

**Community Services Report to
SPC on Community and Protective Services
2018 November 07**

**ISC: UNRESTRICTED
CPS2018-1256**

Golf Course Operations Update

EXECUTIVE SUMMARY

For 100 years, municipal golf courses have been part of the recreational and cultural landscape of Calgary. The City of Calgary operates eight municipal golf courses and three driving ranges at six locations. With over 300,000 visits annually, municipal courses are part of The City's comprehensive continuum of affordable recreational opportunities, generating over \$10M annually in direct economic activity.

Prior to 2012, Golf Course Operations generated revenue, contributing \$3.6 million to the Corporation and self-funding \$14 million in capital projects from 1995 to 2012. In 2012, Council mandated that Golf Course Operations become 'tax-supported'. Since that time, these operations have received between four and nine per cent in annual tax support (\$435,000 to \$964,000).

In 2018 June, Council asked Administration to explore options that would move Golf Course Operations to a break-even position and to report these options through the One Calgary budget process. With the objective of eliminating operational tax support, Golf Course Operations has set a target of \$1M in revenue generation and cost efficiencies. This report outlines the options, details and timelines to reach \$1M in revenues, cost efficiencies, and site optimization opportunities by 2022, with the potential for further-enhanced sustainability into the future.

ADMINISTRATION RECOMMENDATION:

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

Direct Administration to report back to Council through the SPC on Community and Protective Services by Q2 2021, with an update on progress toward the options outlined in this report.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 June 25, Council approved CPS2018-0349, after amendment, as follows:

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, 24 and 25 of the Freedom of Information and Protection of Privacy Act (and that Council consider content therein in camera if requested by Council); and*
3. *Direct that Administration report back to Council through the One Calgary budget process with options that reflect the overall Golf Course Operations to break even in terms of revenue and operating expenses.*

A historical timeline is included in Attachment 1 – Previous Council Direction.

BACKGROUND

From 1995 through 2012, Golf Course Operations was self-supporting in both operating and capital. Revenues funded all direct operating costs, debt commitments, as well as an annual

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Golf Course Operations Update

\$200 thousand mill-rate contribution back to The Corporation. Over the 17-year period golf contributed \$3.6 million to the Corporation and funded \$14 million in capital projects.

Demographic changes and shifts in local market conditions through 2011 made it challenging for Golf Course Operations to sustain self-supporting operations. In 2012 November (CPS2012-0702), Council directed removal of the Golf Course Operations' annual mill-rate contribution back to the Corporation and *"the change in Golf Course Operations mandate from fully "self-sufficient" to "tax supported"*, to provide basic golf services and to align with the mandate of the rest of Recreation.

Between 2013 and 2017, Golf Course Operations received between four and nine per cent of its operating budget in tax support, ranging from \$435,000 to \$964,000 based on an average \$10.4 million budget. This supports over 300,000 rounds of golf at municipal courses.

In 2014, Council endorsed Golf Course Operations' Sustainability Workplan (the Work Plan) to find efficiencies in operations and explore opportunities to increase revenue (CPS2014-0398). Initiatives undertaken to date have included:

- Implementing a demand-based fee structure;
- Completing a Golf Service Model Analysis;
- Issuing contracts for select mowing; and
- Making capital investments at McCall Lake golf course.

Financial performance has improved since implementing the Council-approved Work Plan in 2015 and Golf Course Operations continues to explore a range of revenue generating opportunities and cost saving options.

The six most promising options are described below. Other options have been previously explored, but have proven unfeasible; these include divestiture, contracting of courses, or significant increases in fees to cover shortfalls. These options were discussed with Council in 2018 June (CPS2018-0349) and are detailed in Attachment 2 - Golf Course Operations - Details of Options Previously Explored. A listing of the Golf Course Operations inventory, describing site encumbrances and carrying costs to The Corporation is presented in Attachment 3.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

As part of the Work Plan launched in 2015, Golf Course Operations is actioning six options to generate \$1M in revenue and cost efficiencies by 2022 to offset the current annual tax support. In addition, other capital investment opportunities are being investigated, and future partnership and site optimization opportunities will be explored. Attachment 4 – Golf Course Operations - Sustainability Work Plan Initiatives Towards Net Zero provides a detailed breakdown of the options to increase revenue and cost efficiencies.

<i>Break-even options underway</i>	
Option 1	2019 re-opening of the newly renovated and revitalized McCall Lake 18-hole golf course
Option 2	2019 fee adjustments (subject to Council approval as part of the One Calgary budget deliberations)

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Golf Course Operations Update

Option 3	The golf IT solution, to be implemented in Q1 2020, will support more efficient booking processes and enable advanced pricing strategies and is expected to increase attendance and revenue
Option 4	Cost savings to be realized through finalizing debt commitments
Option 5	Increased standardization of operational practices between golf courses
Option 6	Contracting out of select services
<i>Additional options being pursued for enhanced sustainability</i>	
Option 7	Capital investment in facilities to increase revenue generating opportunities
Option 8	Explore future partnership opportunities with industry leaders to examine service offerings to maximize utilization of municipal golf assets.

Implementing options one through six is predicted to yield \$1 million in increased revenue generation and cost savings by 2022, moving Golf Course Operations towards break-even operations. Additional revenue generating opportunities will be investigated through options 7 and 8.

As per option 7, since Golf Course Operations capital investment in facilities is currently on the “unfunded for information” list through the One Calgary budget process, Administration will continue to pursue additional grant opportunities and alternative funding toward the improvement of facilities. Capital improvements are crucial to Golf Course Operations being able to generate year-round revenue and allowing further increases to potential revenues through food and beverage services and facility rentals by way of conferences and events.

Golf Course Operations, through option 8, will investigate innovative opportunities that have the potential to further increase revenue and service offerings by working and partnering with industry leaders to maximize the use of The City’s golf assets. This type of optimization is in the preliminary investigation phase to determine feasibility and potential revenue gains.

The combined implementation of Work Plan initiatives identified as Options 1-6 is anticipated to realize the \$1 million target by 2022. In addition, opportunities for new business potential through site optimization in Options 7-8 will further increase sustainability over the course of the 2019-2022 budget cycle.

Stakeholder Engagement, Research and Communication

In alignment with the Council-directed Golf Course Guiding Principles (CPS2013-0410), Golf Course Operations conducts annual customer surveys to evaluate services and obtain user feedback. In 2018, customers indicated a 97% overall customer satisfaction rating with golf services provided by The City. Administration will continue to engage and network with other golf leaders to further increase revenues and service offerings, including industry partnerships.

**Community Services Report to
SPC on Community and Protective Services
2018 November 07**

**ISC: UNRESTRICTED
CPS2018-1256**

Golf Course Operations Update

Strategic Alignment

The Golf Course Sustainability Work Plan directly aligns with Citizen Priorities: A City of Safe and Inspiring Neighbourhoods; A Healthy and Green City; and A Well-run City.

The *Recreation Master Plan* describes a comprehensive recreation service delivery continuum, including golf, as the most effective way to provide Calgarians affordable, accessible and relevant recreation opportunities. Opportunities developed through Recreation's Zero-Based Review will be leveraged as they apply to Golf Course Operations.

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, including Golf Course Operations, 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)

Golf Course Operations is driven by the Council-approved Guiding Principles: Quality, Sustainability, Accessibility, Affordability, Community Benefit, and Accountability, guiding the municipality's role in providing basic golf services.

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 Calgarians are key to the spectrum of recreational services offered by The City and contribute to overall quality of life and citizen satisfaction.

Golf assets offer opportunities for year-round community use with free, public access to cross-country skiing, and low-cost cross-county programming offered by partner organizations.

Environmental

Golf Course Operations stewards 750 acres of land within Calgary providing green space and contributing to Calgary's urban forest. The facilities make good use of public land to provide a recreational service while accommodating significant corporate infrastructure such as storm water drainage, utility/roads rights of way, water reservoirs, flight pathways, and preserving 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. The acquisition of

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materials and services also supports local employment and business opportunities generating over \$10M in direct economic activity annually.

Financial Capacity

Current and Future Operating Budget:

This report has no impact on the current operating budget. Adjustments to Golf Course Operations' operating budget, in response to the options described here and on-going implementation of Work Plan initiatives, would be brought forward as part of mid-cycle budget adjustment processes.

Current and Future Capital Budget:

There are no direct capital impacts as a result of this report. However, Golf Course Operations currently has four capital requests on the "unfunded for information" list through One Calgary 2019-2022, including improvements to Shaganappi Point clubhouse and maintenance facility, Confederation Park clubhouse and ongoing lifecycle of fairways and greens maintenance.

Risk Assessment

Golf Course Operations' ability to fully realise business opportunities is impacted by a lack of capital funding. There are four capital business cases currently on the "unfunded for information only" list through One Calgary 2019-2022.

The ability to achieve the \$1 million target by 2022 is affected by the overall Calgary economy. Diligent observation and adjustments to business practices are required in response to a changing economy.

REASON(S) FOR RECOMMENDATION(S):

Some success has already begun to be realized through the Golf Course Sustainability Work Plan initiatives since its implementation in 2015.

Golf Course Operations will implement the six options identified in this report from 2019-2022, moving towards break even by 2022. Administration will also investigate two additional options that could lead to revenue generating opportunities through continued exploration of capital investment and partnering with industry to maximize the use of golf assets.

ATTACHMENT(S)

1. Previous Council Direction/Policy
2. Golf Course Operations - Details of Options Previously Explored
3. Golf Inventory Overview - Outline of site encumbrances and carrying costs to The Corporation
4. Golf Course Operations - Sustainability Work Plan Initiatives Towards Net Zero