

GOLF COURSE OPERATIONS CAPITAL UPDATE

EXECUTIVE SUMMARY

In 2015, The City of Calgary is celebrating its 100th anniversary of providing quality, affordable golf services to Calgarians. Recreation, through the Golf Course Operations division (GCO), manages eight municipal golf courses and three driving ranges at six locations. GCO primarily follows a self-supporting business model. While GCO has continued to meet its operating requirements, capital funding for lifecycle, maintenance and course upgrades is limited. Investment of capital into the municipal golf course system is integral to maintain quality within the existing facilities and services offered and ensure the system's overall sustainability.

To identify strategies for improving financial performance and sustainability, GCO undertook a systemic and multi-faceted review of business operations. This review yielded a suite of recommendations which are outlined in the GCO Sustainability Work Plan (Attachment 1). In 2014 July, Council directed Administration to implement The Golf Course Operations Sustainability Work Plan. Accordingly, Administration are now reporting back to Council in 2015 June with an updated Capital Plan and Investment Strategy along with a status report on Capital Funding Grants and Alternate Capital Funding Methodologies. Council further directed Administration to report back to Council in 2015 Q4 with a Service Model Analysis Report.

The updated GCO 2016-2026 Capital Plan (Attachment 2) is presented for information in this report. The updated GCO 2016-2026 Capital Plan requires approximately \$37.9 million over 10 years across the entire municipal golf system, for lifecycle, maintenance and upgrades. This total figure is inclusive of a new clubhouse / multiuse facility for Shaganappi Point Golf Course.

As a number of alternate capital funding strategies remain under investigation, the Investment Strategy identifying these will be brought forward as part of the Service Model Analysis Report in 2015 Q4, as part of an overarching GCO Sustainability Work Plan update. It should be noted that Sport Facility Renewal Funding (SFR) Program recommendations will be brought forward to the SPC on Community & Protective Services in 2015 July and will include a recommendation for funding lifecycle, maintenance and service upgrades for the McCall Lake Golf Course.

ADMINISTRATION RECOMMENDATION(S)

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

1. Receive this update report for information.

RECOMMENDATION OF THE SPC ON COMMUNITY AND PROTECTIVE SERVICES, DATED 2015 JUNE 09:

That the Administration Recommendation contained in Report CPS2015-0492 be approved.

Opposition to Recommendation:

Opposed: E. Woolley

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PREVIOUS COUNCIL DIRECTION / POLICY

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*.

BACKGROUND

In 2010 October, GCO undertook an initial comprehensive review of its business operations. The purpose of the review, supported by consultants, was to identify strategies for improving financial performance, meeting capital requirements and enhancing long-term sustainability across the entire municipal golf system. This and was presented to Council on 2012 October 15 through report CPS2012-0702 The City of Calgary Golf Course Operations – Operational Business Review and Update.

In 2014 July, Council directed Administration to implement the Golf Course Operations Sustainability Work Plan and several short-term strategies to improve operational performance have already been implemented, or are in the process of implementation. Initiatives to address capital funding requirements for the entire municipal golf system are a key component of the Sustainability Work Plan. These initiatives involve the review and reprioritization of projects identified in the previous GCO 10 Year Capital Plan, creating an updated GCO 2016-2026 Capital Plan (attachment 2), along with investigating alternate funding methodologies.

In the short-term, a lack of immediate funding for capital requirements will delay GCO's ability to address infrastructure needs aimed at sustaining quality municipal golf course facilities. Investigation of alternative capital funding opportunities is required to identify a long term sustainability solution.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Following Council's approval of the GCO Sustainability Work Plan (Attachment 1) through report CPS2014-0398 on 2014 July 21, specific to the Capital Initiatives component, Administration began working towards:

- a) Including GCO capital projects for consideration through the Culture, Parks, and Recreation Infrastructure Investment Plan (CPRIIP) process.
- b) Creating an updated GCO 2016-2026 Capital Plan.
- c) Applying for capital funding grants, specifically, the Sport Facility Renewal Funding Program for McCall Lake Golf Course in the amount of 6.7 million.
- d) Investigating alternate strategies to fund the GCO capital program.

Including GCO Capital Projects in the CPRIIP Process

Unfunded GCO capital projects are now included for funding consideration through the CPRIIPs process. Golf Course Landscape Lifecycle and Golf Course Building Lifecycle projects were ranked as high priorities while Golf Course Upgrades and Shaganappi Point Clubhouse

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Upgrade were ranked as medium priorities. Given these projects remain unfunded; GCO continues to investigate alternate funding sources for the Capital Plan.

Creating an Updated GCO 2016-2026 Capital Plan

Working through Recreation's Capital and Asset Management Division, GCO analysed their existing 10 Year Capital Plan to: validate capital needs and update the capital cost estimates associated with all individual projects and develop a logical implementation sequence for the Plan to ensure minimal service disruption during implementation. The updated GCO 2016-2026 Capital Plan (Attachment 2) is a 10 year Plan that is the culmination of these efforts and is attached for information. The total estimated value of unfunded projects within this Plan is \$37.9 million.

Applying for Capital Funding Grants

Through the fall of 2014 and spring of 2015, GCO worked through the process of applying to the 2015 Sport Facility Renewal Funding Program (SFR) for the McCall Lake Golf Course – Lifecycle, Maintenance and Upgrades Project. The \$6.7 million grant application for McCall Lake Golf Course has received resounding support from the Province and will be brought forward for Council's consideration as part of the 2015 Sport Facility Renewal Funding Program through the 2015 July SPC on Community and Protective Services. An environmental scan for potential capital funding grant opportunities has identified there are no additional grants that GCO would be eligible for at this time. Opportunities will continue to be proactively monitored by Recreation.

Investigating Alternate Strategies to fund the GCO Capital Program

Alternate funding strategies currently under investigation include: looking within the existing Recreation Lifecycle program to support minor GCO capital projects, operational strategies to direct specific funding to GCO's capital program and exploring GCO's capacity for self supporting debt. The combination of alternatives will provide a multi-pronged funding and implementation strategy that will be aligned with the GCO 2016-2026 Capital Plan. It is recommended this funding strategy be brought forward for Council's consideration in conjunction with the 2015 Q4 report on GCO Service Model Analysis as an overarching GCO Sustainability Work Plan Update.

The updated GCO 2016-2026 Capital Plan includes the provision for \$17.1 million for a new clubhouse / multiuse facility at Shaganappi (inclusive of the required maintenance facility relocation and servicing). Current visioning for this facility includes the concept of year round use as a venue for recreation and cultural activities beyond the support of golf services. As such, capital funding for this facility will be pursued through a broader Recreation lens.

In consideration of the total \$37.9 million required to fund the updated GCO 2016-2026 Capital Plan, less the potential \$6.7 million SFR Funding support for McCall Lake and less a separate \$17.1 million unfunded consideration for a new clubhouse / multiuse facility at Shaganappi, the GCO specific unfunded capital is in the order of \$14.1 million over 10 years as indicated in the draft Capital Funding Summary (attachment 3).

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Golf Course Operations is also moving forward with implementation of other initiatives outlined in the Sustainability Work Plan which primarily focus on improving operating performance and customer service. For example, for 2015 a revised fee structure has been implemented providing a simple formulaic fee structure based on an adult green fee and targets discount opportunities to non-peak tee time inventory. The new fee structure has received positive feedback from many customers and the initial financial improvements look promising.

Similar to all Recreation facilities, without sufficient capital investment funding to support municipal golf courses, assets and infrastructure will fall into a state of disrepair over time.

Stakeholder Engagement, Research and Communication

No specific stakeholder engagement, research or communication was conducted in updating the GCO 2016-2026 Capital Plan. GCO was able to build on the public engagement held during the proposed McCall Lake Redevelopment project, which garnered feedback regarding some projects and initiatives documented in the previous GCO 10 Year Capital Plan. GCO's response was to conduct further investigation and analysis around GCO capital requirements and prepare the updated GCO 2016-2026 Capital Plan (Attachment 2).

Strategic Alignment

GCO as part of the programs and services Recreation provides to Calgarians aligns with Council's priorities in Action Plan 2015-2018 under "A City of inspiring neighbourhoods; a healthy and green city; and a well-run city". GCO's long-term sustainability initiatives align with Council's priorities, in particular, the strategic actions of: "provide great public spaces and public realm improvements across the city to foster opportunity for well used public spaces and places for citizen connection and urban vitality; continue to invest in indoor and outdoor recreation facilities that address the changing needs of Calgarians; examine opportunities for alternative service delivery for competitiveness; and effectively manage The City's inventory of public assets, optimizing limited resources to balance growth and maintenance requirements". 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)

Social

Over GCO's 100 years of service provision, golf has been woven into Calgary's municipal recreation landscape and now provides a major source of recreation opportunities for citizens (i.e. average of 245,000 rounds annually). Providing this service is a key component of citizens' satisfaction with recreational opportunities and overall quality of life in Calgary. The provision of golf supports healthy lifestyles; GCO provides a variety of services, programs and special events that strengthen families and social connections. For many, the affordability of municipal golf is the difference between their ability to participate in the sport or not being able to participate at all.

Municipal golf services promote active healthy lifestyles, make Calgary a more attractive place to live, enhance quality of life, and build a sense of community. GCO is committed to ensuring

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long-term sustainability and the ongoing provision of customer focused, affordable golf services to Calgarians into its next hundred years of service.

Environmental

There are no evident environmental implications to the recommendations in this report.

Economic

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

Financial Capacity

Current and Future Operating 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. Over time, revenue and quality of service impacts due to lack of capital investment funding are anticipated and acknowledged.

Current and Future Capital Budget:

Alternative sources of capital funding for GCO require further investigation. GCO unfunded capital requirements have been put forward to the Culture Parks and Recreation Infrastructure Investment Plan (CPRIIPS).

Risk Assessment

In the short-term, a lack of immediate funding for capital requirements will delay GCO's ability to address infrastructure needs aimed at sustaining quality municipal golf course facilities. Investigation of alternative capital funding opportunities is required to identify a long term sustainability solution. Without reasonable capital investment, over time GCO will be unable to maintain current levels of service and opportunities to enhance products and services aimed at growing the business will also not be realized. As a result, the quality of the customer experience risks going into a state of decline leading to lost revenues and overall market share. 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, such as what was experienced following the 2014 September snow storm event. Subject to funding available in the Golf Course Levy Reserve, modest financial support through the Recreation business unit may be required.

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REASON(S) FOR RECOMMENDATION(S):

GCO is providing an update on the Capital Initiatives of the Sustainability Work Plan progress as requested by Council. It is recommended that Council receive this report and the updated GCO 2016-2026 Capital Plan for information. Alternate capital funding methodologies will be presented to Council in conjunction with the Q4 2015 Service Model Analysis Report as an overarching GCO Sustainability Work Plan Update.

ATTACHMENTS

1. Golf Course Operations - Sustainability Work Plan
2. Golf Course Operations - 2016-2026 Capital Plan
3. Golf Course Operations – Capital Funding Summary DRAFT