Community Services Report to
Priorities and Finance Committee
2021 February 16

Update on Moving to an External Operator for City Golf Courses

RECOMMENDATIONS:

That the Priorities and Finance Committee recommend that Council:

1. Direct Administration to develop and execute a strategy to secure a third party operator including defining the contract format and developing a market-ready Request for Proposal (phases 1-3 as noted in this report) and to seek approval from Council through the Priorities and Finance Committee in Q4 2021 to issue the Request for Proposal;
2. Receive the Golf Sustainability Framework Update (Attachment 4) for the Corporate Record as the required update on this related work; and
3. Direct that Attachment 3 remain confidential pursuant to Section 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2025 February 01.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 FEBRUARY 16:

That Council:

1. Refer this Item to Administration to consider after the implementation of the Golf Course Sustainability Framework, returning to Council through the Priorities and Finance Committee with a recommendation on whether to continue with the contracting out of all or some golf course operations no later than Q4 2022; and

2. Direct that Attachment 3 remain confidential pursuant to Section 24 (Advice from Officials), 25 (Disclosure harmful to economic and other interests of a public body) and 27 (Privileged Information) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2025 February 01.

Opposition to Recommendations:

Against: Councillor Chu, Councillor Woolley, Councillor Colley-Urquhart, and Councillor Farrell

HIGHLIGHTS

- Following analysis of the costs associated with developing a Request for Proposal (RFP) for an external provider to manage City golf courses, including the confidential findings of a related labour relations report, a five-phased scope of work has been developed to transition City golf courses to an external operator.
- In parallel to developing an RFP, work continues on the plan to reduce tax-funded operating support to golf operations to zero by the end of 2022. The Golf Sustainability Framework Update (Attachment 4) provides a Council-directed progress report on the status of sustainability initiatives to operate City golf courses without tax support.
- What does this mean to Calgarians?
  - Completing the initial phases of the RFP development process will provide the information required to develop a viable RFP. It demonstrates reasonable exercise of care for a new contract with an external service provider.

  - Continuing the planned work on the Golf Sustainability Framework initiatives reduces reliance on tax support.
- Why does this matter?
  - The work to develop an RFP will identify a practical path to attracting a capable service provider and contribute to effective contract negotiations and the successful transition of the service.
  - Updates on the success of the Golf Sustainability Framework initiatives demonstrate continued accountability while also carrying out Council's later direction to pursue an external provider for the management of City golf courses.
- The scoping report (Attachment 2) describes activities, decision points, known costs and resourcing requirements to get an RFP to market, and includes targeted and achievable timelines to complete all five phases of work.
- The Labour Relations report (Attachment 3) outlines the considerations of contracting out City golf courses to an external operator under the Alberta Labour Relations Code.
- Administration is committed to an informed, impartial and timely process by engaging a specialized external consultant to execute the work up to completion of the development of the RFP for a new operator in Phase 3.
- An RFP for the specialized external consultant was tendered in Q1 2021 and the submission did not meet the minimum threshold for evaluation. Alternate procurement strategies are being explored to secure the needed skills to meet the deliverable timelines noted in Attachment 2.
- With Calgary Recreation continuing to carry out Golf Sustainability Framework initiatives, 84 per cent of the target to reach net zero tax support has been achieved since 2018 (Attachment 4).
- Most Recent Council Direction: *Develop a scoping report for the costs of the Request for Proposal, and a confidential Labour Relations report returning to Council through the Priorities and Finance Committee for approval prior to proceeding and releasing the Request for Proposal as soon as possible.*
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

This report outlines the steps and estimated costs to secure an external operator for City golf courses, potential Labour Relations implications, and an update on sustainability initiatives.

Scoping Report
The scoping report presents a phased approach to transitioning City golf service to an external operator. Phases allow Administration to effectively manage resourcing, expenses and risks based on the findings at each stage, to ensure a successful RFP process and service transition. The phases are:

1. Internal Impact Review
2. Contract Exploration
3. Contract & RFP Development
4. Procurement, Negotiation & Award
5. Transition

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Preliminary costs for the first three phases total an estimated $225 thousand (please see Attachment 2 for detailed costs). External consulting costs will be determined through an RFP procurement process.

Labour Relations Report

Moving to an external provider for the City's golf courses is a complex task due in part to the Alberta Labour Relations Code implications of contracting out a line of business of this magnitude. Attachment 3 (confidential) explores how contracting out City golf courses compares with other service model types and situations The City has previously engaged in and includes an external legal opinion.

Golf Sustainability Framework Update

The update summarizes the status of initiatives and progress towards achieving an ongoing break-even financial position for City golf courses by 2022. At 2020 year-end, The City had realized 84 per cent of the $1 million target, with revenue of $418 thousand and expense savings of $422 thousand (Attachment 4).

Next Steps

Upon Council approval of this report, Administration will secure the necessary skill sets to complete Phase 1. Administration is exploring various procurement strategies in order to expedite the work.

After the completion of Phase 3, Administration will report back to Council through the Priorities and Finance Committee by Q4 2021 with recommendations on the contract structure and RFP. The recommendations will guide the procurement and transition work in Phases 4 and 5.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

☐ Public Engagement was undertaken

☒ Public Communication or Engagement was not required

☐ Public/Stakeholders were informed

☐ Stakeholder or customer dialogue/relations were undertaken

IMPLICATIONS

Social

Council-approved Guiding Principles (Attachment 5) serve as a framework for decision-making about City golf course operations. They identify that City golf courses offer basic services and amenities intended to uniquely serve the diverse needs of Calgarians.

The scope of work for contract and RFP development includes establishing detailed contract terms, evaluation criteria and a selection process to ensure these Guiding Principles would be carried forward by an external operator. This process will safeguard ongoing accessibility, affordability, equity, quality of service, accountability and overall community benefit for Calgarians.

Environmental

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Responsible stewardship, effective management of municipal lands and their relationship to the environment must be considered in the development of detailed contract terms and evaluation criteria. The process will ensure proposals are evaluated for a proponent's ability to maintain environmental management practices and standards.

Economic

The process will define a clear contract structure inclusive of terms, evaluation criteria and selection method to ensure long-term financial sustainability within the competitive golf marketplace, while upholding The City's service mandate.

Service and Financial Implications

Other: One-Time Funding – Up to $750 thousand

As documented in Attachment 2, this amount represents the maximum estimated cost for Phases 1-3. The known costs total an estimated $225 thousand and include external Labour Relations legal fees estimated at $50 thousand and an estimated $175 thousand in internal support and resources required to support this work. Consultant fees for phases 1-3 are unknown and will be determined through a procurement process.

Identified expenses do not include estimates for future costs and resource requirements in Phases 4 and 5. Future costs may include (but are not limited to) prolonged negotiations, severance, contract cancellation penalties and possible site upgrade requirements to transition the service. These costs will depend on proponent submissions and the successful proponent's state of readiness.

Funds will be sourced from the Golf Course Reserve. The current balance is $4.48 million including $1 million in restricted funds for capital improvements at Shaganappi Point golf course. $750 thousand is currently allocated for work related to transitioning City golf courses to an external operator. Utilizing funds from the Reserve reduces funding for future capital projects. Diligence will be exercised to responsibly manage expenses and impact on the Reserve.

RISK

This course of action could impact The City's ability to implement other corporate initiatives that require management-union collaboration. To mitigate this, an external consultant will be engaged to complete the work with support from external legal counsel. Administration has openly communicated with the unions and provided required notice in order to maintain compliance, transparency and to act in good faith.

Completing the work described in this report does not guarantee a successful outcome. A well-designed contract structure and RFP document may not attract a viable external operator. A negotiated contract may not yield the desired service and financial performance, and The City could lose line of sight and influence over the service when delivered at arm's length. To mitigate these risks, effective promotion of the RFP will help attract bids. Clearly defined performance measures and reporting mechanisms will ensure ongoing service and performance accountability.

Administration has identified strategic, operational, financial and regulatory compliance risks to the Corporation. The proposed scope of work is intended to manage those risks by implementing a process that increases the probability of a successful outcome for all parties while maintaining the ongoing public benefit of City golf courses.

ATTACHMENTS

1. Previous Council Direction, Background
2. Request for Proposal Scoping Report for External Operator of City Golf Courses
3. CONFIDENTIAL – Labour Relations Report on Contracting Out City Golf Courses
4. Golf Sustainability Framework Update
5. Guiding Principles for Golf Course Operations Decision-Making

Department Circulation

General Manager	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer's Department	Approve
Chris Arthurs	Deputy City Manager's Office	Approve
Jill Floen	City Solicitor & General Counsel	Approve
Michael Thompson	Utilities & Environmental Protection	Inform