

Golf Course Operations - Details of Options Previously Explored

On 2018 June 25, Council directed 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 expenses” (CPS2018-0349). This table provides information about options to increase Golf Course Operations sustainability that have been deemed unfeasible, or unable to be pursued as realistic options to get to net zero operations.

	Option	Description	Implications and Considerations
1	Divestiture of Golf Courses	Permanent closure of golf facilities or the sale of land for redevelopment.	<u>Closure of Golf Facilities:</u> • Closure of facilities, while technically a feasible option, is not necessarily a profitable endeavour as the asset remains a City responsibility. On-going maintenance and carrying costs reside with the steward of the land (e.g. Recreation, Parks and Water Services) • Other site restrictions and encumbrances may also impede the ability for alternate use and closure may also have Labour Relation Code implications. • Carrying costs to The City would result in continued annual tax support ranging from \$200,000 - \$2,000,000 (subject to facility land size and physical assets considered for closure). <u>Sale of Land for Redevelopment</u> Example of site limitations and constraints: McCall Lake Redevelopment Feasibility Study and Update (CPS2014-0398) • Feasibility Study undertaken in 2013/2014 determined the redevelopment of McCall Lake was not feasible due to site limitations, constraints and risks which include: available land area suitable for redevelopment, combined implications of airport restrictions, storm water management, off-site transportation, utilities, and impact to four social recreation lease holders. • Council directed Administration to discontinue McCall Lake redevelopment planning and Outline Plan preparation and to implement the Golf Course Operations Sustainability Work Plan (the Work Plan). • The Work Plan identified investigation into alternative service delivery models in response to NM2014-33 Conversion of City-Owned Golf Courses to Private Contract, such that golf courses would remain open to the public and remain the property of the City of Calgary. <i>It is not viable for golf course lands to be sold and remain a golf course due to implications under Alberta Labour Code. Site restrictions and constraints vary by golf course which limit both the sale and land use options. See Attachment 3 – Golf Inventory Overview, for an outline of site encumbrances and carrying costs to The Corporation.</i>
2	Contracting of existing City Courses	Contracting out golf courses, or golf services, in whole or in part, to third party operator(s).	<u>Contracting in Whole or in Part</u> Various contracting options have been addressed with Council on two occasions previously: • CPS2015-0947 2015 December 14: Council directed Administration to “continue providing municipal golf services with a City-operated service model inclusive of contracting out of select services where efficiencies can be realized.”

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			- Scenarios investigated included a wide variety of options regarding the contracting, in-part or in-whole, of municipal golf faculties and assets, where only one scenario Golf Course Operations was deemed viable; Contracting of select services has been actioned and is detailed in Attachment 4. - CPS2018-0349 2018 June 26: Outcomes from 2015 were re-examined and revalidated. - Administration was directed “to 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”. <i>Golf Course Operations is unable to action the contracting scenarios as reviewed in 2018 June (CPS2018-0349). Any contracting options must consider implications under Alberta Labour Code, manage risk to The City and its assets while also creating potential for realistic operational efficiencies.</i>
3	Fee Increases Only	Increase golf course fees to fully fund operating shortfall.	<u>Fee Increases Only:</u> - A revised golf course fee structure was approved by Council as part of Action Plan and implemented in 2015. - Considerations: Council-directed Golf Course Operations Guiding Principles (Quality, Sustainability, Accessibility, Affordability, Community Benefit, Accountability), utilization trends, public engagement findings, local market rate analysis and leading golf industry consultant recommendations. The fee structure, implemented in 2015, has realized an additional \$445,000 in annual revenues embedded in the current Golf Course Operations budget. - A leading golf industry consultant evaluation in 2014 of market rates stated fees at municipal golf courses are appropriate given the level of services offered. Further rate increases were not recommended unless a corresponding shift occurs in local market rates. Targeted increases are possible where gaps emerge. - Annual analyses of local market and area rates have seen marginal to no shifts since 2015. - Consumer price sensitivity has heightened primarily due to effects of the economic downturn. - Other service providers are increasing the use of special offers and discounts to attract customers. Golf Course Operations intends to pursue similar opportunities as noted in Attachment 4 under “Golf IT Solution” - Current municipal golf rates are within 10% of reasonably comparable facilities. 2018 Average 18-hole market rate (Weekday): \$47.50 2018 Shaganappi 18-hole rate (Weekday): \$44.50 - To break even solely through fee increases would require a more than \$15 per round increase to adult 18-hole green fee rates. Such significant increases would price municipal courses out of the local market and result in lower attendance. - Administration evaluates market rates on an on-going basis with fee adjustments made annually where feasible. <i>A reliance on fee increases alone contradicts Golf Course Guiding Principles (CPS2013-0410) and would price municipal courses out of the local market.</i>