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.	Consultation done annually and fees adjusted as market allows.
	2. Review Harbour View operation to streamline reporting relationships.	Ongoing – monthly meetings with departmental managers.

GOAL	STRATEGIES	STATUS
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 2013, the Agency is forecasting a net loss of $852,550 which is $89,638 less than the $942,188 projected loss for 2012.

Because of the projected increase in the deficit, the Agency is recommending an increase in the line of credit from the current $6,500,000 to $7,500,000. The increase will provide the Agency with adequate operating funds for 2013.

As mentioned previously, the revenue and expense projections were revised in 2012 to reflect the recent experience of declining rounds. An average of 90,000 total rounds is now used instead of 100,000 rounds based a typical prairie golf season of 195 days.

The projections for 2014 to 2015, in Appendix A-1, reflect those for 2013 and are premised on market conditions and all other factors remaining constant and an annual inflation rate of 2%.

WGS following an Audit Department recommendation will initiate negotiations through a Modified Management Competition process for the operation of Kildonan Park, Windsor Park, Crescent Drive and Harbour View Golf Courses with the intent of implementing an alternative operating model for City-run golf courses in 2013.

Human Resource

The Agency currently operates with 4 permanent staff and 51 seasonal staff.

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 (Fleet Maintenance) 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 Park and Windsor Park golf courses to improve drainage and enhance playability especially given the wet conditions experienced over the past decade..

To better protect our assets, surveillance systems were installed in all clubhouses and maintenance yards. Vandalism in 2012 was significantly reduced as a result of this installation.

Performance Measurement

The following summarizes performance indicators and measures of success the Agency achieved in 2012.

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 we portray to customers.	• Respond promptly to customer complaints and enquiries, take appropriate action and provide timely feedback. • Improved staff appearance through adherence to uniform guidelines. Assessed through observation and independent checks. • Consistent use of appropriate greetings over the counter and on the telephone measured through observation, independent assessment and customer feedback. • 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 the use of harmful chemicals through licensed application and proper management.

Advisory Board

The WGS Advisory Board was established to provide advice on the Agency's strategic operations and to make comment on business plans, quarterly reports and charter revisions.

Since it's creation the Advisory Board has not aided the Agency in addressing current business practices, finance or in providing market feedback. Historically the Advisory Board has not benefited the Agency. Therefore WGS is recommending that the Advisory Board be dissolved.

The last Advisory Board meeting was held on January 21st, 2008.

Issues and Challenges

The issues remain the same:

- Old maintenance equipment;
- Aging infrastructure;
- Increasing infrastructure deficit; and
- Deferred maintenance.
- Increasing market competition
- Continued drainage issues

APPENDIX A-1: 2013 FINANCIAL PROJECTIONS

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

	2011 Actual (Audited)	2012 Forecast	2013	2014	2015
		$	$	$	$
ASSETS (Note 7)					
Current					
Cash	-	-	-	-	-
Due from City of Winnipeg	-	-	-	-	-
Accounts Receivable	$ 293,973	$ 293,973	$ 293,973	$ 293,973	$ 293,973
Inventory (Note 2)	61,143	61,143	61,143	61,143	61,143
Prepaid Expenses	5,000	5,000	5,000	5,000	5,000
	360,116	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	20,376,565
Buildings (Note 2)	2,543,772	2,543,772	2,543,772	2,543,772	2,543,772
Golf Course Improvements (Note 2)	1,037,834	1,047,834	1,120,834	1,210,834	1,280,834
Furniture and Other Equipment (Note 2)	1,516,397	1,536,397	1,576,396	1,616,397	1,656,397
	25,474,568	25,504,568	25,617,567	25,747,568	25,857,568
Less: accumulated depreciation	2,306,056	2,566,387	2,804,541	3,022,987	3,241,381
	23,168,512	22,938,181	22,813,026	22,724,581	22,616,187
	$ 23,528,628	$ 23,298,297	$ 23,173,142	$ 23,084,697	$ 22,976,303
LIABILITIES (Note 7)					
Current					
Due to City of Winnipeg	$ 5,699,290	$ 6,553,648	$ 7,351,922	$ 8,144,547	$ 8,872,198
Accounts payable and accrued liabilities	117,141	117,141	117,141	117,141	117,141
Deferred Revenue	52,325	52,325	52,325	52,325	52,325
Vacation Liability	52,362	47,126	42,413	38,172	34,355
Current portion of long-term debt (Schedule 2)	157,565	170,436	172,747	181,491	186,616
	6,078,683	6,940,676	7,736,548	8,533,676	9,262,635
Long Term					
Retirement allowance	97,000	87,300	78,570	70,713	63,642
Environmental Liability	10,000	10,000	10,000	10,000	10,000
Long-term debt	3,872,359	3,731,923	3,672,176	3,620,685	3,544,069
	3,979,359	3,829,223	3,760,746	3,701,398	3,617,711
RETAINED EARNINGS					
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/(Deficit)	(7,104,072)	(8,046,260)	(8,898,810)	(9,725,035)	(10,478,701)
	13,470,586	12,528,398	11,675,848	10,849,623	10,095,957
	$ 23,528,628	$ 23,298,297	$ 23,173,142	$ 23,084,697	$ 22,976,303

Golf Services - Special Operating Agency

Projected Statement of Operations & Deficit
For the Years Ended December 31

	2011 Actual (audited)	2012 Council Adopted	2012 Forecast	Variance	2013	2014	2015
Revenues: (Note 4)							
Green Fees	$ 1,517,109	$ 1,780,770	$ 1,652,650	$ (128,120)	$ 1,703,680	$ 1,778,808	$ 1,907,061
Equipment Rentals	279,488	284,517	345,107	60,590	352,009	359,049	366,229
Concessions	54,564	46,665	55,207	8,542	56,546	57,564	58,600
Merchandise Sales	66,311	80,620	72,529	(8,091)	62,899	64,157	65,440
Other	246,284	34,939	34,964	25	35,663	36,376	37,102
Miniature Golf	-	-	-	-	-	-	-
Net Revenue-Leasing Operations	264,085	254,600	254,600	-	259,443	261,282	264,118
Total Revenues	2,427,841	2,482,111	2,415,057	(67,054)	2,470,240	2,557,236	2,698,550
Expenses: (Note 5)							
Salaries & Employee Benefits	1,354,556	1,468,432	1,450,906	(17,526)	1,456,180	1,503,327	1,538,558
Services	615,478	575,530	606,996	31,466	619,131	632,012	644,574
Materials,Parts,Supplies	233,515	240,391	246,454	6,063	242,739	247,596	252,547
Interest on Short Term Debt	51,836	79,299	79,299	-	88,802	99,540	110,854
Interest on Long Term Debt - Capital Plan	65,707	66,379	61,579	(4,800)	58,041	56,828	55,489
Total Expenses	2,321,092	2,430,031	2,445,234	15,203	2,464,893	2,539,303	2,602,022
Net Revenue	106,750	52,080	(30,176)	(82,256)	5,346	17,933	96,528
Allocated to the City: (Note 6)							
Property Tax Equivalents	248,990	254,671	254,671	-	262,310	267,556	272,959
Departmental Support Costs	52,463	54,036	54,036	0	55,658	57,327	59,047
Office Accommodation Costs	16,789	16,789	16,789	-	16,975	16,975	16,975
Provision for Payroll Taxes	25,797	26,262	27,142	880	27,683	28,238	28,803
Provision for Business Taxes	28,249	28,249	28,249	-	28,249	28,249	28,249
Interest on Long Term Debt - Acquired Assets	182,648	181,115	181,115	-	179,490	177,767	175,941
Transfer to General Revenue for 311	81,115	81,115	81,115	-	40,558	40,558	40,558
Transfer to BTS Internal Service Provider	-	1,667	1,667	-	1,717	1,725	1,734
City's Return on Investment	-	-	-	-	-	-	-
Total allocated to the City	636,051	643,904	644,784	880	612,640	618,395	624,266
Other:							
Depreciation, Fixed Assets	300,534	264,831	260,331	(4,500)	238,154	218,447	218,394
Annual Audit Fee	6,695	6,896	6,896	-	7,103	7,316	7,535
Total Other and Allocated to the City	943,280	915,631	912,011	(3,620)	857,897	844,158	850,195
Net Income/(Loss)	$ (836,530)	$ (863,551)	$ (942,188)	$ (78,637)	$ (852,550)	$ (826,224)	$ (753,666)

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

	2011 Actual (Audited)	2012 Forecast	2013	2014	2015
Net inflow (outflow) of cash related to the following activities:					
OPERATING					
Net earnings (loss) for the year	$ (836,530)	$ (942,188)	$ (852,550)	$ (826,224)	$ (753,666)
Non-cash items relating to operations:					
Amortization	300,534	260,331	238,154	218,447	218,394
Decrease in environmental liabiilty	(191,600)	-	-	-	-
Increase in Retirement Allowance	(10,000)	(9,700)	(8,730)	(7,857)	(7,071)
Working capital from operations	(737,596)	(691,557)	(623,126)	(615,635)	(542,344)
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	(5,236)	(4,713)	(4,241)	(3,817)
	(702,523)	(696,793)	(627,839)	(619,876)	(546,161)
FINANCING					
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	825,368	854,358	798,274	792,623	727,652
Increase/(decrease) in Long-term debt - Required for Capital Plan	(86,825)	(127,565)	(57,436)	(42,747)	(71,491)
Transfer to City of Winnipeg - General Revenue Fund	-	-	-	-	-
	738,543	726,793	740,838	749,876	656,161
INVESTING					
Purchase of Land	-	-	-	-	-
Purchase of Buildings	-	-	-	-	-
Purchase of Golf Course Improvements	(53,392)	(10,000)	(73,000)	(90,000)	(70,000)
Purchase of Furniture and Other Equipment	17,372	(20,000)	(40,000)	(40,000)	(40,000)
Proceeds from disposal of equipment					
	(36,020)	(30,000)	(113,000)	(130,000)	(110,000)
NET CASH INFLOW (OUTFLOW)	-	-	-	-	-
CASH POSITION, BEGINNING OF YEAR	-	-	-	-	-
CASH POSITION, END OF YEAR	$ -	$ -	$ -	$ -	$ -

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

	2011 $	2012 $	2013 $	2014 $	2015 $
Contributed Surplus	$ 20,574,658	$ 20,574,658	$ 20,574,658	$ 20,574,658	$ 20,574,658
Net Income (Loss) for year (Cumulative)	(7,104,072)	(8,046,260)	(8,898,810)	(9,725,035)	(10,478,701)
	$ 13,470,586	$ 12,528,398	$ 11,675,848	$ 10,849,623	$ 10,095,957

Golf Services - Special Operating Agency
Notes to the Financial Projection
For One Year ending December 31, 2013

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 Assessment and Taxation 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

3 HYPOTHESES

The financial projections have been based on the following hypothesis:

Green Fees

Green fees represent approximately 69% of total revenues. Projections assume that time available for play on all courses will remain constant in each of the five years. Weather variables, over which management has no control, represents the largest risk to attaining projected revenues.

4 ASSUMPTIONS – REVENUE

a) Green Fees

Green fee rates are projected to increase at the 18-hole courses in 2013. The number of rounds is based on an average of 90,000 and a typical prairie golf season of 195 days.

b) Equipment Rentals

The auto cart fleet consists of 62 units. The fee per use will increase to $33.00. 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 more selective in the merchandise offered for sale to the public. Pro shops at the 18-hole facilities will be carrying only the most popular equipment with a focus on past trends. Gross sales are projected to remain constant. 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 expansion 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 have 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 the construction of the Le Nordik 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 Coordinator (full time) WAPSO – currently vacant

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 2.5% inflation factor per the collective agreement. 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, alarm system and surveillance system charges are expected to remain constant. An inflationary increase has been projected.

h) Advertising

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

l) Rentals

Rental of auto carts, mobile concession carts, portable toilets and various maintenance equipment is required in situations where it is not practical or cost effective to purchase the equipment.

j) Training

Employees are trained in pesticide application, turf maintenance, customer service, supervisory skills and other programs that contribute to a more effective operation.

k) Other Parts and Accessories

Parts for aging equipment and irrigation systems.

6) ASSUMPTIONS - AMOUNTS ALLOCATED TO CITY

a) Property tax Equivalents and Departmental Support Costs

Property tax equivalents have been estimated based on existing assessments and mill rates that would apply to Golf Course operations. Support Costs from the Planning, Property and Development Department consist of estimated variable costs of providing Financial, Human Resources/Payroll and Information Technology Services.

b) Office Accommodation Costs

The costs are as allocated by Municipal 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 is $7.5M.

d) Retirement allowance

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2011. The results of this valuation were extrapolated to December 31, 2013.

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, 2012 is projected at $3,902,359 and is subject to 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: 2013 GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	32.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50	22.00	22.00	23.00	23.00	23.50
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	18.00	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	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	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	16.50
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	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	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	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	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	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	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	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	33.00
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	16.50
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	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	8.25
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	6.25
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	6.25
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	3.25

Appendix A-3: Rounds Played
1993 to 2012

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	30,624	27,860	29,515	32,580	29,481
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	25,212
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	16,006
Harbour View	34,749	38,560	39,206	35,864	38,880	42,368	35,821	37,457	35,492	28,118	29,987	24,419	26,454	26,749	21,221	19,487	18,735	19,551	17,741	15,010
Annual Total	143,528	170,414	168,842	154,375	146,983	180,527	173,006	173,443	164,094	138,308	151,505	122,040	107,389	125,373	110,375	101,470	91,642	95,067	85,191	85,709