Agenda – Executive Policy Committee – May 22, 2013

Report – Alternate Service Delivery Committee – May 17, 2013

Item No. 1 Business Plan for the Private Management of Golf Courses, Proposed Leasing of City Operated Golf Courses (Expression of Interest #497-2011 for Selected City-Owned Golf Courses) and Declaration as Surplus of John Blumberg Golf Course Land

COMMITTEE RECOMMENDATION:

On May 17, 2013, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the attached "Business Plan For the Private Management of Golf Courses" for the municipally owned and operated golf courses (Crescent Drive, Harbour View, Kildonan Park and Windsor Park) be approved.

2. That subject to approval of the Business Plan For the Private Management of Golf Courses, that a Lease Agreement between the City and GolfNorth Properties Inc. (or its Nominee) for the operation and maintenance of four Municipal Golf Courses being, Kildonan Park, Windsor Park, Crescent Drive and Harbour View be approved for a 20 year term.

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the lease agreement with GolfNorth Properties Inc. (or its nominee) and such other agreements as determined necessary by the City Solicitor/Director of Legal Services in accordance with the terms and conditions set forth in this report and such terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

4. That the City owned property located at 4540 Portage Avenue referred to as John Blumberg Golf Course as shown outlined on Misc. Plan No. 14454, attached, (the Subject Property) be declared surplus to the City's needs and that any proposed disposition of the Subject Property be referred back to Council for its consideration in accordance with Section 205(2) of The City of Winnipeg Charter.

5. That the Winnipeg Public Service be directed to market the Subject Property once it is declared surplus.

6. That the net proceeds from a sale of the Subject Property be held pending further direction from Council with the intent being to use the net proceeds for re-investment in recreational amenities.

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

Pursuant to Council Policy, leases of parkland over five years in length require approval by two-thirds of all Members of Council.

Report – Alternate Service Delivery Committee – May 17, 2013

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On May 17, 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: **Alternate Service Delivery – Business Plan for the Private Management of Golf Courses, Proposed Leasing of City Operated Golf Courses (Expression of Interest #497-2011 for Selected City-Owned Golf Courses) and Declaration as Surplus of John Blumberg Golf Course Land**

Critical Path: **Alternate Service Delivery Committee, Executive Policy Committee, Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
A. Shane A/ C.O.O.	B. Thorgrimson	M. Ruta	D. Joshi

RECOMMENDATIONS

1. That the attached "Business Plan For the Private Management of Golf Courses" for the municipally owned and operated golf courses (Crescent Drive, Harbour View, Kildonan Park and Windsor Park) be approved.

2. That subject to Council approval of the Business Plan For the Private Management of Golf Courses, that a Lease Agreement between the City and GolfNorth Properties Inc. (or its Nominee) for the operation and maintenance of four (4) Municipal Golf Courses being, Kildonan Park, Windsor Park, Crescent Drive and Harbour View be approved for a twenty year term.

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the lease agreement with GolfNorth Properties Inc. (or its nominee) and such other agreements as determined necessary by the City Solicitor/Director of Legal Services in accordance with the terms and conditions set forth in this report and such terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

4. That the City owned property located at 4540 Portage Avenue referred to as John Blumberg Golf Course as shown outlined on Misc. Plan No. 14454, attached, (the Subject Property) be declared surplus to the City's needs and that any proposed disposition of the Subject Property be referred back to Council for its consideration in accordance with Section 205(2) of The City of Winnipeg Charter.

5. That the Winnipeg Public Service be directed to market the Subject Property once it is declared surplus.

6. That the net proceeds from a sale of the Subject Property be held pending further direction from Council with the intent being to use the net proceeds for re-investment in recreational amenities.

7. 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

- Implementation of the "Business Plan for the Private Management of Golf Courses" requires Council approval.

- Pursuant to Section 205(2) of The City of Winnipeg Charter, approval by a vote of 2/3 of all members of Council is required for this proposed lease because the lands of Kildonan Park, Windsor Park, Crescent Drive and Harbour View golf courses are not used exclusively as golf courses and are also used for park purposes.

- Declaration of the Subject Property (John Blumberg Golf Course) as surplus to the City's needs requires Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

- Under the proposed Lease Agreement, annual net income and capital investment are projected to be, in aggregate, $759,000 greater than under the status quo operation by the City. This compares to the $711,000 estimate included in the "Business Plan for the Private Management of Golf Courses" approved by the Alternate Service Delivery Committee on February 25, 2013.

- The recommendation will impact permanent staff (3 FTE), seasonal employees (16.33 FTE), and students (6.67 FTE).

- The three permanent employees will be redeployed and efforts will be made to find alternative work for the impacted temporary and seasonal employees. Temporary and seasonal employees will be eligible to access work in other departments based on their seniority.

- The John Blumberg Golf Course land will be marketed for future disposition.

EXECUTIVE SUMMARY

The recommendations in this report represent the initial steps to implement the recommendations in the Audit Department's *Operational Review of Winnipeg Golf Services* (WGS) that noted the accumulated deficit of WGS in excess of $7.1 million.

The report proposes a 20-year lease agreement with GolfNorth Properties Inc. to manage and operate Kildonan Park, Windsor Park, Crescent Drive, and Harbour View golf courses to eventually eliminate the WGS accumulated deficit through lease payments, asset purchases at fair market value, business and property taxes, as well as a mandatory minimum capital investment of $4.2 million to improve the courses, which will remain City-owned.

GolfNorth currently owns, operates and manages 21 courses in Ontario including Grey Silo, host course for the Ladies Professional Golf Associations (LPGA), 2012 Ladies Canadian Open Championship. They operate/ manage courses at varying playing levels with some courses being similar in length and design to Kildonan Park, Windsor Park, Crescent Drive and Harbour View.

In response to EOI #497-2011, the submission from GolfNorth Properties Inc. received the highest combined score utilizing the competitive bid scoring matrix and according to the terms of the City's Materials Management Policy.

In addition, the report proposes to declare the John Blumberg Golf Course land, located outside of the City in the RM of Headingley, surplus to the City's needs so it may be marketed with net proceeds being held and not allocated pending further direction from Council with the intent being to use the net proceeds for re-investment in recreational amenities.

The City's Alternate Service Delivery / Modified Managed Competition Process allows the Union to participate and partner with management to develop creative solutions for service delivery. The Public Service shared information and met with CUPE.

By entering into a management lease for the four courses, the City can maximize annual return, ensure long-term sustainability of golf courses and their assets, as well as ensure they remain public and accessible.

HISTORY

In its *Operational Review of Winnipeg Golf Services*, the Audit Department observed that decreased participation along with increased competition are factors which have altered the external environment for golf in Winnipeg. As the audit noted, offering golf services through Winnipeg Golf Services (WGS) is increasingly unaffordable, unsustainable, and costly to the City. In 2011, losses of $836,530 increased the accumulated deficit to $7.1 million. These figures do not include deferred capital improvements currently estimated at over $4.6 million.

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.

Since its inception in 2002, Winnipeg Golf Services (WGS) has accumulated an operating deficit of over $7M. Entering a management lease for twenty years at Crescent Drive, Harbour View, Kildonan Park and Windsor Park golf courses is expected to improve annual net income and capital investment by nearly $759,000 versus the status quo (2012 net budgeted loss of more than $863,000), and is expected to eliminate WGS accumulated deficit entirely in 22 years.

Golf Convergence, the consulting firm retained by the Audit Department, noted there is an oversupply 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 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.

On May 25th, 2011, Council received as information the recommendations contained in the Operational Review of Winnipeg Golf Services Audit and gave direction to the Winnipeg Public Service.

On July 18th, 2012, Council directed that the Winnipeg Public Service initiate negotiations through a Modified Managed Competition (MMC) for the operation of City-run Golf Courses (Kildonan, Windsor, Crescent Drive and Harbour View) in response to EOI # 497-2011, consistent with the May 25th, 2011 Council decision.

As directed by the Alternate Service Delivery Committee on February 25th, 2013, the City provided formal notice, including a copy of the Business Plan for the Private Management of Golf Courses to the Canadian Union of Public Employees Local 500 of the City's intention to consider the proposed competitive bid process. In accordance with the Letter of Understanding – Re: Change Initiatives, Executive Policy Committee met with CUPE (in-camera) within the 45 days to discuss concerns regarding the impact on its members.

Discussion

On September 30th, 2011 the City of Winnipeg issued EOI #497-2011 to invite interested parties to submit proposals for the development and/or long term lease of one more of the City owned golf courses including Crescent Drive, Harbour View, Kildonan Park, and Windsor Park. Review of the initial proposals indicated that it would be in the best interest of the City of Winnipeg to pursue long term leases for Crescent Drive, Harbour View, Kildonan Park and Windsor Park rather than development opportunities. Long term leases will ensure that these courses continue to operate as golf courses. These four City owned golf courses are currently zoned as PR2 or PR3 Parks and Recreation. Based on the current City of Winnipeg Charter, disposition of these golf course lands for private development will require approval by a vote of 2/3 of all members of Council.

The attached Business Plan was prepared based on all known information about the City's operation of the golf courses and the initial responses to the EOI #497-2011. The Business Plan indicates that it would be in the City's best financial interests to contract out the operation of the City-run golf courses (Kildonan Park, Windsor Park, Crescent Drive and Harbour View).

On November 2nd, 2012, the Public Service requested a submission from each of the 13 original respondents who expressed an interest in operating/managing any or all of the four (4) Municipal Golf Courses being, Kildonan Park, Windsor Park, Crescent Drive and Harbour View. The Public Service received five (5) responses to the EOI submission request.

A Public Service evaluation team was created consisting of representatives from Winnipeg Golf Services (SOA), the Planning, Property and Development Department and the Materials Management and Infrastructure Planning Divisions of the Corporate Finance Department.

Negotiations commenced with the proponents who were interested in operating multiple courses.

Negotiations resulted in three Proponents offering payments to the City that were significantly higher in monetary value and who had a proven history of operating one or more public golf courses.

The proposals were evaluated using the following scoring matrix:

1.	Lease payment	50 points
2.	Acceptance of current leases, purchase of merchandise inventory and existing auto cart fleet	20 points
3.	Term of lease	10 points
4.	Food and Beverage Services	10 points
5.	Management experience	10 points

Negotiations concluded and the Public Service is recommending that Council approve a 20-year Lease Agreement with GolfNorth Properties Inc. who has experience operating/managing 21 golf courses in Ontario.

GolfNorth's relevant experience includes its management infrastructure, transitional experience, operational experience and knowledge of operating golf courses. With over half (1/2) a million rounds historically, upwards of 100 leagues, over 1,400 tournaments, over 130 weddings and 700 employees, GolfNorth's experience is extensive in every aspect of the golf industry.

The submission from GolfNorth Properties Inc. received the highest combined score from the Evaluation Team. The Evaluation Team determined that GolfNorth Properties Inc. submission is the most advantageous to the City of Winnipeg in accordance with the terms of the EOI.

The Evaluation Team reviewed the work of the proponents and is satisfied that GolfNorth has the necessary resources and experience to perform the work in accordance with the requirements of the EOI and are recommending that the City enter into a Lease with GolfNorth Properties Inc. on the Terms and Conditions set out in Schedule 1.

GolfNorth is proposing to invest $4.2 million in capital expenditures during the term of the lease with the first $2.15 million being invested in the first four years which will include the abbreviated 2013 operating season. Initial capital projects will be concentrated in areas that will enhance the golf experience while increasing the value of each course.

GolfNorth has indicated that its short term capital investment strategy is to:

- repair the electrical component of the irrigation system at Harbour View:
- replace the current bridge at Windsor Park on hole #9 to allow access to the golf course during periods of flooding or excessive rainfall
- refurbish the clubhouses at Kildonan Park and Windsor Park to improve the overall facility appeal
- install an electronic reader board sign in front of the Kildonan Park golf course
- undertake multiple drainage projects at Kildonan Park and Windsor Park golf courses improving the playability of each course
- complete auto cart pathway network at Kildonan Park and Windsor Park golf courses.
- replace one maintenance yard building allowing for equipment repairs to be performed in-house
- build a new starter/cart building at Windsor Park as a joint use/cost shared facility with the Manitoba Cross Country Ski Association

A detailed list of proposed short term capital investments is described in Schedule 2.

The Chief Operating Officer of Winnipeg Golf Services will monitor the capital investment projects undertaken by GolfNorth, including but not limited to the prioritizing of capital projects and monitoring the construction of the projects, as well as the tracking of all costs associated with those projects to ensure that monetary commitments in the lease agreement are being met.

If capital investments in any given year are less than the amount listed in the lease agreement the balance remaining will be carried over to the following year. Conversely, should the full capital investment in any given year exceed the amount listed in the lease agreement, that amount will be deducted from the following years requirement.

The lease agreement will provide that if the City cancels the lease agreement prior to its expiry date without cause, GolfNorth would be compensated for their capital investment by averaging their investment over the 20 year term of the lease ($4.2 million/20 = $210,000 year) and any excess over this average being refunded.

If the lease agreement is approved by Council on May 29th, 2013, GolfNorth has indicated that it would be able to assume responsibility for the operation and management of the golf courses on July 1st, 2013. Until then, the golf courses will be operated and managed by the City.

GolfNorth has agreed to offer employment opportunities to all Winnipeg Golf Services seasonal and temporary employees.

For 2013, Lease payments and Property/Business Taxes will be pro-rated due to a mid-season transition date.

Upon commencement of a lease agreement, GolfNorth will provide to the City, and maintain throughout the term of the lease, a performance security by way of an irrevocable standby letter of credit in the amount of five hundred thousand dollars ($500,000.00).

GolfNorth Properties Inc. has indicated that it will be nominating its wholly owned subsidiary GolfNorth Management Corp. to be the tenant in the lease and operate the four courses.

All fees and charges will be determined annually by GolfNorth.

Harbour View Golf Course

The City of Winnipeg is currently developing a long term strategic plan for Kilcona Park and the Harbour View golf course. The strategic plan, “Kilcona Park / Harbour Recreation Complex Strategic Renewal and Action Plan” will address the redevelopment of Kilcona Park including alternative uses for the golf course.

The Lease will provide that should the decision be made that it is in the best interest of the City to use the land allocated for the Harbour View golf course for purposes other than operating a golf course, the City may terminate their agreement with GolfNorth by providing written notice at the end of a golf season, but prior to December 31st of that year. After notice has been provided, the City will meet with GolfNorth to negotiate changes in the Lease. If a mutual agreement cannot be reached, an independent arbitrator agreeable to both parties will be assigned with arbitration costs to be shared equally.

Windsor Park Golf Course

Since 1994 the Cross Country Ski Association of Manitoba (CCSAM) has been operating at the Windsor Park golf course with their current contract expiring on March 15th, 2013. CCSAM are proposing a long term lease agreement which will allow them the opportunity for capital investment in the facility. The lease agreement with GolfNorth will reflect a facility sharing arrangement with CCSAM assuming responsibility for the facility during the winter season and conversely GolfNorth during the golf season.

Crescent Drive Golf course

At Crescent Drive a lease agreement currently exists with the Auberge and Spa Nordic Inc. which allows for the development of a spa facility and for a portion of that facility to be used by the golf course operator as clubhouse/pro shop. The lease agreement with GolfNorth will define the responsibility of each operator and the joint use of the facility.

John Blumberg Golf Course

The Subject Property is the land used for John Blumberg Golf Course. It is part of a larger parcel of land owned by the City and is located in the RM of Headingley outside the City of Winnipeg boundary. Declaring the John Blumberg Golf Course land as surplus will enable the Winnipeg Public Service to market the property for a potential future sale of the property which will generate revenue for the City. It is recommended that the net sale proceeds be held, pending a further decision from Council, with the intent being to re-invest in recreational amenities. The contract for the management of golf course operations at John Blumberg Golf course expires on November 30th, 2017.

Declaration of the John Blumberg Golf Course land as surplus to the City's needs requires approval of Council pursuant to the City Organization By-law No. 7100/97.

SUMMARY

The recommendations in this report represent the initial steps to implement the recommendations adopted by Council in regard to the Winnipeg Golf Services Operational Review.

Misc Plan 14454 – John Blumberg Golf Course



Misc Plan 14454



Date: 2013-April-16
District:
File: Not Available
Scale: 1: 10,000

NOTE:
Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only. No warranty is expressed or implied regarding the accuracy of such information.

Subject City Property
81 ha +/- (200 acres +/-)

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W E
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METRIC

CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES

MISC. PLAN NO. 14454

FINANCIAL IMPACT

Financial Impact Statement **Date:** April 24, 2013

Project Name: **First Year of Program** **2013**

Alternative Services Delivery – Proposed Leasing of City Operated Golf Courses

	2013	2014	2015	2016	2017
Capital					
Capital Investment To Be Made	$ 210,000	$ 210,000	$ 210,000	$ -	$ -
Less: Existing Budgeted Investment	113,000	130,000	110,000	-	-
Additional Capital Investment	$ 97,000	$ 80,000	$ 100,000	$ -	$ -
Funding Sources:					
GolfNorth Properties Inc.	$ 97,000	$ 80,000	$ 100,000	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 97,000	$ 80,000	$ 100,000	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 655,904	$ 670,432	$ 673,887	$ -	$ -
Less: Incremental Revenue/Recovery	324,085	364,085	364,085	-	-
Net Cost/(Benefit)	$ 331,819	$ 306,347	$ 309,802	$ -	$ -
Less: Existing Budget Amounts	852,550	826,225	753,667	-	-
Net Budget Adjustment Required	$ (520,731)	$ (519,878)	$ (443,865)	$ -	$ -

Additional Comments: Revenues represent those from current net leasing operations ($264,085) + $100,000 from GolfNorth ($60,000 for 2013, pro-rated for a July 1 commencement date). Direct costs consist of applicable operating expenses, allocated to the City and Other costs taken from the 2013 Selection Report (Appendix A) submitted to the ASD Committee on February 25, 2013. Existing budget amounts are the projected net losses for the Golf SOA under status quo operation as reflected in the 2013 Selection Report (Appendix A). Capital investments to be made by GolfNorth exceed those included in the 2013 Selection Report (status quo operation) by $97,000, $80,000 and $100,000 respectively from 2013 to 2015.

"Original signed by"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

Legal Services Department (as to legal issues)
Planning, Property and Development Department
Materials Management Division
Corporate Finance Department

OUR WINNIPEG POLICY ALIGNMENT

The information and progress outlined in this report are in accordance with the policies and programs reflected in the City's Council-adopted 25-year blueprint OurWinnipeg through "A City That Works – Direction 1:

"Provide efficient and focused civic administration and governance:

Prioritize public investment in essential and mandated front-line services.

Continuously pursue innovative, streamlined service delivery and decision-making processes.

Demonstrate accountability through service performance measurement and reporting.

Periodically review and report on the financial management plan, which provides financial strategies and targets, with a view to long term financial health and sustainability.

Continue to implement life-cycle costing for capital projects and consider all relevant financing and delivery options.

Consider, review, and implement new alternative service delivery options as appropriate based on a comprehensive business case, ensuring adequate financial controls.

Support a competent, productive and healthy workforce through strategic human resource planning that promotes flexible human resource systems, invests in human resource development and is based on values of equity, diversity, innovation and accountability. Provide a predictable property and business assessment process that is efficient, effective and equitable. Maintain policies to manage investments in physical assets, including infrastructure, fleet and facilities to ensure effective procurement, maintenance, replacement and disposal."

SUBMITTED BY

Department: Winnipeg Golf Services SOA
Division
Prepared by: Alan Shane, Acting Chief Operating Officer, WGS
Date: May 13th, 2013

Schedule 1 - Terms and Conditions of Lease:

Landlord:	City of Winnipeg
Tenant:	GolfNorth Properties Inc.
Courses to be Leased:	Kildonan Park, Windsor Park, Crescent Drive and Harbour View
Lease Term:	20 years (2013 – 2032)
Payment of all Operating Costs:	Agreed
Lease Payment:	$100,000 annually (2013 - 2017) $150,000 annually (2018 – 2032) Lease payments will be pro-rated for 2013
Capital Investment:	$210,000 annually (2013 – 2032) (minimum) (pro-rated for 2013) ($4.2 million over the term of the lease with $2.15 million being invested in the first 4 years which includes the abbreviated 2013 operating season) Compensation to Tenant if lease terminated early by City without cause
Payment of Property & Business Taxes:	$170,000 annually (estimated) Property & Business Taxes will be pro-rated for 2013
Profit Sharing:	5% of total revenues over $2.5 million annually
Acceptance of existing Equipment Leases:	Agreed
Purchase of Existing Auto Cart Fleet:	At Fair Market Value
Purchase Inventory for Resale:	At cost
Fees and Charges:	All fees will be determined annually by GolfNorth.

Insurance:	Tenants to provide Commercial general liability insurance in the amount of $5,000,000 including bodily injury and property damage, host liquor liability, products and completed operations, cross liability clause, and contractual liability endorsements. All Risk property insurance policy for full replacement of buildings, contents, equipment, and tenant's improvements and business interruption. Automobile liability used for or in connection with the Lease in the amount of at least 5 million ($5,000,000). All insurance requirements to remain in place at all times during the full term of the Lease Agreement.
Tenant Responsibilities:	To pay all operating costs, to maintain the Leased assets in good operating condition; and in accordance with maintenance and winterization requirement schedules, no assignment without written consent, no sub-letting without approval of the Landlord, no replacement of signage or advertising without the approval of the Landlord and no leasehold improvements without approval of the Landlord.
Performance Security:	Throughout the term of the Lease, GolfNorth has agreed to provide and maintain an Irrevocable standby letter of credit in favour of the City in the amount of five hundred thousand ($500,000).

Schedule 2 – Proposed Short Term Capital Investments:

1. Repair electrical component of irrigation system at Harbour View golf course.

2. Replace existing bridge at Windsor Park on hole #9.

3. Refurbish the clubhouses at Kildonan Park and Windsor Park golf courses including replacement of furniture.

4. Install an electronic reader board sign in front of Kildonan Park golf course on Main Street for cross promotional purposes.

5. Undertake multiple drainage projects at Kildonan Park golf course on holes #3, #5, #8, #13, #15 and #16.

6. Undertake multiple drainage projects at Windsor Park golf course on holes #2, #4, #7, #8, #11, #13, #14, #15 and #17.

7. Complete auto cart pathway network at Kildonan Park and Windsor Park golf courses.

8. Replace one maintenance yard building allowing for equipment repairs to be performed in-house.

9. Build a new starter/ cart building on the 1st tee at Windsor Park golf course. This will be a joint use facility shared by GolfNorth and the Manitoba Cross Country Ski Association. Cost to build will be shared by both parties.

BUSINESS PLAN FOR THE PRIVATE MANAGEMENT OF GOLF COURSES

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BUSINESS PLAN HIGHLIGHTS

- The services recommended for delivery through alternate sources are the operating and maintaining of four golf courses: Crescent Drive, Harbour View Golf Course and Recreation Complex, Kildonan Park, and Windsor Park.

- Winnipeg Golf Services Special Operating Agency (WGS) began operations in 2002. Since that time WGS has accumulated an operating deficit of $7,104,072, including a net loss of $836,530 in 2011. A net loss of $863,551 is budgeted for 2012.

- The objective of the business plan is to improve the cost effectiveness of delivering golf services, reduce WGS' reliance on taxpayers, and improve the quality of golf courses.

- Entering a management lease for Crescent Drive, Harbour View, Kildonan Park, and Windsor Park golf courses is expected to improve annual Net Income plus Capital Investment by $711,676 versus the status quo.

- A contracting-out initiative would impact 3 permanent staff and 48 seasonal staff. There are no issues relating to the redeployment of staff as provided for in the Collective Agreement with CUPE.

- With an intention to improve the cost effectiveness of delivering golf services and improve the quality of municipal golf courses it is recommended the management and operations of Crescent Drive, Harbour View, Kildonan Park, and Windsor Park golf courses be leased to private enterprises.

2

SERVICES CONSIDERED FOR ALTERNATIVE DELIVERY IN THIS PLAN

Description of Present Significant Operational Activities

Winnipeg Golf Services (WGS) was designated a Special Operating Agency effective January 1, 2002. WGS 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 WGS 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.

The City of Winnipeg owns twelve golf courses that are managed under five different arrangements:

City Operated & Maintained	Leased to Semi-Private Clubs	Leased to a Mgmt. Co.	Contracted Operations	Contractor Operated, City Maintained
Crescent Drive	Assiniboine	Tuxedo	Blumberg	Harbour View
Kildonan Park	Canoe Club			
Windsor Park	Rossmere			
	Transcona			
	St. Boniface			
	Wildewood			

Service Locations and Measures of Service Quantity

Crescent Drive Golf Course

Crescent Drive Golf Course opened in 1966 as a 9 hole, par 27, public recreational level golf course. The course is well treed with small challenging greens. Low handicappers must be accurate in order to achieve par. Less experienced golfers appreciate not having to contend with water hazards and sand traps which make it ideal for family golf outings, group tournaments, and fun events.

The course offers:

- Fully stocked pro shop
- Equipment / auto cart rentals
- Tournament packages
- 3 day advance tee time booking

Harbour View Golf Course and Recreation Complex

The Harbour View Golf Course and Recreation Complex opened in 1982 as an Executive 9 hole public golf course. It is a par 27 layout with water in play on five of the nine holes. Three of the holes are over water adding to the difficulty of the course. Forward tees allow less experienced golfers to avoid shooting over water. The course is complemented by a driving range, a large practice putting green and an 18 hole mini-putt.

The course offers:

- Personal and group golf instruction by CPGA Professionals
- Custom club fitting and repair
- Junior and ladies leagues
- Golf clinics
- Tournament packages
- Fully stocked pro shop – operated by Lakeland Golf Management Inc.
- Food and beverage service – operated by Salisbury House Inc.
- Equipment rentals
- 3 day advance tee time booking

Kildonan Park Golf Course

The first of Winnipeg's golf courses, Kildonan Park opened in 1921. It is an 18 hole public golf course located on the west bank of the Red River adjacent to Kildonan Park. By today's standards this relatively short course is quite challenging. Four of five par 3 holes play over 200 yards. The other par three at 137 yards challenges players as they play either over or under an abandoned train bridge (the Bergen Cut Off) which cuts across the fairway providing a unique hazard.

The course offers:

- Fully stocked pro shop
- Food and beverage service – operated by Salisbury House Inc.
- On course beverage service – operated by Salisbury House Inc.
- Equipment / auto cart rentals
- Tournament packages
- 3 day advance tee time booking

Windsor Park Golf Course

Opened 1925, Windsor Park is a public 18 hole golf course lying along the winding Seine River in the south-eastern part of the city. This popular course possesses a variety of challenges as it crosses the Seine River three times. Mature trees create a forest like experience as golfers make their way between holes. The front nine at Windsor is relatively short but the Seine River comes into play on several holes. The back nine is almost 700 yards longer presenting the golfer with some difficult tee shots to narrow fairways.

The course offers:

- Fully stocked pro shop
- Food and beverage service – operated by Salisbury House Inc.
- On course beverage service – operated by Salisbury House Inc.
- Equipment rentals / auto cart rentals
- Tournament packages
- 3 day advance tee time booking

Adjustments to Consider in Assessing Acceptable Service Levels

According to a report issued by Golf Convergence in 2010, deferred capital expenditures on the City's golf courses, excluding clubhouse renovations, were approaching $5 million, as detailed below:

Course	***Deferred Capital***
Crescent Drive	***$775,000***
Harbour View	***900,000***
Kildonan Park	***1,500,000***
Windsor Park	***1,500,000***
Total	*$4,675,000*

Examples of deferred capital expenditures include tees, cart paths, greens, and irrigation systems. The Golf Course Superintendents Association of America estimates a golf course requires a sinking fund in the amount of $2,200,086 to adequately fund capital improvements required as part of a natural replacement cycle.

In addition, Golf Convergence identified $464,763 required for equipment as the current fleet is very dated, requires continuing repair, and does not provide the tools needed to create competitive turf conditions.

3

SUMMARY FINANCIAL DATA FOR PRESENT SERVICE DELIVERY

Historical and Current Budget Data

Since its creation in 2002, Winnipeg Golf Services Special Operating Agency has accumulated losses of $7,104,072. In the three most recent years, consistent decreases in green fees revenue have contributed to accumulated losses of 2,814,197 (See Appendix 1).

In 2011, the four city-maintained golf courses combined for a net loss of $872,167 (See Appendix 2).

Narrative on Financial Trends

Greater competition and aging infrastructure have resulted in steady declines in the number of rounds played at the four city-maintained golf courses. Aging equipment and infrastructure strain resources impacting the provision of services in an efficient manner.

Year over year losses result in increasing short-term interest charges, which further strains the ability of WGS to be profitable.

4

POSSIBLE MODIFICATIONS TO CURRENT SERVICE DELIVERY METHODS

Salaries and benefits are the largest cost for WGS. At the four city-maintained courses labour costs are 63% of gross revenues, where the Canadian industry standard is only 38%. In 2011, the salaries of student labourers, including overtime, vacation, and premiums, ranged between $11.90 and $21.24 per hour. Similarly, seasonal utility staff earned between $19.41 and $24.20 per hour. Benefits are approximately 15% of total salaries.

Golf is a business that depends on concepts such as flexible work hours, limited overtime pay, the liberal use of compensatory time, and the ability of a single worker to perform multiple tasks. However, current provisions of the Collective Agreement do not allow this, leaving WGS with a current operating environment inconsistent with standard labour practices with the golf industry. Therefore there is limited opportunity to strengthen financial management with respect to labour costs and staffing best practices.

The value-for-money experience of the golf courses could be improved with increased spending on capital improvements, including course and food/beverage areas. Further increased expenditures on equipment, promotions, training, and technology resources could improve the efficient use of resources and allow WGS to better compete for customers.

However, due to competition and an oversupply of local golf courses there is no guarantee these options will allow WGS to be self-sufficient.

5

COMPILATION OF COSTS ELIMINATED UTILIZING ALTERNATIVE SOURCES OR METHODS OF SERVICE DELIVERY

Methodology

Current service costs are analysed to determine the portion of costs that would be eliminated by having the services provided through alternate sources.

Variable Costs

By leasing the management and operations of golf courses, WGS's revenues from green fees, equipment rentals, and concessions will be replaced with revenues for rent, property taxes, and business taxes.

Aside from a part-time contract administrator, the salaries and benefits of WGS will be eliminated. Also eliminated are all operating and maintenance expenses relating to equipment, materials, and utilities.

Fixed Costs (Including Those of a Non-Avoidable Nature)

WGS will continue to be responsible for interest expense and depreciation.

6

ABILITY TO ACCOMMODATE STAFF DOWNSIZING

The initiative for Winnipeg Golf Services will impact 3 permanent employees and 48 seasonal/student staff. 28 seasonal employees are employed from April to October, which is equivalent to 16.33 FTE. 20 students are employed from May to August, which is equivalent to 6.67 FTE.

The initiative would be implemented in accordance with the Alternate Service Delivery / Modified Managed Competition process and the terms of the *Letter of Understanding Between the City of Winnipeg and The Canadian Union of Public Employees, Local 500 RE: Change Initiatives* (LOU).

The City is under no obligation to redeploy impacted seasonal employees or students. However, senior seasonal employees may be eligible to access work in other departments, e.g. Public Works, if opportunities exist. Consultation will be held with the Union.

Reductions in the number of impacted permanent staff would be first achieved through attrition as per Clause 10 of the LOU which states:

> *"When change initiatives are implemented that result in the reduction of staffing levels or reduce the hours of work normally provided by current members of the bargaining unit, the City shall, wherever possible, accommodate such changes through attrition."*

There are no concerns with the ability to redeploy the 3 permanent employees. WGS will retain one permanent employee to manage and evaluate contracts on a part-time basis while being redeployed for the remainder. Another permanent employee is in the position on a temporary basis and will be returned to their previous position.

The third permanent employee is near retirement and would be redeployed to an equivalent position based on attrition and as per Clause 11 of the LOU which states:

> *"Where such reductions cannot be dealt with through attrition, the City will make every possible effort to reassign the affected employee to an equivalent position at the comparable rate of pay in accordance with the City's past practice"*.

7

PRIVATE SECTOR INDUSTRY CHARACTERISTICS

Market analysis indicates the market is oversupplied by 10% with approximately 50 golf courses within a 70 km. radius. When considering price, quality, proximity, and accessibility golfers have many other viable alternative courses to play, therefore the recreational sport of golf is adequately handled in Winnipeg by private enterprise.

The following chart supplied by Golf Convergence reflects the market for golf in the City of Winnipeg is oriented to lower-priced facilities, thereby creating substantial competition for WGS.

Supply/Demand Factors in Winnipeg					
Category	**10-Min**	**20-Min**	**30-Min**	**Winnipeg CMA**	**Canada**
Public/Private /Semi-Private Mix	33/0/67%	41/12/47%	38/29/33%	30/41/30%	45/10/45%
Premium /Value Mix %	0/100%	0/100%	0/100%	0/100%	18/82%
Premium >$71	0%	0%	0%	0%	3%
Value $40-$70	33%	13%	12%	11%	13%
Price <$40	67%	87%	88%	89%	85%
Note: 90% of all golf rounds originate from individuals who work/reside within a 30 minute drive time of course.					

Although there are no premium public golf courses in Winnipeg, there is a surplus of public golf courses with most pursuing the same target market (i.e. entry level golfer). The golf industry is highly competitive in Winnipeg. Leading industry research groups forecast a “flat industry” which ensures a highly competitive market for the foreseeable future.

The geographic local market analysis indicates the WGS golfer is likely to be Caucasian, slightly older, with above-average income. Most WGS golfers are male, over 35, with household income over $75,000. City golfers are very price conscious; preferring to pay between $35 and $50 for a weekend green fee and cart. Condition and value (price/experience delivered) are most important to a WGS golfer.

8

PRIVATE SECTOR BID EXPECTATIONS

On October 26, 2011 Expression of Interest 497-2011 for the City owned and operated golf courses closed. Based on discussions with respondents, the City can expect to receive $481,709 annually in the form of rent, property taxes, business taxes, and capital improvements.

9

ANALYSIS OF SAVINGS THROUGH PRIVITIZATION

Quantification of Savings

Details of the financial savings are shown in Appendix 3. Leasing WGS golf courses is projected to increase Net Income plus Capital Investment by $711,676 through revenues for rent, property taxes, and business taxes combined with capital investments and reduction in operating costs. This results in a financial impact of approximately $7.2 million on a 10 year lease.

Major Factors Contributing to Savings

Possible reasons for savings could include:

- Different wage and/or benefit structures
- Flexible use of equipment and staff
- Specialised industry expertise
- Investments in capital assets, resources, and promotions.

10

OTHER QUALITATIVE FACTORS

Leasing of WGS golf courses will allow for greater investment and capital improvements in courses resulting in golfers enjoying improved golf experiences and value for money. The courses will remain public and accessible. WGS courses are expected to remain affordable due to local market conditions, an oversupply of courses, and a price conscious golfer.

Increasing annual net income will reduce WGS' reliance on Winnipeg taxpayers and allow WGS to eliminate its accumulated deficit.

11

RECOMMENDATION

Considering all quantitative and qualitative factors it is recommended WGS enter long-term lease agreements with private enterprise agencies to manage and operate the Crescent Drive, Harbour View, Kildonan Park, and Windsor Park golf courses.

The initiative's annual net financial impact of $711,676 allows WGS to reduce their reliance on taxpayers and ultimately eliminate its accumulated deficit.

The initiative will increase investment in golf course resources and improve golfers' enjoyment and value-for-money.

12

IMPLEMENTATION TIMETABLE

- Alternative Service Delivery Committee concurs with recommendation, January 2013.
- As per the *Letter of Understanding Between the City of Winnipeg and The Canadian Union of Public Employees, Local 500 RE: Change Initiatives* the City provides CUPE, Local 500 with written notice of its intention to contract out work currently performed by CUPE members. A copy of the Business Plan will be provided to CUPE.
- Executive Policy Committee meets with CUPE, Local 500 (in-camera) within 45 days of the written notice to discuss the business plan and the Union's concerns regarding the impact on its members.
- Results of the finalized negotiations for the long-term lease of WGS golf courses are forwarded to EPC/Council for approval, February 2013.
- The redeployment of staff commences.
- Privately managed and operated golf courses open for season, April 2013.

13

APPENDICES

Appendix 1 – Statement of Operations and Deficit (2009 – 2011)

See attached Excel file.

Appendix 2 – 2011 Statement of Operations by Course

See attached Excel file.

Appendix 3 – Schedule of Financial Savings through Privatization

See attached Excel file.


Appendix 1 (of 3).xls


Appendix 2 (of 3).xls


Appendix 3 (of 3).xls

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT (2009 - 2011)

For the years ended December 31

	2009	2010	2011	3 Year Total
REVENUES				
Green fees	$ 1,748,862	$ 1,635,154	$ 1,517,109	$ 4,901,125
Equipment rentals	249,224	259,362	279,488	788,074
Net revenue from leasing operations	114,600	232,959	264,085	611,644
Merchandise sales	97,023	79,139	66,311	242,473
Concessions	56,721	53,361	54,564	164,646
Other	78,594	199,182	246,284	524,060
Total Revenues	2,345,024	2,459,157	2,427,841	7,232,022
EXPENSES				
Salaries and employee benefits	1,278,584	1,513,118	1,354,556	4,146,258
Services	737,559	677,435	615,477	2,030,471
Material, parts and supplies	293,611	279,396	233,515	806,522
Interest on short term debt	15,269	25,491	51,836	92,596
Interest on long term debt	58,854	57,558	65,707	182,119
Total Expenses	2,383,877	2,552,998	2,321,091	7,257,966
Net Revenue	(38,853)	(93,841)	106,750	(25,944)
ALLOCATED TO THE CITY				
Property tax equivalents	$ 234,754	$ 255,158	$ 248,990	$ 738,902
Departmental support costs	49,451	50,935	52,463	152,849
Office accommodation costs	17,389	16,789	16,789	50,967
Provision for payroll taxes	24,015	26,483	25,797	76,295
Provision for business taxes	28,249	28,249	28,249	84,747
Interest on long term debt - acquired assets	185,459	184,095	182,648	552,202
Transfer to general revenue for 311	78,237	79,463	81,115	238,815
Total Allocated to the City	617,554	641,172	636,051	1,894,777
OTHER				
Depreciation, fixed assets	274,353	295,443	300,534	870,330
Annual audit fee	9,951	6,500	6,695	23,146
Total Other and Allocated to the City	901,858	943,115	943,280	2,788,253
NET LOSS	$ (940,711)	$ (1,036,956)	$ (836,530)	$ (2,814,197)

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

2011 STATEMENT OF OPERATIONS BY COURSE

For the year ended December 31, 2011

	Crescent Drive	Harbour View	Kildonan Park	Windsor Park	Total City Maintained Courses	Existing Leases	Total
REVENUES							
Green fees	216,908	180,792	747,274	372,135	1,517,109	-	$ 1,517,109
Equipment rentals	16,956	-	173,863	88,669	279,488	-	279,488
Concessions	1,889	-	36,778	15,897	54,564	-	54,564
Merchandise sales	9,060	-	33,792	23,459	66,311	-	66,311
Other	38,480	21,460	95,985	90,359	246,284	-	246,284
Net revenue from leasing operations	-	-	-	-	-	264,085	264,085
Total Revenues	283,293	202,252	1,087,692	590,519	2,163,756	264,085	2,427,841
EXPENSES							
Salaries and employee benefits	209,011	140,561	511,499	493,485	1,354,556	-	1,354,556
Services	66,483	186,045	162,474	162,956	577,958	37,519	615,477
Material,parts and supplies	27,973	34,786	97,836	72,920	233,515	-	233,515
Interest on short term debt	16,069	40,951	(29,547)	24,363	51,836	-	51,836
Interest on long term debt	7,228	15,113	13,141	11,170	46,652	19,055	65,707
Total Expenses	326,764	417,456	755,403	764,894	2,264,517	56,574	2,321,091
Net Revenue	(43,471)	(215,204)	332,289	(174,375)	(100,761)	207,511	106,750
ALLOCATED TO THE CITY							
Property tax equivalents	42,318	58,537	55,803	37,771	194,429	54,561	248,990
Departmental support costs	13,116	13,115	13,116	13,116	52,463	-	52,463
Office accommodation costs	4,197	4,198	4,197	4,197	16,789	-	16,789
Provision for payroll taxes	4,031	2,247	10,054	9,465	25,797	-	25,797
Provision for business taxes	3,939	-	13,055	11,255	28,249	-	28,249
Interest on long term debt - acquired assets	20,091	42,009	36,530	31,050	129,680	52,968	182,648
Transfer to general revenue for 311	27,039	-	27,038	27,038	81,115	-	81,115
Total Allocated to the City	114,731	120,106	159,793	133,892	528,522	107,529	636,051
OTHER							
Depreciation, fixed assets	35,000	63,215	77,230	60,744	236,189	64,345	300,534
Annual audit fee	1,674	1,673	1,674	1,674	6,695	-	6,695
Total Other and Allocated to the City	151,405	184,994	238,697	196,310	771,406	171,874	943,280
NET INCOME/(LOSS)	(194,876)	(400,198)	93,592	(370,685)	(872,167)	35,637	$ (836,530)

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

SCHEDULE OF FINANCIAL SAVINGS THROUGH CONTRACTING OUT

For the year ended December 31, 2011

	Internal Operation	Private Operation (est.)	Net Impact
REVENUES			
Green fees	$ 1,517,109	$ -	$ (1,517,109)
Equipment rentals	279,488	-	(279,488)
Concessions	54,564	-	(54,564)
Merchandise sales	66,311	-	(66,311)
Other	246,284	-	(246,284)
Net revenue from leasing operations	264,085	401,585	137,500
Total Revenues	2,427,841	401,585	(2,026,256)
EXPENSES			
Salaries and employee benefits	1,354,556	25,000	(1,329,556)
Services	615,477	37,519	(577,958)
Material,parts and supplies	233,515	-	(233,515)
Interest on short term debt	51,836	51,836	-
Interest on long term debt	65,707	65,707	-
Total Expenses	2,321,091	180,062	(2,141,029)
Net Revenue	106,750	221,523	114,773
ALLOCATED TO THE CITY			
Property tax equivalents	248,990	-	(248,990)
Departmental support costs	52,463	-	(52,463)
Office accommodation costs	16,789	-	(16,789)
Provision for payroll taxes	25,797	-	(25,797)
Provision for business taxes	28,249	-	(28,249)
Interest on long term debt - acquired assets	182,648	182,648	-
Transfer to general revenue for 311	81,115	-	(81,115)
Total Allocated to the City	636,051	182,648	(453,403)
OTHER			
Depreciation, fixed assets	300,534	300,534	-
Annual audit fee	6,695	6,695	-
Total Other and Allocated to the City	943,280	489,877	(453,403)
NET INCOME/(LOSS)	$ (836,530)	$ (268,354)	$ 568,176
Capital Investment	56,000	210,000	154,000
Net Income(Loss) plus Capital Investment	$ (780,530)	$ (58,354)	$ 722,176