

## **GOLF COURSE OPERATIONS – SUSTAINABILITY WORK PLAN UPDATE**

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### **EXECUTIVE SUMMARY**

The City of Calgary, through the Golf Course Operations (GCO) division of Recreation, operates eight municipal golf courses and three driving ranges at six locations using a primarily self-supporting business model. These facilities enable The City to provide 245 thousand rounds of quality and affordable golf to tens of thousands of Calgarians on an annual basis.

In 2014 July, Council requested Administration to initiate the nine operating and capital items in the Golf Course Operations Sustainability Work Plan (Work Plan). Overall, GCO is on-track with the implementation of the Work Plan and is seeing positive results. As part of the Work Plan, Administration was also asked to investigate alternative golf service models. This report will address the Service Model Analysis Work Plan item and provide a Work Plan update (Attachment 1).

The Golf Service Model Analysis analysed eight service model variations, including third-party contracting options, for risks, benefits and Triple Bottom Line (TBL) impacts. They were run through four key decision filters related to: GCO's Council-approved Guiding Principles and Notice of Motion considerations, legal compliance with labour agreements, potential third party interest, and financial benefit to the City of Calgary. The result of the analysis is that the optimal service model to offer accessible and affordable golf to Calgarians is a City-operated service model, with contracting out of select services, where efficiencies can be realized.

### **ADMINISTRATION RECOMMENDATIONS**

That the SPC on Community and Protective Services (CPS) recommends that Council:

1. Direct Administration to continue providing municipal golf services with a City-operated service model, inclusive of contracting out select services where efficiencies can be realized.
2. Direct that Attachment 2 remain confidential pursuant to Sections 23(1)(b), 24(1)(c), 24(1)(g), 25(1)(a), 25(1)(b), and 25(1)(c) of the *Freedom of Information and Protection of Privacy Act* and that Council consider Attachment 2 in camera if requested by Council.

### **RECOMMENDATION OF THE SPC ON COMMUNITY AND PROTECTIVE SERVICES, DATED 2015 DECEMBER 02:**

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That Council:

1. Direct Administration to continue providing municipal golf services with a City operated service model, inclusive of contracting out select services where efficiencies can be realized; and
2. Direct that Attachment 2 remain confidential pursuant to Sections 23(1)(b), 24(1)(c), 24(1)(g) and 25(1)(c) of the *Freedom of Information and Protection of Privacy Act*, until Administration fully implements Council's decision(s) with regard to Attachment 2 content.

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### **PREVIOUS COUNCIL DIRECTION / POLICY**

Two reports and one notice of motion provided direction on the GCO Sustainability Work Plan (Attachment 1).

#### **1. McCall Lake Redevelopment Feasibility Study and Update, CPS2014-0398**

On 2014 July 21, Council approved report CPS2014-0398 **as amended**, as follows:

1. Direct Administration to discontinue McCall Lake redevelopment planning and Outline Plan preparation;
2. Direct Administration to implement the Updated Golf Course Operations Sustainability Work Plan as outlined in Attachment 2, **after amendment to the Targeted Completion Date for the Item ‘Service Model Analysis’, contained on Page 1 of 2, by deleting the date “Q1 2016”, and by substituting with the date “Q4 2015”.**
3. Direct that Attachments 6 and 7 remain confidential pursuant to Sections 23(1)(b), 24(1)(c), 24(1)(g), 25(1)(a), 25(1)(b), and 25(1)(c) of the *Freedom of Information and Protection of Privacy Act*.

The Service Model Analysis was designed to “*investigate a range of alternate models for service delivery inclusive of analysis of risks, benefits and Triple Bottom Line (TBL) impacts*”.

#### **2. Conversion of City-Owned Golf Courses to Private Contract, NM2014-33**

At the same meeting as the McCall Lake Redevelopment Feasibility Study and Update report, Council approved Councillor Magliocca and Councillor Keating’s Notice of Motion, NM2014-33. This Notice of Motion added to the Service Model Analysis that Administration report back to Council: “*on recommendations and procedures to provide options for City-owned golf courses to change to non-profit/profit third-party organizational structure to include but not limited to the management, operation and lease of the facility and grounds, considering that:*

1. *Such golf courses remain open to the general public; and*
2. *Such golf courses remain the property of the City of Calgary.*
3. *Such golf courses abide by accessibility governance<sup>1</sup> as shown in the recreational model of third party operations.”*

#### **3. Golf Course Operations Capital Update, CPS2015-0492**

On 2015 June 29, Council approved report CPS2015-0492 that Council receive this report for information.

### **BACKGROUND**

In 2014 July, as part of report CPS2014-0398, McCall Lake Redevelopment Feasibility Study and Update and Notice of Motion NM2014-33, Conversion of City-Owned Golf Courses to Private Contract, Council directed GCO to implement the Sustainability Work Plan (Work Plan) to optimize and seek operating efficiencies, analyse alternative service models, and identify sources of capital funding for the entire municipal golf system so as to ensure that quality and affordable golf services will continue to be offered to Calgarians.

In 2015 June, GCO presented report CPS2015-0492 Golf Course Operations Capital Update. This report provided an update on several capital-related items that were part of the Work Plan.

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<sup>1</sup> Public Use Policy (CSPS031) and Calgary Corporate Accessibility Policy (CSPS003).

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GCO's Work Plan is on track and has produced positive results in its first year of implementation. Achievements in 2015 include:

- Actual revenues for City of Calgary golf courses were \$811 thousand higher than the previous three years' average;
- \$80 thousand increase in concession sales compared to 2014 figures; and
- Annual customer survey results show a 97 per cent overall customer satisfaction rate with City of Calgary golf courses.

While these results are positive trends towards sustainability, one key to the long-term sustainability of quality and affordable golf services for Calgarians still hinges on securing capital funding. Capital funding is necessary to maintain a golf course's ability to generate revenue and operate in a primarily self-supporting business model.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The Sustainability Work Plan (Work Plan) is made up of nine items to improve Golf Course Operations' (GCO's) operating and capital positions. An update of the Work Plan including the items completed or in-progress is contained in Attachment 1. This report will focus on addressing Work Plan Item #2: (Golf) Service Model Analysis.

#### Golf Service Model Analysis (detailed analysis contained in Attachment 2):

GCO, in collaboration with CS&PS' Departmental Strategic Services, conducted an analysis of golf service models which incorporated the findings and opinions from a leading third-party golf-industry consulting company, as well as internal analysis and investigations into other municipalities' golf service models. The objective of this analysis was to determine the optimal service model to deliver golf services to Calgarians.

A current state assessment conducted by the golf consultant uncovered that:

- Rates charged by GCO are within market price of local comparable courses;
- GCO's labour costs are higher than local benchmarks and are a challenge impacting sustainability; and
- GCO is at the low-end of industry benchmarks in terms of staffing levels, reductions will have an impact on course quality and service.

As part of this analysis, eight service model variations, including third-party contracting options and a benchmark to provide a baseline, were examined and run through four key decision filters in the Golf Service Model Decision Matrix (Attachment 3). The four filters are:

- Ability to Fulfill GCO Guiding Principles and NoM Considerations (Attachment 4);
- Legal Compliance with Labour Agreements;
- Third Party Interest, Considering Labour Agreements; and
- Financial Benefit to the City of Calgary.

These filters were selected based on their abilities to highlight the risk, benefits and Triple Bottom Line (TBL) impacts of each service model.

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The highest ranked outcome of the Golf Service Model Decision Matrix is for The City to continue providing municipal golf services through a City-operated service model, leveraging the improvements from the Work Plan and seeking other business opportunities.

However, not wanting to dismiss potential efficiencies from contracting options, GCO will also develop an Expression of Interest (EOI) to pilot contracting out of grounds maintenance services at one facility. This will be an initial test to balance risks, see if a market solution is available to provide quality grounds maintenance services, and deliver cost savings. An EOI and subsequent pilot to contract out clubhouse services, specifically banquet and event management services will need to be delayed until necessary capital improvements to support this option have been completed.

### Sustainability Work Plan Benefits for Calgarians:

Once Golf Course Operations' (GCO's) Sustainability Work Plan is fully implemented, Calgarians and golf course users should expect a seamless transition and will benefit from:

- Quality and affordable golf continuing at all City of Calgary courses;
- Re-investments into golf course capital to improve the golf experience; and
- An improvement in GCO's operating position and enhanced sustainability.

### **Stakeholder Engagement, Research and Communication**

GCO was able to leverage public engagement held in 2014 during the proposed McCall Lake Redevelopment project. This engagement garnered feedback on the McCall Lake project and golf sustainability in general. Key themes from that engagement include: preserve the current municipal golf facilities and green spaces, enhance the long-term sustainability of golf courses, and continue to provide recreational services for all ages and families.

### **Strategic Alignment**

GCO contributes to the programs and services that Recreation provides to Calgarians. These align with Council's priorities in Action Plan 2015-2018: "A City of inspiring neighbourhoods; a healthy and green city; and a well-run city."

Additionally, GCO supports the Recreation Master Plan in its mandate to develop and manage a comprehensive recreation service delivery continuum, which is the most effective way to provide Calgarians affordable, accessible and relevant recreation opportunities.

### **Social, Environmental, Economic (External)**

This report and GCO's operations are driven by the Council approved GCO Guiding Principles (Attachment 4). These principles reflect GCO's role in the spectrum of services offered by Recreation within the context of a competitive golf marketplace. GCO's Guiding Principles are also grounded in the Council approved Triple Bottom Line policy and strategic direction.

### **Social**

One hundred years of service has woven golf into Calgary's municipal recreation landscape and provides a major source of recreation for citizens. Golf is the top outdoor recreational activity for Calgarians over 65 and having accessible golf services available is a key component of citizens' satisfaction with recreational opportunities and overall quality of life. For many, the affordability

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of municipal golf is the difference between a citizens' ability to participate in the sport or not being able to participate at all.

In addition to mainstream golf services which support healthy lifestyles, GCO provides a variety of services, programs and special events that strengthen families and social connections.

### **Environmental**

Maintaining the golf course system serves greater environmental objectives of The City, including protecting municipal infrastructure at Richmond Green and Lakeview as well as storm water management at McCall Lake. This report does not recommend changes to the use of City golf courses, as such there are no environmental implications from this report.

### **Economic**

Municipal golf facilities provide green space relief and affordable recreational opportunities which contributes to making Calgary an attractive place for residents, visitors and businesses alike.

Financial support of GCO is also well within Council's approved Business Unit User Fee Recovery Rates (BUUFRR) guidelines, demonstrating GCO's commitment to maintain a primarily self-supporting business model.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

Through the continued implementation of the Sustainability Work Plan (Attachment 1) GCO anticipates improved operating performance. The results have already indicated evidence of increased financial performance; additional performance results will become increasingly evident over time.

There are no adjustments to the Action Plan 2015-2018 operating budget as a result of this report.

#### **Current and Future Capital Budget:**

Funding support for capital projects ensures service levels are maintained, thereby supporting the ability for GCO to retain market share and realize operating budget targets. GCO and Recreation's Capital and Asset Management division, with support from Finance and Supply, will continue to investigate and pursue funding options as they become available. In the 2015 June 09 Golf Course Operations Capital Update Report, CPS2015-0492, it identified that the MSI Sport Facility Renewal Funding Program would be pursued, this was approved for \$6.7 million of funding, reducing GCO's 10 year lifecycle requirement by 32 per cent to \$14.1 million.

There are no adjustments to the Action Plan 2015-2018 capital budget as a result of this report.

### **Risk Assessment**

Without reasonable capital investment, GCO may be unable to maintain level of services and opportunities to grow the business will not be realized. As a result, the quality of the customer experience will go into decline leading to lost revenues and overall market share.

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GCO will continue to rely on revenues to support operations, however, there is the potential for an operating shortfall to be experienced in any given year due to impacts of inclement weather or other factors. A shortfall would be offset through the Golf Course Levy Reserve. Subject to funding available in the Reserve, modest financial support through the Recreation business unit may or may not be required.

### **REASONS FOR RECOMMENDATIONS:**

In the first operating season since it was implemented, the Sustainability Work Plan (Work Plan) has begun delivering positive results to improve Golf Course Operations' (GCO's) operational and capital sustainability. Further sustainable and cumulative gains are anticipated from its continued implementation into 2016 and beyond.

By delivering municipal golf services through a City-operated service model, inclusive of contracting out select services where efficiencies can be realized, allows GCO to continue leveraging the improvements from the original Work Plan, as well as pursue additional financially sustainable improvements through developing an EOI to pilot contracting out grounds maintenance at one City golf facility and seeking other business opportunities.

The combined effect of continuing the Work Plan, implementing the service model improvements and ongoing capital funding investigations will help the City of Calgary ensure that quality and affordable golf services will continue to be offered to Calgarians.

### **ATTACHMENTS**

1. Golf Course Operations Sustainability Work Plan Update
2. Golf Service Model Analysis (CONFIDENTIAL)
3. Golf Service Model Decision Matrix
4. Golf Course Operations Guiding Principles and Notice of Motion Considerations