Winnipeg

Winnipeg Golf Services Operational Review

Executive Policy Committee Presentation

May 2013

Review Process

- Public RFP
- Engaged Golf Convergence to conduct review
- Extensive experience world-wide conducting strategic reviews of public and private golf operations

City of Winnipeg Courses

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			

Course	Par	Yardage
Crescent Drive	27	1,376
Kildonan Park	69	5,495
Windsor Park	69	5,176

WGS Review Process

1. **Strategic: Geographic Local Market Analysis - Age, income, ethnicity within 30 miles of the golf courses**
2. **Strategic: Weather Impact - Management performance versus weather**
3. **Tactical: Technology - An integrated foundation to identify the insights required to manage**
4. **Tactical: Key Metrics, Financial Modeling, Yield Management - Comparing financial performance to competitive local golf courses**
5. **Operational: Facilities and Maintenance - Equipment and capital benchmarks**
6. **Operational: Customer Franchise Analysis - Who are the golf course's best customers and how loyal are they?**
7. **Operational: Customer Surveys - Barriers, Price Points, Brand Image**
8. **Operational: Management, Marketing and Operation Review - The entrance, staffing, organizational structure, merchandising, food and beverage, advertising, marketing, and public relations are evaluated and compared to the industry's best management practices.**

Local Market Analysis

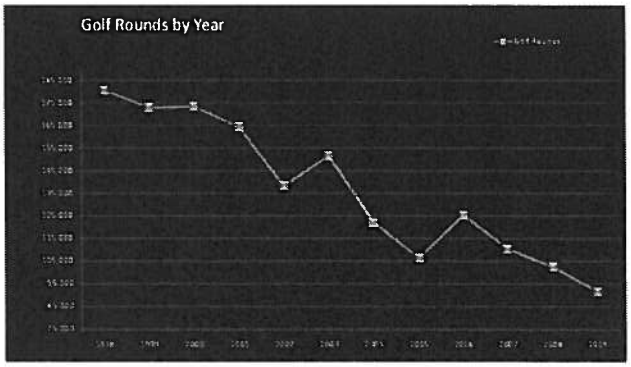
Operational X-Ray

Category	Indicator	Amount
Market Supply	Oversupplied	10%
Weather	Decline in playable days	7%
Rounds	Decrease in Rounds	40%
Value	Price > Experience	23%
Potential for Rounds Growth from Income/Population	Positive	2%

Note 1: Playable golf days are not tracked in Canada by any of the leading golf research companies. A playable golf days is defined as where the temperature is between 50 degrees and 90 days with less than ½ inch of precipitation within 12 hours.
Note 2: Decline in playable days and rounds measured from 2000 – 2009.
Note 3: Source: playable days - Weather Trends International

Yearly Rounds

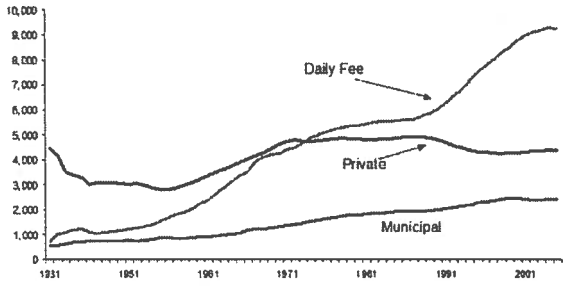
A Decade of Declining Rounds



Source: WGS accounting records.

Growth in Facilities

Growth of Facilities by Type



Financial Position

Winnipeg Golf Services

	2007	2008	2009 (unaudited)
Assets	23,602,000	23,794,000	23,553,000
Liabilities	6,204,000	7,450,000	8,297,130
Deficit	3,176,000	4,230,000	5,318,640
Revenue	2,588,000	2,425,000	2,233,000
Expenses	3,104,000	3,151,000	3,321,000
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	57,000	-129,000	-447,000
Net Income	-516,000	-726,000	-1,088,000

Industry Comparison

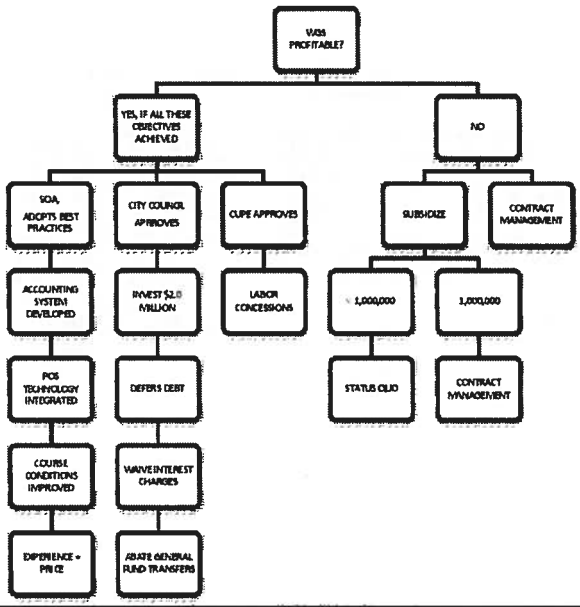
	City of Winnipeg 3 Course Avg.	Municipal	Daily Fee /Semi-Private	Private
Total Rounds Played	27,334	37,087	30,985	23,000
Total Facility Revenues	772,625	1,133,333	1,300,000	2,800,000
Golf Operations Payroll	N/C	196,135	164,280	210,000
Course Maintenance Payroll	N/C	270,000	227,819	409,043
Number of Full-time Employees	3 (for all 3 courses)	10	14	36
Number of Part-time Employees	19	21	23	30
Net Income (EBITDA)	(20,164)	206,000	200,000	250,000
Net income as a % of Gross	(2.61)%	18.17%	15.38%	8.92%

Deferred Maintenance

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

- **Required investment in equipment = $464,763**
- **Total deferred capital including clubhouses = $6 million**
- **Deficit growing at approximately $100,000/year**

Action Plan Options



Options Results

	1. Best Management Practices	2. Status Quo	3. Private Contract Management
Net Income (Loss)	200,000/yr	(1,000,000)/yr	0
Annual Income Rental Income			300,000/yr
Capital Investment by City[1]	(5,000,000)	(5,000,000)	0
Capital Investment in City's Assets by Contract Management [1]			3,000,000
Financial Return (After 5 Years)	($4,000,000)	(10,000,000)	4,500,000

Note 1: It is assumed that due to the necessity for capital investment to enhance the competitiveness of the courses that monies would be completely invested within the first couple years

Critical Path

Short-Term Strategic Options:

- Competitive leases to management companies be awarded based on a "Request for Bid" for the three City-owned and operated golf courses.
- Current leases to semi-private golf clubs that are not consistent with best practices should be renegotiated to competitive market terms.

Critical Path

Short-Term Tactical & Operational Options - (contingent on the timing of the decision to contract out management of the courses)

- A general manager certified in management of a golf course (may be a PGA professional) should be retained.
- A golf management information system should be installed to create meaningful information.
- Financial statements for each golf course should be prepared consistent with best practices for golf courses.
- The CUPE contract for the golf courses should be renegotiated or the three WGS courses be contracted to professional management based on competitive bids.

Critical Path

Long Term:

- The City should divest itself from the operation of public golf courses. This need can be adequately met in the private sector.
- The sale of golf courses for commercial or residential development is advocated to raise capital for judicious reinvestment and to enhance the balance between commercial, residential, and open park space as part of a master plan for open space. Courses, both City and those operated under leases or contract, should be identified for potential conversion to open park space or sale.
  - Assiniboine, Canoe Club and Wildewood are three facilities whose sale is advised upon lease expiration.
  - The consolidation of St. Boniface and Windsor Park into one re-designed championship golf course, the allocation of park space, and the sale of land for residential development merits review.