Minutes – Executive Policy Committee – December 11, 2013

Minute No. 69
Report – Alternate Service Delivery Committee – December 6, 2013

Item No. 3 Winnipeg Golf Services Special Operating Agency – 2014 Business Plan

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the following to Council:

1. That the 2014 Business Plan for Winnipeg Golf Services Special Operating Agency ("Golf Services") including the 2014 budget be approved, and the 2015 and 2016 financial projections, as outlined in Appendix A, be received as information.

2. That the operating line of credit to support the Winnipeg Golf Services Special Operating Agency remain at $7.5 million, 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 effective January 1, 2014, the loan from the General Revenue Fund to finance the acquisition of depreciable assets upon commencement of Golf Services (i.e. "Long-Term Debt – Acquired Assets") be converted into a non-interest bearing loan.

4. That effective January 1, 2014, the loans from the Golf Course Reserve Fund to the Winnipeg Golf Services Special Operating Agency used to finance golf course improvements (i.e. "Long-Term Debt – Capital Plan") be forgiven.

5. That, effective January 1, 2014, the operating parameters of the Golf Course Reserve Fund be amended as follows:

    A. That amounts funded by the $2 per round golf course improvement levy, which came into effect on July 20, 2013, transferred to the Winnipeg Golf Services Special Operating Agency to fund capital improvements to municipal golf courses are not required to be repaid nor is any interest payable thereon.

Report – Alternate Service Delivery Committee – December 6, 2013

6. That effective January 1, 2014, the following items identified as "Allocated to the City" be discontinued:

   A. Property tax equivalents
   B. Departmental support costs
   C. Office accommodation costs
   D. Provision for business taxes
   E. Transfer to General Revenue Fund for 311
   F. Transfer to Business Technology Services (BTS) internal service provider.

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

Report – Alternate Service Delivery Committee – December 6, 2013

DECISION MAKING HISTORY:

Moved by Councillor Wyatt,

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

Carried

COMMITTEE RECOMMENDATION:

On December 6, 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 - 2014 Business Plan**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
A. Shane COO, WGS	B. Thorgrimson Director of Planning, Property and Development	M. Ruta, CFO	M. Ruta, A-CAO

RECOMMENDATIONS

1. That the 2014 Business Plan for Winnipeg Golf Services Special Operating Agency ("Golf Services") including the 2014 budget be approved and the 2015 and 2016 financial projections, as outlined in Appendix A, be received as information.

2. That the operating line of credit to support the Winnipeg Golf Services Special Operating Agency remain at $7.5 million, 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, effective January 1, 2014, the loan from the General Revenue Fund to finance the acquisition of depreciable assets upon commencement of Golf Services (i.e. "Long-Term Debt – Acquired Assets") be converted into a non-interest bearing loan.

4. That, effective January 1, 2014, the loans from the Golf Course Reserve Fund to the Winnipeg Golf Services Special Operating Agency used to finance golf course improvements (i.e. "Long-Term Debt – Capital Plan") be forgiven.

5. That, effective January 1, 2014, the operating parameters of the Golf Course Reserve Fund be amended as follows:

    a. That amounts funded by the $2 per round golf course improvement levy, which came into effect on July 20, 2013, transferred to the Winnipeg Golf Services Special Operating Agency to fund capital improvements to municipal golf courses are not required to be repaid nor is any interest payable thereon.

6. That, effective January 1, 2014, the following items identified as “Allocated to the City” be discontinued:

    i. Property tax equivalents
    ii. Departmental support costs
    iii. Office accommodation costs
    iv. Provision for business taxes
    v. Transfer to General Revenue Fund for 311
    vi. Transfer to Business Technology Services (BTS) internal service provider

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

EXECUTIVE SUMMARY

This report provides details of the annual plan and associated costs for the City of Winnipeg to maintain operations and management of the four city-owned and operated golf courses at Kildonan Park, Windsor Park, Crescent Drive and Harbour View.

On May 29th, 2013, Council directed Winnipeg Golf Services to maintain operations and management of the four city-owned and operated golf courses at Kildonan Park, Windsor Park, Crescent Drive and Harbour View.

Since its inception in 2002, Winnipeg Golf Services (WGS) has accumulated an operating deficit of over $7M. Additional mill rate support in the amount of $573,182 is required in the General Revenue Fund in 2014, and beginning in 2015, additional mill rate support of $750,000 will be required to begin paying down the accumulated Line-of-Credit balance for up to ten years.

Unionized staff will continue to operate both the clubhouse and maintenance operations at Kildonan Park, Windsor Park, and Crescent Drive golf courses. At Harbour View, the Pro Shop and related amenities (mini-putt, driving range, etc.) will continue to be operated through a Management contract with golf course maintenance being performed by unionized staff.

IMPLICATIONS OF THE RECOMMENDATIONS

- The Agency will not require an increase in its Line of Credit in 2014.
- The green fee rates for 2014 will be unchanged from 2013 rates.
- There will be a reduction of 2.32 full-time equivalent student employees.
- There will be estimated one-time revenue of $872,140 in Golf Services and corresponding one-time expense in the Golf Course Reserve Fund as a result of forgiving the Long-Term Debt – Capital Plan loans.
- There will be $573,182 additional mill rate support required in the General Revenue Fund in 2014 to offset the elimination of amounts “Allocated to the City”.
- Beginning in 2015, additional mill rate support of $750,000 will be required to begin paying down the accumulated Line-of-Credit balance over a period not to exceed ten years.

HISTORY

Winnipeg Golf Services' Operating Charter stipulates that a business plan be submitted to Council each year.

Winnipeg Golf Services was designated as a Special Operating Agency effective January 1, 2002.

Discussion

Staff reductions will impact five student (5) Clerk 1 Starters and two student maintenance positions. Student Clerk 1 Starters are no longer required due a reduction in rounds played and the two student maintenance workers, who are normally employed from June to the end of August, will be compensated for by sharing staff amongst two golf courses. Even though the City is under no obligation to redeploy these students, efforts will be made to assist these students in finding alternative work through the City's spring recruitment process.

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 28, 2013

Project Name:

Winnipeg Golf Services (WGS) Special Operating Agency - 2014 Business Plan (Selection Report)

COMMENTS:

The recommendations contained in this report include that the operating line of credit to support the Winnipeg Golf Services Special Operating Agency remain at $7.5 million, that the Long-Term Debt - Capital Plan loans be forgiven, that the Long-Term Debt - Acquired Assets be converted to a non-interest bearing loan, and that amounts Allocated to the City, except for the provision for payroll taxes, be discontinued.

The financial implications of the proposed 2014 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:

Planning, Property and Development Department - Financial Services Division

SUBMITTED BY

Department: Winnipeg Golf Services
Division
Prepared by: Alan Shane, COO, WGS
Date: November 15, 2013
File No.

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APPENDIX A

WINNIPEG GOLF SERVCES
2014 BUSINESS PLAN

Overview

This report outlines a 2014 budget and operating plan for Winnipeg Golf Services (WGS) Special Operating Agency. The 2014 season will be the thirteenth 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 29th, 2013, WGS will continue to operate/manage the Kildonan Park, Windsor Park, Crescent Drive and Harbour View golf courses in 2014.
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SOA Financial Return

For 2013, the Agency is forecasting a loss of $ 966,815, which is $ $297,180 less than the $1,263,995 loss recorded in 2012.

For 2014, 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 2014 business plan.

Fees for the 2014 golf season

WGS is proposing to hold all green fee rates at 2013 levels. During the 2013 operating season, an additional charge of $2.00 per round was applied to all green fees sold. Revenues from the

$2.00 charge will be transferred to the Golf Course Reserve Fund to be used to fund course improvements.

Proposed capital improvements at Kildonan Park and Windsor Park are to undertake multiple drainage projects and rebuild several tee boxes, refurbish the clubhouses built in 1921 and 1926 respectively and complete the auto cart pathway network at each course. At Crescent Drive, the irrigation system was installed in 1966 and should be replaced as it is starting to fail with regularity and is costly to repair.

Green fee information for the 2014 golf season as well as fee information dating back to 2002, is contained in Appendix A-2

Rounds played at WGS courses have declined by 22% over the past 5 years. In 2012, WGS courses experienced a slight increase of 518 rounds played which is less than a 1% increase over 2011. That slight adjustment was mainly due to an increase in rounds played at Windsor Park as a result of players returning after the 2011 flood year. If you compare courses to 2010 it was a 9.8% decrease. In 2012, rounds played at Kildonan Park decreased by 3,099 or 9.5%. 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. WGS courses offer very competitive green fee 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 2014 will not be increased. In 2013, a $2.00 per round charge was applied to all green fees sold to fund course improvement projects.
	2. Target market to consumers.	Promotions targeted to adult regulars (Twilight, Afternoon Special).
	3. 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).
	4. Continue value added specials (Afternoon Special w/auto cart, etc.)	Valued added promotions now represent a large part of our overall green fee and equipment revenue.

GOAL	STRATEGIES	STATUS
Improve golf course playability	1. Assess maintenance practices, methods and schedules to optimize playing conditions.	Continuously assess and implement improvements. Lease new equipment to improve playability.
	2. Staff schedule changed.	The maintenance staff schedule was changed to improve cutting practices for early morning and weekend players.
	3. Make immediate maintenance improvements to demonstrate intent.	Installation on new fairway distance markers at Windsor Park will improve playability and reduce maintenance costs. Begin rebuilding tee boxes and initiate drainage projects to improve overall playability.
	4. Reforestation	Reforestation program implemented in 2012. Over 60 trees planted at Kildonan Park G.C. with 100 plus stumps removed.
	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.
	3. Develop a social media marketing plan.	E-mail announcements of special offers. Developing the use of Twitter and Facebook 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. Enhance current Marshal program	Extend hours of service.
	3. Develop a Marshal training program	Institute a Marshal training program which includes MLCC training, customer service training and first aid/CPR.
	4. 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.
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.
	2. Monitor food and beverage service.	Daily monitoring done by golf course staff; monthly reviews held with food contractor during the season; food specials.
Increase auto cart revenues	1. 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.
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.
Manage Cross Country Ski operations and trail grooming	1. Administer agreement with Cross Country Ski Association of Manitoba.	Reviewing proposal for longer term arrangement with Association.
Promotions and Specials	1. Increase communication with patrons promoting specials and discount offering	Electronic reader billboard be installed on Main St. in front of the Kildonan Park clubhouse.

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 loss of $ 966,815, which is $ $297,180 less than the $1,263,995 loss recorded in 2012.

The Agency is recommending not increasing the line of credit, which will remain at $7.5 million.

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. In 2014, WGS is forecasting a decrease in rounds played due to the continual decline in golf that many courses are experiencing.

The projections for 2014 to 2016, 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%.

Human Resources

In 2014, the Agency will operate with 4 permanent staff and 43 seasonal staff.

Information Technology

Recent technology upgrades to the PeopleSoft timekeeping system have been implemented in each clubhouse operation.

New POS systems will be installed in 2014 at Kildonan Park, Windsor Park and Crescent Drive golf courses. New POS systems will improve financial reporting and attendance tracking and will allow for the introduction of pre-loaded gift cards, eliminating the need for the current 10 game pass card, which are costly to produce and monitor.

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 equipment servicing is done by a combination of internal (Fleet Maintenance) and external (equipment service contractor) sources. Mowing equipment that is nearing the end of its life expectancy will be replaced in 2014. New equipment (leased or purchased) will be acquired in order to ensure a high standard of maintenance is achieved.

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	• Forecasted financial return to the City was less than 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. • All staff take customer service training.
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 effects 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 its 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.

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

On March 20th, 2013, Council approved the recommendation to dissolve the WGS Advisory Board.

Issues and Challenges

The issues remain the same:

- 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

	2012 Actual (Audited)	2013 Forecast	2014	2015	2016
		$	$	$	$
ASSETS (Note 7)					
Current					
Cash	-	-	-	-	-
Due from City of Winnipeg	-	-	-	-	-
Accounts Receivable	$ 274,413	$ 274,413	$ 274,413	$ 274,413	$ 274,413
Inventory (Note 2)	30,642	30,642	30,642	30,642	30,642
Prepaid Expenses	-	-	-	-	-
	305,055	305,055	305,055	305,055	305,055
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)	2,276,772	2,276,772	2,276,772	2,386,272	2,423,772
Golf Course Improvements (Note 2)	1,047,505	1,120,505	1,305,505	1,450,505	1,595,505
Furniture and Other Equipment (Note 2)	1,579,073	1,579,072	1,640,073	1,640,073	1,640,073
	25,279,915	25,352,914	25,598,915	25,853,415	26,035,915
Less: accumulated depreciation	2,440,317	2,651,516	2,844,432	3,043,185	3,243,449
	22,839,598	22,701,398	22,754,484	22,810,230	22,792,466
	$ 23,144,653	$ 23,006,453	$ 23,059,539	$ 23,115,285	$ 23,097,521
LIABILITIES (Note 7)					
Current					
Due to City of Winnipeg	$ 6,407,068	$ 7,449,230	$ 7,493,007	$ 6,739,175	$ 5,908,586
Accounts payable and accrued liabilities	295,349	295,349	295,349	295,349	295,349
Deferred Revenue	42,179	42,179	42,179	42,179	42,179
Vacation Liability	52,107	46,896	42,206	37,985	34,187
Current portion of long-term debt (Schedule 2)	170,436	89,781	89,781	89,781	89,781
	6,967,139	7,923,435	7,962,522	7,204,469	6,370,082
Long Term					
Retirement allowance	109,000	98,100	88,290	79,461	71,515
Environmental Liability	100,000	-	-	-	-
Long-term debt	3,761,923	3,745,142	2,783,220	2,693,438	2,603,657
	3,970,923	3,843,242	2,871,510	2,772,899	2,675,172
RETAINED EARNINGS					
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/(Deficit)	(8,368,067)	(9,334,882)	(8,349,151)	(7,436,741)	(6,522,391)
	12,206,591	11,239,776	12,225,507	13,137,917	14,052,267
	$ 23,144,653	$ 23,006,453	$ 23,059,539	$ 23,115,285	$ 23,097,521

Golf Services - Special Operating Agency

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

	2012 Actual (audited)	2013 Council Adopted	2013 Forecast	Variance	2014	2015	2016
Revenues: (Note 4)							
Green Fees	$ 1,688,682	$ 1,703,680	$ 1,574,804	$ (128,876)	$ 1,871,371	$ 1,966,519	$ 2,087,499
Equipment Rentals	337,005	352,009	326,833	(25,176)	359,049	366,229	373,553
Concessions	61,443	56,546	49,015	(7,531)	57,676	58,831	60,006
Merchandise Sales	77,891	62,899	59,592	(3,307)	64,156	65,440	66,749
Transfer from General Revenue Fund						750,000	750,000
Transfer from Golf Course Reserve					246,000	254,500	182,500
Gain on forgiveness of Loan from Golf Course Reserve					872,141		
Other	31,717	35,663	35,663	-	36,376	37,102	37,844
Net Revenue-Leasing Operations	262,645	259,443	259,282	(161)	261,282	264,118	263,949
Total Revenues	2,459,383	2,470,240	2,305,189	(165,051)	3,768,051	3,762,739	3,822,100
Expenses: (Note 5)							
Salaries & Employee Benefits	1,449,258	1,456,180	1,267,654	(188,526)	1,399,665	1,431,375	1,463,744
Services	890,824	619,131	803,947	184,816	712,199	723,379	734,783
Materials,Parts,Supplies	217,277	242,739	189,832	(52,907)	204,235	218,319	222,683
Transfer to Golf Course Reserve			81,000	81,000	171,270	175,460	180,090
Loss on disposal of tangible capital assets	145,020						
Interest on Short Term Debt	60,736	88,802	58,468	(30,334)	66,480	66,705	69,048
Interest on Long Term Debt - Capital Plan	62,479	58,041	58,641	600	-	-	-
Total Expenses	2,825,594	2,464,893	2,459,542	(5,351)	2,553,849	2,615,238	2,670,348
Net Revenue	(366,211)	5,347	(154,353)	(159,700)	1,214,202	1,147,501	1,151,752
Allocated to the City: (Note 6)							
Property Tax Equivalents	254,671	262,310	262,310	-	-	-	-
Departmental Support Costs	54,036	55,658	55,658	(0)	-	-	-
Office Accommodation Costs	16,788	16,975	-	(16,975)	-	-	-
Provision for Payroll Taxes	26,669	27,683	26,178	(1,505)	28,238	28,803	29,379
Provision for Business Taxes	28,249	28,249	28,249	-	-	-	-
Interest on Long Term Debt - Acquired Assets	181,115	179,490	179,490	-	-	-	-
Transfer to General Revenue for 311	81,115	40,558	40,558	-	-	-	-
Transfer to BTS Internal Service Provider	-	1,717	1,717	-	-	-	-
City's Return on Investment	-	-	-	-	-	-	-
Total allocated to the City	642,643	612,640	594,160	(18,480)	28,238	28,803	29,379
Other:							
Depreciation, Fixed Assets	248,594	238,154	211,199	(26,955)	192,917	198,753	200,262
Annual Audit Fee	6,548	7,103	7,103	-	7,316	7,535	7,761
Total Other and Allocated to the City	897,785	857,897	812,462	(45,435)	228,471	235,091	237,402
Net Income/(Loss)	$ (1,263,995)	$ (852,550)	$ (966,815)	$ (114,265)	$ 985,731	$ 912,410	$ 914,350

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

	2012 Actual (Audited)	2013 Forecast	2014	2015	2016
Net inflow (outflow) of cash related to the following activities:					
OPERATING					
Net earnings (loss) for the year	$ (1,263,995)	$ (966,815)	$ 985,731	$ 912,410	$ 914,350
Non-cash items relating to operations:					
Amortization	248,594	211,199	192,917	198,753	200,262
Change in environmental liabiilty	90,000	(100,000)	-	-	-
Increase in Retirement Allowance	12,000	(10,900)	(9,810)	(8,829)	(7,946)
Working capital from operations	(913,402)	(866,516)	1,168,838	1,102,334	1,106,666
Changes in non-cash operating working capital items:					
Accounts receivable	19,560	-	-	-	-
Inventory	30,501	-	-	-	-
Prepaid Expenses	5,000	-	-	-	-
Accounts payable and accrued liabilites	178,208	-	-	-	-
Deferred Revenue	(10,146)	-	-	-	-
Vacation Liab	(255)	(5,211)	(4,690)	(4,221)	(3,798)
	(690,534)	(871,727)	1,164,148	1,098,113	1,102,868
FINANCING					
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	707,778	1,042,162	43,777	(753,832)	(830,589)
Increase/(decrease) in Long-term debt - Required for Capital Plan	(97,565)	(97,436)	(961,922)	(89,781)	(89,781)
Transfer to City of Winnipeg - General Revenue Fund	-	-	-	-	-
	610,213	944,726	(918,145)	(843,613)	(920,370)
INVESTING					
Purchase of Land	-	-	-	-	-
Purchase of Buildings	267,000	-	-	(109,500)	(37,500)
Purchase of Golf Course Improvements	(9,671)	(73,000)	(185,000)	(145,000)	(145,000)
Purchase of Furniture and Other Equipment	(62,676)	1	(61,001)	-	-
Proceeds from disposal of equipment	(114,332)				
	80,321	(72,999)	(246,001)	(254,500)	(182,500)
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

	2012 $	2013 $	2014 $	2015 $	2016 $
Contributed Surplus	$ 20,574,658	$ 20,574,658	$ 20,574,658	$ 20,574,658	$ 20,574,658
Net Income (Loss) for year (Cumulative)	(8,368,067)	(9,334,882)	(8,349,151)	(7,436,741)	(6,522,391)
	$ 12,206,591	$ 11,239,776	$ 12,225,507	$ 13,137,917	$ 14,052,267

Golf Services - Special Operating Agency
Notes to the Financial Projection
For the year ending December 31, 2014

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

Green fees represent approximately 75% of total normal revenues. Projections assume that time available for play on all courses will remain constant in each of the five years. Weather variables, over which management has no control, represents the largest risk to attaining projected revenues.

4 ASSUMPTIONS – REVENUE

a) Green Fees

Green fee rates are projected to remain unchanged in 2014. On July 20, 2013, WGS implemented an additional charge of $2.00 to every green fee sold, which will be transferred to the Golf Course Reserve Fund to be used to fund course improvements.

The number of rounds is based on an average of 90,000 and a typical prairie golf season of 195 days. WGS is forecasting a decrease in rounds played in 2014 due to the continual decrease in golf participation.

b) Equipment Rentals

The auto cart fleet consists of 61 units. 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 carry only the most popular equipment with a focus on past trends. Gross sales are projected to increase slightly in 2014. 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 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) 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.

f) 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 complement 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

43 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.

I) Rentals

Rental of auto 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 repairing equipment and irrigation systems.

6) ASSUMPTIONS - AMOUNTS ALLOCATED TO CITY

a) Provisions for Payroll and Business Taxes

These imputed costs have been estimated based on the prevailing rates of taxation.

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, 2012. The results of this valuation were extrapolated to December 31, 2014.

e) Long Term Debt

Golf course improvements were financed by loans from the Golf Course Reserve Fund. Loans totaling $872,141 were forgiven effective January 1, 2014 resulting in an equivalent amount of one-time revenue.

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, 2013 is projected at $2,962,782. Effective January 1, 2014, the loan is non-interest bearing.

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: 2014 GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014 *
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	34.00	34.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50	22.00	22.00	23.00	23.00	25.50	25.50
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	18.00	18.00	20.00	20.00
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	22.00	22.00
Twilite junior	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	20.00	20.00	22.00	22.00
Sunrise (Windsor)	12.00	12.00	13.00	13.00	13.00	13.00	13.50	15.00	15.00	16.00	16.00	18.50	18.50
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	17.00	17.00
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	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	14.00	14.00
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	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	13.00	13.00
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	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	14.00	14.00
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	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	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	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	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	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	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	3.25

*** Includes $2.00 per round fee increase to fund course improvements implemented July 20th, 2013**

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