

Golf Sustainability Work Plan Update

EXECUTIVE SUMMARY

For 100 years, municipal golf courses have been part of the recreational and cultural landscape of Calgary. The City of Calgary, through the Golf Course Operations (GCO) division of Calgary Recreation, operates eight municipal golf courses and three driving ranges at six locations. With over 300,000 visits annually, municipal courses are part of the comprehensive continuum of affordable recreational opportunities The City offers to citizens.

This report, and the recommendations within, will provide an overview of the role of municipal golf courses and an update on the 2015 Council-approved Golf Course Sustainability Work Plan (Work Plan). Administration will also provide a response to the 2017 July 24 Motion Arising (CPS2017-0539) that asked GCO to assess the current service delivery model and various options for contracting and leasing of golf course assets; finally, Administration will present the direction of Golf Course Operations over the next budget cycle.

From 1995 through 2012, GCO had been mandated to be self-supporting in both operating and capital. Revenues funded all direct operating costs as well as an annual \$200 thousand mill-rate contribution. Over the 17-year period golf contributed \$3.6 million to the Corporation and funded \$14 million in capital projects through pay-as-you-go and debt financing, inclusive of principal and interest. While there were successes, the self-supported mandate did not yield the anticipated benefits to GCO over time. Operating commitments were met at the expense of capital development, which led to annual deferral of much-needed capital projects.

Due to operational and capital funding challenges, in 2012 November, Council directed removal of the GCO's annual mill-rate contribution and a change in GCO's mandate to align with Recreation and other services allowing for tax support. Tax support for golf has been limited to the past five years (2013-2017).

To address and improve overall sustainability, several phases of work have been undertaken. The Council-approved guiding principles and the Work Plan adopted in 2013 and 2014 respectively, have been the building blocks for operational efficiencies and gains in revenues.

Unique in the local golf industry, and as articulated in the Council-approved Guiding Principles, GCO is proud to serve underrepresented populations identified in the Sport for Life Policy adopted by Council 2018 May 28, including seniors, individuals with disabilities, low income Calgarians and community organizations, while receiving an average 7% in tax support and a customer satisfaction rating of 98%. From a perspective of site optimization, GCO provides access to the courses to partners for winter use. In addition, GCO facilities provide valued greenspace and accommodate significant Corporate infrastructure, such as water reservoirs, storm water ponds, utility corridors and flight paths.

The Work Plan outlined operating and capital strategies to enhance financial performance and overall sustainability during the current business cycle. While GCO strives to have zero tax support annually, conditions in recent years have not been favorable in Calgary. The combined impact of inclement weather, effects of an economic downturn, and increased consumer price sensitivity have impacted revenues and overall financial performance.

Despite these challenges, GCO has required only an average of 7% in tax support thanks to a variety of initiatives including operational efficiencies, implementation of a revised demand-based fee structure and adjustments made through food and beverage services. Implementation of new golf-specific technology in Q1 2020 will further optimize the demand-

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based pricing strategies while also realizing efficiencies and enhanced customer service delivery.

A Service Model Analysis was undertaken in 2015 to assess a range of alternative service delivery options inclusive of analysis of risks, benefits and Triple Bottom Line (TBL) impacts. Outcomes and recommendations were presented to Council 2015 December 14 (CPS2015-0947). The subsequent Council-adopted recommendation was to “*continue providing municipal golf services with a City-operated service model, inclusive of contracting out select services, where efficiencies can be realized*”. Since that time GCO has contracted out select services where it makes sense to do so and will continue to explore further opportunities.

In 2017 July, a Motion Arising (CPS2017-0539) requested Administration to consider the content of the motion (see Attachment 1) to issue a Request for Expression of Interest (REOI) regarding various operating models and considerations, and assess for maximum benefits to Calgarians. Since the models outlined in the request mirror those considered in the 2015 analysis, GCO set out to re-validate the original analysis outcomes. Restrictions in light of the Alberta Labour Relations Code mean the findings from 2015 remain the same.

An updated Sustainability Work Plan, aligned with the One Calgary planning cycle, has been completed outlining the strategies to progress towards enhanced sustainability.

ADMINISTRATION RECOMMENDATION:

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

1. Direct that Administration report back to Council on results, indicators and performance measures by Q2 of the final year of each planning cycle to inform a plan for the next cycle;
2. Direct that Attachment 6 remain confidential pursuant to Sections 23(1)(b), 24(1), and 25(1) of the *Freedom of Information and Protection of Privacy Act* (and that Council consider content therein in camera if requested by Council).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2017 November 27, Council referred the Motion Arising for Report CPS2017-0539 contained in the 2017 July 24 Minutes of the Regular Meeting of Council, as follows:

“MOTION ARISING, Moved by Councillor Colley-Urquhart, Seconded by Councillor Sutherland, that with respect to Report CPS2017-0539, Council request Administration to consider the content of Councillor Colley-Urquhart’s proposed Motion Arising document and return to Council at the 2018 budget adjustment process with options on how to move forward with City-owned golf course operations to the SPC on Community and Protective Services to come forward with an update on the Golf Course Operations Sustainability Workplan and a status report on the direction from the Motion Arising no later than 2018 June.” See Attachment 1 – Golf Tax Notice of Motion – Motion Arising.

On 2015 December 14 Council approved, moved by Councillor Carra, that the Administration recommendations contained in Report CPS2015-0947 be approved, after amendment, as follows:

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That the SPC on Community and Protective Services recommend 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 2S(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.*

A historical timeline is included in Attachment 2 – Previous Council Direction.

BACKGROUND

Calgary Recreation – Golf Course Operations, offers golf opportunities for citizens of all ages and skill levels. Contrary to perceptions that golf is an elitist sport, the focus of municipal golf services is to provide a range of affordable, publicly accessible, basic golf opportunities. Specifically, City-operated courses serve unique populations other operators tend not to, including seniors, youth, families, schools, and low income Calgarians. While City courses do not provide the same level of service or amenities as other operators, for many that play, the affordability of municipal golf courses is the difference between being able to participate in golf as a recreational opportunity, and not being able to participate at all.

GCO sees over 300,000 visits annually, offering a broad spectrum of golf opportunities ranging from driving ranges and par 3 courses to full length 18-hole courses. Of the total number of visits, over 66,000 rounds were played by seniors, families and youth. Additionally, GCO aligns with The City Fair Entry program to ensure cost is not a limiting factor to participation.

Beyond the provision of seasonal golf services, some facilities accommodate winter activities including cross country skiing, tobogganing and the annual Festival of Lights, held at Confederation Park golf course. From December 2017 through April 2018, over 30,000 visits were recorded at Confederation Park golf course through partners using the site for activities ranging from introductory and recreational skiing to competitive training for cross-country and biathlon athletes. In addition, GCO facilities provide valued greenspace and accommodate significant corporate infrastructure, such as water reservoirs, storm water ponds, utility corridors and flight paths (Attachment 3 - Golf Course Inventory Overview).

In 2013 (CPS2013-0410), Council directed GCO to adopt six Guiding Principles: Quality Products & Services; Sustainable Business Practices; Accessibility & Affordability; Community Benefits; Accountability; and Continuous Improvement. These reflect the values of Calgary Recreation, define the role of our municipal golf courses as basic service providers of golf and ensure the community and golf course users are at the heart of the business. The Guiding Principles have been foundational for recreational golf services and have been used as a framework for all GCO strategic and operational decision-making.

In alignment with the Guiding Principles, the Work Plan was approved by Council in 2014 (CPS2014-0398 McCall Lake Redevelopment Feasibility Study) outlining nine strategies to improve GCO's operating and capital positions. Since 2015, several initiatives of the Work Plan have been completed with others still in progress, as outlined in Attachment 4 – Updated Golf Course Operations Sustainability Work Plan.

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Highlights of specific initiatives undertaken include:

Operating Initiatives:

- Revised demand-based fee structure (2015)
- Golf Service Model Analysis (2015)
- Quality Assurance Program for consistency in playing conditions across courses (2015)
- New coolers and enhanced product mix to improve concession sales (2016)
- EOI to assess market interest and contracting options for grounds maintenance activities (2016)
- RFP award to pilot contracting of specific maintenance activities at two locations (2017)

Capital Initiatives:

- Updated Capital Plan & Investment Strategy (2015)
- Sport Facility Renewal grant funding for revitalization and renovations at McCall Lake Golf Course (2015)
- Completion of master plans for McCall Lake, Confederation and Maple Ridge golf courses (2016)
- Golf Course Irrigation and Pathway Assessments (2016)
- Lakeview Pathway and Clubhouse Plaza Improvement Project (2016)
- Detail planning for McCall Lake Renovations (2017)
- McCall Lake Renovations underway (2018)

An Expression of Interest (EOI) was undertaken in 2016 to determine if a market solution is available to contract and provide quality grounds maintenance services and deliver cost savings. The outcome of the EOI assessed that a market solution to pilot contracting of select maintenance activities was being potentially viable and an RFP was awarded in 2017 March to pilot contracting of rough mowing at two locations: McCall Lake and Maple Ridge courses.

In its first year, the pilot garnered approximately \$20,000 in operational savings. 2018 will be the second of the three-year pilot, at which time the financial and quality impacts will be evaluated and guide decisions as to the viability and benefits to GCO as a whole.

Additional potential contracting opportunities, such as banquet and event management services have also been identified at some sites but these options are not feasible until necessary unfunded capital improvements to support this option have been completed. Unfunded capital requests include upgrades to the clubhouses at both Shaganappi Point and Confederation Park, which would not only allow for additional revenue generation opportunities through rentals and events, but also potential contracting opportunities through banquet and restaurant services.

Since implementing the Work Plan in 2015, GCO has increased incremental annual revenue by \$445,000 through a demand-based fee structure and has seen food and beverage revenue increase by as much as \$80,000. GCO Highlights are outlined in Attachment 5.

Between 2013 and 2017, GCO has received an average 7% in tax support, and golf rounds at City courses have remained relatively stable despite external challenges impacting overall business performance. Unpredictable seasonal weather trends, a lack of change in market rates, increased consumer price sensitivity and the lingering impacts of an economic downturn have all affected of GCO's ability to maximize revenues.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Motion Arising from report CPS2017-0539 (Attachment 1) asked Administration to consider the content of the motion to issue a Request for Expression of Interest with regard to various operating models and considerations, and assess for maximum benefits to Calgarians.

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2015 Golf Service Model Analysis Summary –

One of the nine strategies outlined in the original Work Plan included reporting back to Council with a Service Model Analysis and recommendations on the operation of City golf courses.

As directed by Council, Administration incorporated the direction of NM2014-33 *Conversion of City-Owned Golf Courses to Private Contract*, into the Service Model Analysis to report back to Council as part of the Work Plan Service Model Analysis:

“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 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; and*
- 3. Such golf courses abide by accessibility governance as shown in the recreational model of third party operations.”*

The Golf Service Model Analysis was completed with outcomes and recommendations presented to Council in 2015 December (CPS2015-0947). It analysed eight service model variations for risks, benefits and Triple Bottom Line (TBL) impacts. The options reviewed mirror those outlined in the 2017 Motion Arising and include third-party lease, wholly owned subsidiary, and various contracting options. The models were run through four key decision filters:

- 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

As a result of the analysis Council directed Administration to:

“continue providing municipal golf services with a City-operated service model, inclusive of contracting out select services, where efficiencies can be realised.”

Administration’s response was based on key information from a third-party golf-industry consultant and consultation with The City of Calgary’s Law and Labour Relations divisions. Primary consideration was given to implications under the Alberta Labour Relations Code. The summary of the options responding to the Motion Arising and full report providing context are found in CONFIDENTIAL Attachment 6 – The Golf Service Model Analysis Update. GCO has implemented a pilot grounds maintenance contract.

2018 Service Model Update

In validating the 2015 findings, the Motion Arising options are not deemed viable. Any contracting options must consider implications of Alberta Labour Relations Code, manage risk to The City and its assets while also creating potential for realistic operation efficiencies.

Research was also undertaken in 2018 to revalidate how comparable municipalities offer their public golf programs, which revealed a variety of service model variations intended to support self-sustaining operations. However, the definition of self-sustaining golf operations varied widely. While there were no consistent approaches to municipal service models, some form of contracted service was not uncommon, though in all comparable cases examined unionized labour is used for municipal grounds maintenance activities.

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Looking Ahead

Many of the original objectives and initiatives from the 2015-2017 Work Plan have been completed and others are in progress, allowing City golf courses to remain competitive while providing quality, affordable access aligned with Council's Guiding Principles for GCO.

Moving into the next budget cycle, Sustainability Work Plan initiatives include enhanced technology to optimize the fee structure and service levels, pursuing sponsorship opportunities and on-going optimization opportunities to realise cost savings and efficiencies. From a capital perspective, much-needed lifecycle renovations to the 18-hole course at McCall Lake will be completed for the 2019 season. It is anticipated that the revitalized facility will create renewed interest from golfers and result in increased attendance and revenue generation.

The updated Work Plan, presented in Attachment 4, aligns with the timing of the One Calgary 2019-2022 cycle. In addition to the core objective of continuing to find operational efficiencies internally, new strategies relating to site optimization, alternative use of assets, social benefit, and diversification are key components.

As per the recommendation of this report, GCO will report its progress to Council on various initiatives by Q2 of the final year of each planning cycle to inform a plan for the next cycle.

Stakeholder Engagement, Research and Communication

In alignment with the Council's Guiding Principles, GCO conducts annual customer surveys to evaluate services and obtain user feedback. In 2017, customers indicated a 98% overall customer satisfaction rating with golf services provided by The City.

Additionally, GCO utilizes the Golf Management Advisory Committee, comprised of a representative cross-section of golf course users to provide input and feedback on customer experience, operations, and capital master plans.

Strategic Alignment

The Golf Course Sustainability Work Plan update directly aligns with Council's priorities to build: A City of Inspiring Neighbourhoods; A Healthy and Green City; and A Well-run City.

The *Recreation Master Plan* describes a comprehensive recreation service delivery continuum, which is the most effective way to provide Calgarians affordable, accessible and relevant recreation opportunities.

The *Sport for Life Policy* defines The City's commitment to Calgarians to support and develop sport, including golf, through the implementation of four key pillars: Delivering Sport Programs and Initiatives; Building Infrastructure; Allocating Infrastructure; and Prioritizing Investment.

The *Municipal Development Plan* acknowledges that Recreation, which includes sport, plays an important role in: building complete, strong and great communities; adding to the cultural vitality of The City; contributing to economic development and prosperity; fostering active and vibrant neighbourhoods; and sustaining healthy communities by promoting active living.

Social, Environmental, Economic (External)

GCO's operations are driven by the Council-approved Guiding Principles reflecting GCO's role in the spectrum of services offered by Calgary Recreation within the context of a competitive golf marketplace and Triple Bottom Line policy.

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Social

Golf is a source of physical activity and is the top outdoor recreational activity for Calgarians aged 65 and over. Inclusive, accessible and affordable municipal golf opportunities to all Calgarians is key to the spectrum of recreational services offered by The City and contributes to overall quality of life and citizen satisfaction.

Opportunities also exist for golf assets to become community and sport hubs, ensuring they are strongly connected to the communities in which they are situated.

Environmental

Golf Course Operations steward 750 acres of land within Calgary providing green space and contributing to Calgary's urban forest. The facilities make good use of public land and accommodate significant corporate infrastructure such as storm water drainage, utility and roads rights of way, water reservoirs and flight pathways, and preserve natural areas and wildlife corridors.

Economic

Municipal golf facilities provide green space and affordable recreational opportunities to make Calgary an attractive place for residents, visitors and businesses alike. In operating golf facilities, the acquisition of materials and services also supports local employment and business opportunities.

Financial Capacity

Current and Future Operating Budget:

Through continued implementation of the Golf Sustainability Work Plan, GCO anticipates continued improvement in operating performance. The outcomes of the combined Work Plan initiatives are anticipated to optimize revenue while balancing service levels and costs with social benefits. Recovery rates will be monitored with changes brought forward as part of annual adjustment processes.

Achieving operating budget targets are subject to weather and contingent upon market assumptions, economic factors and inflationary increases, such as utilities, materials and vehicles & equipment.

Current and Future Capital Budget:

There are no direct capital impacts as a result of this report.

Risk Assessment

The financial viability and feasibility of various service models must give due consideration to implications under the Alberta Labour Relations Code. Confirmation from an industry consultant has verified that it is highly unlikely third-party interest would exist given labour relations code complexities. Additional contracting options will be assessed moving forward with the aim to realise cost savings while ensuring service level expectations can be met.

Without reasonable capital investment, GCO's ability to fully realise business opportunities is hindered. Over time, asset conditions and market share will decline, and further reducing revenue-generating opportunities. Four capital business cases have been developed for Council consideration, including a new clubhouse facility at Shaganappi golf course.

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Diversion of limited staff resources to respond to contracting or leasing of golf courses places a strain on GCO's ability to advance Work Plan initiatives and manage day-to day business activities.

The effect on business performance of unpredictable seasonal weather trends and economic downturn impacts should not be underestimated. This is true for all outdoor recreation asset providers, but is acutely felt in the golf industry.

Exploration of the redevelopment or sale of golf courses is an extremely sensitive matter in terms of public opinion.

Should any golf course be closed, the financial cost to maintain the asset would remain with the Corporation.

REASON(S) FOR RECOMMENDATION(S):

- Delivering municipal golf services through a City-operated model allows The City to continue offering quality, affordable and accessible golf opportunities to Calgarians in alignment with Council-directed Golf Guiding Principles.
- Since implementation of the Work Plan began in 2015, GCOs operational and capital efficacy has improved. Further cumulative gains are anticipated through continued implementation and ongoing improvements to technology. Where efficiencies can be realised, this can include contracting of select services.
- In consultation with industry experts and City Law- Labour Relations, it has been determined that GCO is unable to action many of the requests in the Motion Arising (CPS2017-0539), because of implications under Alberta Labour Relations Code.
- Looking forward GCO has updated the Work Plan to include additional strategies to be undertaken within the One Calgary cycle (2019 – 2022).
- Through continued implementation of the Work Plan and continual adjustments as needed, enhanced community benefits through site optimization, and a variety of initiatives, improved financial performance is anticipated.

ATTACHMENT(S)

1. Golf Tax – Motion Arising
2. Previous Council Direction
3. Golf Course Inventory Overview
4. Updated Golf Course Operations Sustainability Work Plan
5. Golf Course Operations Highlights
6. CONFIDENTIAL Golf Service Model Analysis Update