Agenda – Executive Policy Committee – July 5, 2017

Report – Standing Policy Committee on Innovation – June 23, 2017

Item No. 1 Winnipeg Golf Services SOA – 2017 Business Plan (Selection Report)

STANDING COMMITTEE RECOMMENDATION:

On June 23, 2017, the Standing Policy Committee on Innovation concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the 2017 Business Plan for The City of Winnipeg – Golf Services – Special Operating Agency including the 2017 budget be approved and the 2018 and 2019 financial projections be received as information, as outlined in Appendix A.

2. That the Golf Course Reserve Fund be closed and the accumulated surplus of Fund #789 be transferred to The City of Winnipeg – Golf Services – Special Operating Agency, as at January 1, 2017.

3. That the Proper Officers of The City be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.

Agenda – Executive Policy Committee – July 5, 2017

Report – Standing Policy Committee on Innovation – June 23, 2017

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On June 23, 2017, the Standing Policy Committee on Innovation concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: The City of Winnipeg – Golf Services – Special Operating Agency – 2017 Business Plan

Critical Path: Standing Policy Committee on Innovation – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
A. Shane	J. Kiernan	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

An annual business plan for the City of Winnipeg Golf Services (Special Operating Agency) is submitted to Council each year. Highlights of the 2017 business plan, attached as Appendix A, are provided below:

In 2016, rounds played at the Kildonan Park, Windsor Park, Crescent Drive and Harbour View Golf Courses decreased by 4,894 rounds or 6.2% over the 2015 season.

At the Windsor Park Golf Course, capital improvements in 2016 consisted of several drainage improvement projects, bathroom upgrades, new furnishing for the clubhouse and replacement of the maintenance building roof. At Kildonan Park, several drainage projects were completed, the maintenance building and auto cart barn roofs were replaced, clubhouse improvements consisted of new windows and doors throughout, new eaves troughs were installed, clubhouse wiring was upgraded and the attic space was insulated in preparation for the facility to be used as a ski chalet. At Crescent Drive a new putting green was built.

In 2017, proposed capital improvements at Windsor Park consist of new clubhouse carpeting, the purchase of new chairs for the lounge area, and a new main entryway will be built. At Kildonan Park in 2017, proposed capital improvements consist of improved drainage on five holes, the rebuilding of six tee boxes, and a new forward tee box on hole #16.

In 2017, at Kildonan Park, Windsor Park, Crescent Drive and Harbour View Golf Courses, all green fee rates will increase by $1.00 per round. All other fees will remain unchanged from 2016 rates.

The Agency's line of credit, due to The City of Winnipeg – General Revenue Fund balance, is projected to decrease from $7.055 million in 2015 to $5.838 million in 2017. Contributing to the decrease will be mill rate support of $462,000 from the City (i.e. transfer from the General Revenue Fund). This will be the third of ten annual transfers, which are required to repay the

outstanding balance. Each of the ten annual transfers was to be for $750,000; however, the transfer in 2017 is less due to the winding up of the Golf Course Reserve Fund, which will result in an allocated equity 'pick-up' as noted below.

Subject to Council approval, the Golf Course Reserve Fund #789 will be closed effective January 1, 2017 and the equity balance, estimated at $451,000, will be transferred to The City of Winnipeg – Golf Services – Special Operating Agency.

RECOMMENDATIONS

1. That the 2017 Business Plan for The City of Winnipeg – Golf Services – Special Operating Agency including the 2017 budget be approved and the 2018 and 2019 financial projections be received as information, as outlined in Appendix A.

2. That the Golf Course Reserve Fund be closed and the accumulated surplus of Fund #789 be transferred to The City of Winnipeg – Golf Services – Special Operating Agency, as at January 1, 2017.

3. That the Proper Officers of The City be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.

REASON FOR THE REPORT

A Business Plan is presented to Council, annually, in accordance with The City of Winnipeg – Golf Services – Special Operating Agency's Operating Charter.

IMPLICATIONS OF THE RECOMMENDATIONS

In 2017, the Agency will receive a transfer of $462,000 from the General Revenue Fund intended to reduce the Agency's operating line-of-credit, due to The City of Winnipeg – General Revenue Fund balance, to $nil over the ten-year period from 2015 to 2024.

The Agency's line of credit, due to The City of Winnipeg – General Revenue Fund balance, is projected to decrease from $7.055 million in 2015 to $5.838 million in 2017.

For 2017, all green fees at the 18-hole golf courses (Kildonan Park and Windsor Park) and the 9-hole courses (Crescent Drive and Harbour View) will increase by $1.00 per round. All other fees will remain unchanged.

Subject to Council approval, the Golf Course Reserve Fund #789 will be closed effective January 1, 2017 and the equity balance, estimated at $451,000, will be transferred to The City of Winnipeg – Golf Services – Special Operating Agency.

HISTORY/DISCUSSION

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

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

The Golf Course Reserve Fund, originally established by Council on April 27, 1994, became a financing source for Golf Course Improvements with the establishment of the Golf Services SOA on January 1, 2002. The Reserve received principal and interest payments from Golf Services in order to fund future capital improvements to municipal golf courses. On December 11, 2013, Council approved that, effective January 1, 2014, the loans from the Golf Course Reserve Fund to Golf Services be forgiven. Since that time, a $2.00 per round golf course improvement levy has been applied to all green fees sold, with revenues being held in the Reserve, to provide for future capital improvements to municipal golf courses.

The WGS SOA was established to operate in a businesslike manner; that is, it was to generate sufficient revenue to offset its expenses and provide a return to the City (i.e. General Revenue Fund). However, given the declining state of the local golf market since WGS' inception, the Agency has been unable to achieve its revenue projections and, as a result, has accumulated an operating deficit of $9.8 million from inception in 2002 to 2015.

The declining local golf market also led to the Agency borrowing funds from the City to meet its annual cash flow requirements. It was planned that the Agency would repay this line of credit (Due to the City of Winnipeg – General Revenue Fund) balance with cash flow generated from its operations. However, the stagnant nature of the local golf market did not enable the Agency to generate the required cash flow and as result, the line of credit balance increased to $7.5 million by 2015.

To address this outstanding balance, beginning in 2015, the Agency's budget has included $750,000 ($462,000 in 2017 only) in mill rate support from the City of Winnipeg – General Revenue Fund. This annual mill rate support is intended to enable the Agency's line of credit, due to the City of Winnipeg – General Revenue Fund, balance to be repaid by the end of 2024. However, based on current projections, the outstanding inter-company balance is unlikely to be fully repaid at that time.

Losses to WGS in 2016 were primarily due to an increase in the allowance for doubtful accounts of $246,000 related to an outstanding receivable from 2015 and 2016.

To address the operating losses, WGS will attempt to increase revenues by increasing green fees by $1.00 per round and by better communicating discount opportunities through the use of increased email advertising, use of the Golf Services App and the development of league play. Operational expenses in 2017 will be reduced by adjusting the length of the operating season by opening the courses later in the spring when weather conditions are more favorable and by

closing the courses earlier in the fall when expenses exceed revenues. It is estimated that this strategy could reduce expenses by $100,000 annually.

Subject to Council approval, the Golf Course Reserve is to be closed effective January 1, 2017, and the Reserve's remaining equity balance will be transferred to the Agency, and identified as allocated equity within the Agency.

During 2017, revenues from the $2.00 per round golf course improvement levy will continue to be charged by the Agency, which will increase the Agency's allocated equity balance. The Agency's allocated equity will provide for future golf course improvement capital asset acquisitions.

Unionized City employees 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.) continue to be operated through a management contract, with golf course maintenance being performed by unionized City employees.

FINANCIAL IMPACT

Financial Impact Statement Date: May 2, 2017

Project Name:

The City of Winnipeg - Golf Services - Special Operating Agency - 2017 Business Plan

COMMENTS:

2017 to 2019 projected financial statements and notes are presented in Appendix A-1.

"Original Signed By"
Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

Planning, Property and Development Department

OURWINNIPEG POLICY ALIGNMENT

Section 01 – A City That Works

Section 01 – 5 Recreation – Direction 6 – Plan for Sustainable and Connected Recreation and Leisure Infrastructure

SUBMITTED BY

Department: Winnipeg Golf Services
Division: n/a
Prepared by: Alan Shane, Chief Operating Office, WGS
Date: May 15, 2017
File No: o:\reports directive\golf services\2017 - wgs soa business plan (v5 sub).docx

Attachments:

APPENDIX A

THE CITY OF WINNIPEG

GOLF SERVICES –

SPECIAL OPERATING AGENCY

BUSINESS PLAN

2017

Overview

The City of Winnipeg has operated municipal golf courses since 1921. The City of Winnipeg – Golf Services – Special Operating Agency was established in 2002 to administer the City's golf course assets. The Special Operating Agency concept permits the Agency to operate in a business-like and transparent manner, through managerial flexibilities including special delegations, exemptions and authorities.

The Agency is responsible for operating and maintaining golf courses, managing contracts and leases for City lands used by privately operated courses, managing a contracted cross country ski operation and other services compatible with a golf operation.

The 2017 season will be the sixteenth year of operation for The Agency, and includes the operation and contract management of 12 golf course properties in Winnipeg. There are four different types of arrangements under which the golf courses are managed by the Agency:

1. City operated and maintained: Kildonan Park, Windsor Park and Crescent Drive
2. Leased properties: Rossmere, St. Boniface, Transcona, Wildewood, Assiniboine, Canoe Club and Tuxedo.
3. Managed Contract: John Blumberg
4. City maintained/ Contractor operated: Harbour View Golf Course and Recreation Complex.

A list of contract termination dates for the leased properties, and properties under managed contracts is contained in Appendix A-4.

Strategic Direction

The Agency's strategic direction is set out by its Operating Charter and Business Plan, and places emphasis on managing for results, bottom-line accountability, customer satisfaction, and full disclosure.

The Agency participates 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.

The current Winnipeg golf market is over saturated with golf courses whereby supply exceeds demand. In recent years this over supply has resulted in the closure of one golf course and another being scheduled to close in 2018. Most others golf courses are currently adjusting their operating models to remain solvent.

To maintain market share, most public golf courses attempt to attract golfers by offering tee time discounts, auto cart specials and other promotional opportunities. Winnipeg Golf Services uses a comparable strategy but in an effort to differentiate itself from the competition, also offers a

player discount program, (PAR) Points and Rewards (which is a new concept to the Winnipeg golf market) and in 2015, WGS also introduced a new interactive golf app unlike any other available in the current market.

Other issues facing Winnipeg Golf Services continue to be:

- Aging infrastructure
- Increasing infrastructure deficit
- Increasing market competition
- Continued drainage issues

Following direction from Council on May 29th, 2013, the Agency will continue to operate/manage the Kildonan Park, Windsor Park, Crescent Drive, and Harbour View Golf Courses.

Vision

WGS strives to be recognized as a leader in the provision of Municipal golf services.

Mission

The Agency endeavours to make municipal golf courses the location of choice by providing responsive customer service, maintaining the highest possible standard of play and continually striving to improve our product in the golf market.

Values

- Customer focus
- Business mentality
- Creativity and innovation
- Environmental responsibility

Guiding Principles

- Teamwork
- Sustainability
- Focus on value and results
- Flexibility
- Be responsive

Key Goals and Strategies

Goal: Improve Golf Course Playability

Strategies:

To improve playability and increase revenues, in 2014 Winnipeg Golf Services began several capital improvement projects at the Kildonan Park and Windsor Park Golf Courses.

New tee boxes were built, several other older tee boxes were renovated, new sand traps were added and multiple drainage projects were completed. In 2017 in an effort to continue to improve the golf product the following capital improvement will be undertaken:

- At Kildonan Park drainage projects will be undertaken on holes #1, #7, #9, #14 and #16.

- At Kildonan Park existing tee boxes on holes #2, #4, #6, #11, #15 and #16 will be rebuilt and a new secondary tee box will be built on hole #16 in an effort to change the playability of the hole.

- In 2016 at Crescent Drive, a new putting green was built which is scheduled to open in the spring of 2017. The putting green was designed for use by all level of golfers, but in particular junior players.

Goal: Provide High Quality Customer Service

Strategies:

In 2014 in an effort to improve Customer Service, Winnipeg Golf Services introduced a new Point of Sale System that allowed for the sale of gift cards, on-line purchasing capability and the implementation of the PAR Loyalty Program. In 2015 a new interactive golf app was also introduced, which is the only one of its type in the Winnipeg golf.

In 2014, A Point of Sale (POS) system was installed at Kildonan Park, Windsor Park and Crescent Drive Golf Courses. The POS system improves financial reporting and attendance tracking and allows for the introduction of pre-loaded gift cards, eliminating the need for the 10-game pass card, which were costly to produce and monitor, and allows for the creation and implementation of a new Customer Loyalty Program, Points and Rewards (PAR) that encourages players to patronize our golf courses by awarding points for every green fee purchased. At present, the PAR Loyalty Program has 6,407 members. The POS system has allowed the Agency to accumulate an email database that is used to communicate with Agency patrons, advising them of green fee specials, discounts on merchandise, and general information on Agency programs.

- In 2014, the WGS web site was upgraded to allow patrons the ability to purchase gift cards on-line.

- During the summer of 2015 a new WGS App was introduced at the Kildonan Park and Windsor Park Golf courses. The app is free to any golfer with an iPhone or Android device. Golfers can enhance their playing experience by using the interactive scorecard, viewing detailed video fly overs of each hole and tracking their personal scoring statistics. Players can also use the app to more easily book a tee time. In 2017, players using the app will also receive “push” notifications advising them of specials or discounted unused tee times. Players who are members of the PAR Loyalty Program who receive these notifications could receive additional bonus PAR points if they book the promotional unused tee times.

- In 2017, WGS is considering expanding the PAR Loyalty Program whereby golfers will be able to accumulate points when purchasing merchandise or renting equipment. Conversely, PAR members will also be able to redeem their points to purchase merchandise or rent auto carts or other equipment.

- During the winter of 2017, WGS will begin using the clubhouse at Kildonan Park as a cross country ski chalet. Initially only school groups will be allowed to use the facility as part of a pilot project to determine the functionality of the clubhouse during the winter months. The intent is to upgrade the clubhouse facility to eventually provide full public access similar to the cross country ski operation at Windsor Park which is currently being managed by the Cross Country Ski Association of Manitoba.

- In 2017, all clubhouse staff and Marshals will be certified in First Aid, CPR, and the use of a defibulator.

Goal: Ensure Financial and Environmental Sustainability

Strategies:

Winnipeg Golf Services equipment servicing is done by a using a combination of internal (Winnipeg Fleet Management Agency), and external (equipment service contractor) sources. By using both internal and external services, Winnipeg Golf Services is better able repair equipment in the shortest time possible, at the lowest possible cost, while still having equipment repaired by certified mechanics.

- In 2016 a new turf sprayer unit was purchased. This new turf sprayer unit will allow WGS to be better able to react to the onset of turf diseases and to be better able to control noxious weeds and clover which will improve playing conditions. The new spraying unit will also allow WGS to properly regulate and reduce the amount of chemicals being applied.

- In 2017, Maintenance staff will continue to be trained in the proper application of fungicides and herbicides.

Goal: Improve the Image of the Municipal Courses

Strategies:

Beginning in 2014, Winnipeg Golf Services began upgrading its facilities to improve the overall appearance as well as life expectancy of the facilities.

- At Kildonan Park, capital improvements in 2016 included the completion of drainage projects on holes #3 and #11, replacement of the maintenance building and cart barn roofs, a new patio was opened, new eaves troughs were installed on the clubhouse and the clubhouse windows and doors were replaced. The wiring and insulation in the attic was upgraded to allow for winter use of the facility for the provision of Cross Country skiing.

- At Windsor Park in 2016, the roof on the maintenance building was replaced. Clubhouse improvements included an upgrade to the men's bathroom facility, and new clubhouse chairs were purchased for the lounge area. Golf course improvements included drainage projects on holes, #4, #14 and #15. New sand bunkers were added on holes #2, #4, and #14.

- In 2017 at Windsor Park, clubhouse improvements will include, new carpeting in the lounge area and the purchase of additional furnishings, and a new front entry way will be built.

- At the beginning of the 2017 golf season, each of the three City-operated golf courses, Kildonan Park, Windsor Park and Crescent Drive will have Wi-Fi capability.

Goal: Increase Revenues from Associated Services

Strategies:

- For 2017, operating revenues and expenditures reflect a return based on a typical prairie golf season of 195 days, and green fees are based on approximately 81,000 rounds. In 2017, the Agency is proposing to increase all green fees rates at Kildonan Park, Windsor Park, Crescent Drive and Harbour View Golf Courses by $1.00 per round.

- All other fees will remain unchanged from 2016 rates.

- In 2016 a new patio at Kildonan Park was opened. Patio service was introduced and "patio specials" were offered to both golfers, and the general public. The introduction of the patio enhances the players overall experience and may positively impact not only food and beverage revenue but also green fee revenue.

- In 2016, WGS obtained an additional liquor license (Dining Room) at Kildonan Park that will allow the Concessionaire to sell liquor to non-golfers on the patio and in the clubhouse. A change in the licensing will allow Winnipeg Golf Services to attract non-golfers to the facility and introduce them to our new patio and could increase food and beverage revenue.

- Late in the summer of 2015 at Crescent Drive, a new Customer/ Member Service liquor license was obtained whereby City Pro Shop staff can now vend alcohol to golf course patrons. This is a new revenue stream for that facility which is anticipated to increase revenue by $10,000.00 to $15,000.00 annually.

- In 2017, WGS is proposing to sell advertising space as a new revenue source. Propose advertising opportunities consist of, advertising on auto carts, tee marker signs, and scorecards. WGS is also currently negotiating with its Food Service provider the opportunity promote their product on the Electronic Reader Board in front of the Kildonan Park Golf course as well as the placement of their corporate name and logo on the sign, on mobile concession carts, and the 10th hole canteen. Potential revenue is estimated to be between $10,000.00 to $25,000.00 annually.

- At Crescent Drive, discussions have recently begun between the COO of WGS and the Manager of the Thermea Spa to have Thermea prepare and provide food service to golf course patrons in 2017. The introduction of this service will enhance the overall golf experience and could generate $1,500.00 to $3,000.00 of new revenue annually.

Efficiency Measurement

Golf Services Operating Cost per Round (18 Holes)*

Kildonan Golf Course	**2011**	**2012**	**2013**	**2014**	**2015**
Total Cost (Operations)	$755,403	$809,898	$711,788	$712,852	$805,403
Total Revenue (Operations)	$1,087,692	$993,830	$985,686	$922,595	$973,641
Net Revenue (Operations)	$332,289	$183,932	$273,898	$209,743	$168,238
Operating Cost per Round	$23.18	$27.47	$24.76	$25.80	$29.03
Windsor Golf Course	**2011**	**2012**	**2013**	**2014**	**2015**
Total Cost (Operations)	$764,894	$849,810	$880,775	$767,628	$863,043
Total Revenue (Operations)	$590,519	$800,767	$737,604	$674,049	$782,182
Net Revenue (Operations)	($174,375)	($49,043)	($143,171)	($93,579)	($80,861)
Operating Cost per Round	$44.46	$33.71	$39.15	$38.27	$36.61
Golf Services Operating Cost per Round (9 holes)*					
Crescent Drive Golf Course	**2011**	**2012**	**2013**	**2014**	**2015**
Total Cost (Operations)	$326,764	$388,825	$335,072	$332,699	$310,900
Total Revenue (Operations)	$283,293	$221,328	$203,801	$207,244	$247,905
Net Revenue (Operations)	($43,471)	($167,497)	($131,271)	($125,455)	($62,995)
Operating Cost per Round	$18.49	$24.29	$24.04	$24.53	$19.01
Harbour View Golf Course	**2011**	**2012**	**2013**	**2014**	**2015**
Total Cost (Operations)	$417,456	$368,439	$341,998	$200,811	$204,790
Total Revenue (Operations)	$202,252	$183,968	$178,787	$69,918	$76,495
Net Revenue (Operations)	($215,204)	($184,471)	($163,211)	($130,893)	($128,295)
Operating Cost per Round	$23.53	$24.55	$25.72	$19.92	$18.61

* Note: Only direct operating costs for each course. No administrative charges included.

Performance Measurement and Statistics

Effectiveness Measurement

Green Fee Comparison of Golf Services and Other Winnipeg Golf Courses (2016)

Winnipeg Golf Services has one of the lowest green fees for 18 holes in the Winnipeg golf market.

Golf Course	Weekend	Adult Week Day	Senior	Junior	Twilite
Rossmere	$57.75	$45.00	n/a	$26.25	$40.00
St. Boniface	$56.00	$50.00	n/a	$22.00	$31.00
Bridges	$49.50	$46.25	n/a	$27.00	$20.00
Larters	$44.00	$44.00	$39.00	$26.00	$28.00
Kingswood	$45.00	$44.00	$37.50	$22.00	$36.00
AVERAGE	**$50.45**	**$45.85**	**$38.25**	**$24.65**	**$31.00**
Transcona	$42.00	$38.00	n/a	$24.00	$28.00
Tuxedo	$35.00	$35.00	$26.00	$20.00	$22.00
City of Winnipeg	$36.00	$36.00	$27.00	$21.00	$23.00
John Blumberg	$34.00	$28.00	$34.00	$34.00	$22.00

The Agency periodically surveys the fee structure of other public and semi-public courses within the Winnipeg market to determine market-pricing trends. Agency courses offer very competitive green fee rates in the Winnipeg market. Green fee information for the 2017 golf season, as well as fee information from 2013 to 2017, is contained in Appendix A-2

Golf Services Operating Cost per Hole

	2011	2012	2013	2014	2015
Kildonan Golf Course	$1.29	$1.53	$1.38	$1.43	$1.61
Windsor Golf Course	$2.47	$1.87	$2.17	$2.13	$2.03
Crescent Drive Golf Course	$2.05	$2.70	$2.76	$2.73	$2.11
Harbour View Golf Course	$2.61	$2.73	$2.86	$2.21	$2.07

Service Level Statistics

Description	2014	2015	2016
Kildonan (39.49 hectares)			
Days Open	175	198	189
Total Rounds	27,631	27,740	26,184
Windsor (46.13 hectares)			
Days Open	161	191	181
Total Rounds	20,058	23,570	21,305
Crescent Drive (15.39 hectares)			
Days Open	148	177	174
Total Rounds	13,562	16,353	15,029
Harbour View (12.8 hectares)			
Days Open	180	199	189
Total Rounds	10,083	11,000	11,251

In 2016, the Agency experienced a decrease in rounds played by 4,894 rounds or 6.2% when compared to the 2015 season. Kildonan Park, Windsor Park and Crescent Drive all experienced decreases in rounds played. Only Harbour View showed a slight increase in 2016. Rounds played at Kildonan Park decreased by 1,556 rounds or 5.6%. At Windsor Park rounds played decreased 2,265 or 9.6%. At Crescent Drive, rounds played decreased 1,324 rounds or 8.0% and at Harbour View, rounds increased by 251 or 2.3%. Appendix A-3 provides an account of the rounds played at Kildonan Park, Windsor Park, Crescent Drive and Harbour View Golf Courses.

Assumptions To The Projected Financial Statements

The projected financial statements include management's best estimates of future financial performance, and incorporate the financial implications of the Agency's goals and strategies.

The financial projections are estimates of the financial position, operations and accumulated surplus, cash flows, and change in net financial liabilities using management's assumptions that reflect the Agency's planned courses of action for the three years ending December 31, 2019.

Management's judgment has been used in the assumptions, with the most probable set of economic conditions. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this projection. Therefore, the actual results achieved during the projection period will vary from the projections, and the variations may be material.

The financial forecast and projections are based on actual 2015 results of operations, with increases for annual inflation, except where otherwise described in the notes to the projected financial statements, or as noted in these assumptions.

The 2017 to 2019 Projected Financial Statements and Notes are presented in Appendix A-1.

The 2015 Auditors' Report and Financial Statements are presented in Appendix A-6.

Revenues

Green Fees

Green fees revenue is based on a three percent increase in rounds played in 2017 and thereafter at Kildonan and Windsor courses, with no change in rounds played at Crescent Drive and Harbour View courses as compared to 2015 rounds played. Green fee rates are projected to increase by $1.00 for all courses in 2017 as compared to 2016 green fee rates. Green fees revenue is reduced by an estimate for complementary rounds played.

Net Revenue from Leasing Operations

Net revenue from leased properties and managed contract properties are based on current agreements, and are estimated for negotiated agreements after contract end dates.

Transfer from the City of Winnipeg – General Revenue Fund

Transfer from the City of Winnipeg – General Revenue Fund is based on the planned reduction of the Due to the City of Winnipeg liability balance to $nil by 2024.

Transfer from the City of Winnipeg – Golf Course Reserve Fund

Transfer from the City of Winnipeg – Golf Course Reserve Fund is based on the acquisition cost of capital improvements to municipal golf courses for 2016. During 2017, the transfer from the Reserve is projected at $451,000, resulting from the closure of the Golf Course Reserve Fund, and transfer of the Reserve's remaining equity balance to the Agency effective January 1, 2017. Transfers are projected at $nil for 2018 and thereafter.

Other

Other revenue is estimated and includes Provincial support grant, sports sales at Harbour View, and miscellaneous revenue.

Concessions

Concessions revenue is estimated to increase by $2,100 for beverage sales at Crescent Drive course during 2017.

Transfer from the City of Winnipeg – Contributions in Lieu of Land Dedication Reserve Fund

Transfer from the Land Dedication Reserve Fund is based on estimated funding requirements for capital building improvement acquisitions.

Expenses

Salaries and Employee Benefits

Salaries and employee benefits expense is based on collective agreements, providing for 24.2 full-time equivalent (FTE) positions in 2017 and forward, including 1 WAPSO exempt FTE position, 1 WAPSO FTE position, 1 CUPE FTE position, and 21.2 CUPE seasonal FTE positions. Pension, group insurance, dental, vision, and employment insurance benefits are projected at 21% of salaries.

The net change in FTE positions, comparing 2017 budget to 2016 budget, is an increase of 0.7 FTE, representing a net CUPE seasonal position required for golf course operations.

Services

Non-professional services expense includes an increase in 2016 of $20,000 for irrigation repair services.

Allocated department costs are based on estimates for services from the Planning, Property and Development Department, Municipal Accommodations Division.

Fleet operating and capital lease costs are based on estimates provided by Winnipeg Fleet Management Agency and other estimated fleet requirements.

Training expense is based on estimated staff training costs.

Amortization

Tangible capital assets are amortized on the basis of cost less residual value on a straight-line basis over their estimated useful lives as follows:

- Buildings; 25 years
- Equipment; 5 to 10 years
- Golf course improvements; 20 years

Supplies

Food and beverage expenses are estimated based on anticipated demand for concessions.

Interest

Interest expense is based on the due to The City of Winnipeg – General Revenue Fund liability balance, which operates as the Agency's line of credit, and estimated City of Winnipeg short-term borrowing rates.

Other

Other expenses include miscellaneous costs, provincial payroll tax, and estimated provision for bad debt.

Other

Transfer to The City of Winnipeg – Golf Course Reserve Fund

Transfer to The City of Winnipeg – Golf Course Reserve Fund is estimated in 2016 based on a $2.00 per round golf course improvement levy. Effective January 1, 2017, the transfer to the City of Winnipeg – Golf Course Reserve Fund is projected at $nil, due to the anticipated closure of the Reserve. The $2.00 per round golf course improvement levy will continue to be charged by the Agency, and will increase allocated equity beginning in 2017.

Liabilities

Due to The City of Winnipeg – General Revenue Fund

Due to The City of Winnipeg – General Revenue Fund, represents the Agency's operating line of credit. The balance as at December 31st is projected to decrease to $5.735 million, due to annual transfers from the General Revenue Fund over a period of 10 years, which began in 2015.

As outlined in The City of Winnipeg – Golf Services – Special Operating Agency 2015 Business Plan, adopted by Council on January 28, 2015, the projected balance of $6.75 million as at December 31, 2015 was to be reduced annually by $750,000 ($462,000 in 2017 only), resulting in a projected balance of $nil by 2024. However, due primarily to an increase in the allowance for doubtful accounts of $246,000 related to an outstanding receivable from 2015 and 2016, the Agency's line of credit balance from 2016 to 2019 is projected to be:

- $6.49 million as at December 31, 2016
- $5.84 million as at December 31, 2017
- $5.18 million as at December 31, 2018
- $4.45 million as at December 31, 2019

Debt

Due to The City of Winnipeg – General Revenue Fund debt represents a non-interest bearing start-up loan.

Non-Financial Assets

Tangible Capital Assets

Tangible capital assets include land, buildings, golf course improvements and equipment. Tangible capital asset acquisitions are contained in the Projected Statement of Cash Flows in Appendix A-1, and are estimated based on operational requirements.

Accumulated Surplus

The Agency's accumulated surplus consists of the following:

- Invested in tangible capital assets
- Allocated equity
- Contributed surplus
- Operating

Effective January 1, 2017, the Golf Course Reserve Fund's equity balance is projected to be transferred to the Agency, resulting in allocated equity within the Agency.

Allocated equity represents cumulative $2 per round golf course improvement levy from July 20, 2013 onward, net of cumulative capital acquisitions for improvements to municipal golf courses from January 1, 2014 onward.

Revenues from the $2.00 per round golf course improvement levy will continue to be charged by the Agency, which will increase the Agency's allocated equity balance. The Agency's allocated equity balance is reduced by future golf course improvement capital acquisitions, in 2017 and thereafter.

APPENDIX A-1

2017 TO 2019 PROJECTED FINANCIAL STATEMENTS AND NOTES



2017 Projected statements and notes

APPENDIX A-2

GREEN FEES AND MISCELLANEOUS SERVICES

	2013*	2014 *	2015 *	2016 *	2017*
Kildonan / Windsor					
Adult	34.00	34.00	35.00	36.00	37.00
Senior*	25.50	25.50	26.50	27.00	28.00
Junior*	20.00	20.00	21.00	21.00	22.00
Twilight	22.00	22.00	23.00	23.00	24.00
Sunrise (Windsor)	18.50	18.50	19.50	19.50	20.50
Crescent Drive / Harbour View					
Adult	17.00	17.00	17.00	17.00	18.00
2nd round	11.00	11.00	11.00	11.00	12.00
Senior	14.00	14.00	14.00	14.00	15.00
2nd round	7.00	7.00	7.00	7.00	8.00
Junior	13.00	13.00	13.00	13.00	14.00
2nd round	5.00	5.00	5.00	5.00	6.00
Sunrise	14.00	14.00	14.00	14.00	15.00
Miscellaneous Services (Windsor / Kildonan / Crescent Drive)					
Auto cart 18 hole	33.00	33.00	34.00	34.00	34.00
Auto cart 9 hole	16.50	16.50	17.00	17.00	17.00
Trail fee private auto cart (18)	20.00	20.00	20.00	20.00	20.00
Rental clubs 7 piece (18)	8.25	8.25	8.25	8.25	8.25
Rental Clubs 7 piece (9)	6.25	6.25	6.25	6.25	6.25
Pull cart (18)	6.25	6.25	6.25	6.25	6.25
Pull cart (9)	3.25	3.25	3.25	3.25	3.25

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

APPENDIX A-3

ROUNDS PLAYED 2011 TO 2016

	2011	2012	2013	2014	2015	2016
Kildonan	32,580	29,481	28,753	27,631	27,740	26,184
Windsor	17,203	25,212	22,500	20,058	23,570	21,305
Crescent Drive	17,667	16,006	13,936	13,562	16,353	15,029
Harbour View	17,741	15,010	13,298	10,083	11,000	11,251
Annual Total	**85,191**	**85,709**	**78,487**	**71,334**	**78,663**	**73,769**

APPENDIX A-4

LEASED PROPERTIES AND MANAGED CONTRACTS

Leased Properties	**Expiry Date**
Tuxedo Golf Course	February 28, 2021
Canoe Club Golf Course	April 30, 2019
Wildewood Club Golf Course	December 31, 2023
St. Boniface Golf Course	December 31, 2025
Transcona Golf Course	December 31, 2023
Assiniboine Golf Course	December 31, 2025
Rossmere Golf Course	October 9, 2058

Managed Contracts	**Expiry Date**
Harbour View Golf Course and Recreation Complex (contractor operated amenities; City maintained)	March 31, 2017
John Blumberg Golf Course	No contract at present

APPENDIX A-5

PROPERTY TAXES FOR LEASED GOLF COURSES

Golf Course	Address	2017 Taxes	Local Improvements	Frontage Levies	Total 2017 Taxes
Assiniiboine Golf Course	2045 Ness Ave	18,788.26		6,655.97	25,444.23
Tuxedo Golf Course	400 Shaftesbury	52,076.41		19,874.04	71,950.45
Wildwood Golf Course	761North Dr	19,376.67		23,142.97	42,519.64
Transcona Golf Course	2120 Dugald Rd	47,414.41		21,031.38	68,445.79
Rossmere Golf Course	925 Watt St	18,547.67		6,649.08	25,196.75
		19,697.16		2,207.29	21,904.45
Canoe Club Golf Course	56 Dunkirk Dr	18,702.28		2,246.50	20,948.78
St. Boniface Golf Course	100 Youville St	57,337.72	8,148.95	22,544.34	88,031.01

APPENDIX A-6

2015 AUDITORS' REPORT & FINANCIAL STATEMENTS



2015 Audited
Financial Statements