



<b>TO:</b>	<b>CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE MARCH 24, 2015</b>
<b>FROM:</b>	<b>WILLIAM C. COXHEAD MANAGING DIRECTOR OF PARKS &amp; RECREATION</b>
<b>SUBJECT:</b>	<b>MUNICIPAL GOLF SYSTEM 2013/2014 PERFORMANCE UPDATE</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director of Parks & Recreation, the following report **BE RECEIVED** for information purposes.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- November 12, 2012 Community Services Committee London's Municipal Golf System and 2012 Financial Performance Update
- November 1, 2011 Community and Neighbourhoods Committee Report, London Municipal Golf System 2011 Financial Performance Update
- June 14, 2011 Community and Neighbourhoods Committee Report, Municipal Golf Task Force Recommendations
- March 8, 2011 Community and Neighbourhoods Committee Report, Potential Closing of River Road - Additional Information
- February 2, 2011 Community and Neighbourhoods Committee Report, London Municipal Golf System Update and Shift in Strategic Direction

<b>BACKGROUND</b>
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**Purpose**

This report will provide the history of prior Council decisions on municipal golf, an update on the financial performance of the municipal golf system and advise of our go forward plans for the next four years.

**Municipal Golf History**

Municipal Golf in London has a long history of providing accessible and affordable golf starting back **in 1924**. Over the past 90 years with, few exceptions, golf revenues were used to pay the operating expenses and annual surpluses were generated to improve and expand the system from six to 90 holes.

- In 1924 starting with a 6 hole golf course, Thames Valley grew over time to 18 holes and eventually to 27 with the addition of the Hickory Nine.
- In 1958 the Traditional course was constructed at Fanshawe and it grew to three 9 hole courses. In 1998 nine new holes were added at Fanshawe creating two 18 hole courses with the second becoming known as the Quarry. In addition the Parkside



Nine accessible course and training centre was built bringing the total to 45 holes at Fanshawe.

- In the early 1990's River Road golf course was constructed to take advantage of what was then considered an expanding golf market in the London area.

The London Municipal Golf System has the ability to accommodate and encourages all types of players from beginner to expert.

In recent years improvements to our courses and clubhouses have kept them up to date and allowed the courses to provide good value to our customers as well as excellent, healthy recreational golf opportunities.

### **Golf Industry Context and Recent History**

The North American golf industry has seen many challenges over the past few years and the London Municipal Golf System has not been immune to these challenges. In a National Golf Course Owners Associations (NGCOA) study, Ontario saw a 5.5% decline in rounds played in 2014. It is evident that more courses have been built than the number of golfers can support. The time requirements for an eighteen hole round of golf is more than many people have available. The cost to maintain a golf course continues to rise which puts upward pressure on green fees.

**In 2011** City staff and private consultants believed that the city was contributing to the regional and local golf surplus with 90 holes of golf in the municipal system. The courses were being looked at independently and the River Road Golf Course was a property that was a drain on the system as a whole. The future of River Road was questioned. The golf community responded that River Road could be saved if we did some things differently and wanted to engage in a process that **looked at municipal golf as a system** where the burden of one golf course could be offset by the success of the other courses.

A Golf Task Force was formed to work with staff to develop a business plan that would incorporate ideas to improve the golf courses and allow River Road to be sustained and improve the system as a whole.

The business plan followed 3 main areas of focus:

- **Improve the Golf Experience**
- **Increase participation**
- **Improve Revenue Generation**

Since 2011 the City implemented a number of continuous improvement plans focusing on modest changes and improvements at the respective courses. Playability, cost controls, improved revenue streams and staff training and development were the focus to enhance the overall London Municipal Golf Experience.

### **Turning the Curve on performance**

The **summer and fall of 2011** saw a dramatic turnaround in participation and revenues despite a spring that had record rainfalls. This turnaround in the second half of the season showed that the new ideas and improved customer experience was beginning to see dividends. More time and a more typical weather season were required.

In **November 2011** Council supported the operation of the River Road Course as part of the system of municipal golf for one more season to allow for the business plan and improved methods of operation to have a reasonable opportunity for success and to turn the curve on its financial performance.

The **summer of 2012** got off to an early start and the overall performance of the courses saw significant improvements in participation and revenue generation. Customer satisfaction surveys showed that 94% of our customers were pleased with the improvements to the system. River Road saw its subsidy significantly reduced and the municipal golf system was once again operating at a surplus.



In **November, 2012**, Council was pleased with the turnaround and instructed staff to operate the courses for two more years and report back on the 2013 and 2014 performance of the Municipal Golf System following the 2014 season.

**The 2013/14 Municipal Golf Business Plan** followed the same principles established in 2011 that allowed for sufficient funds to be generated from operations to reinvest in the maintenance of golf courses and support buildings in order to sustain the system of golf.

The following activities were implemented in the 2013/14 plan to achieve the objectives:

- Increased the availability of electric carts to meet a growing customer demand that improves the customer experience and increases revenue.
- Maintained fees at a reasonable level to ensure value and affordability. Also introduce flexibility in fees to include golf with cart packages and discounts for tournament volume purchases.
- Continued to grow contributions to the reserve funds to meet the needs of capital expenditures and maintain a contingency fund of \$50,000 in golf course reserves to deal with any emergent issues.
- Improved revenue generation from all sources including pro shop sales and food and beverage.
- Continued to work on efficiencies and expenditure control.

Many low cost improvements were made over the past four years on all of the courses in the system to improve playability and overall experience.

Customers and staff are taking notice of the change. A Golf Survey was conducted at all courses each of the past three seasons. There were many positive comments on the changes and improvements implemented. Here are a few examples:

- “Best membership value and experience, bar none of any area course”*
- “Overall level of all staff was excellent (to say the least)”*
- “This year was the best year for overall course conditions”*

LondonOntarioGolf.com, a local golf commentary provider, held its 3<sup>rd</sup> annual Best in Golf Awards for London and Area golf courses. The City of London Municipal Golf Courses received the award for the **Best Value in a Golf Membership** as well as the prize for the **Best Clubhouse/Pro Shop Staff** at Thames Valley Golf Club.

### **Municipal Golf Going Forward**

Building on the success of the past four seasons, staff will continue to implement the business plan strategies at all courses taking into consideration suggested improvements made in the 2014 Golf Survey.

Detailed feedback was collected on: the booking experience, pricing, Pro Shops (staff and merchandise), Clubhouse (service delivery models and food services) and Golf Course (conditions, layout, pace of play).

We attribute the recent success to an improved customer experience, expenditure control, redistribution of the play through membership structures that differentiate product by price, improved playability, better course conditioning, changed service delivery models and increased tournament play. This has resulted in a variation of available customer experiences, leveling the distribution of play and better distributing net revenues among the three properties at Thames Valley, Fanshawe and River Road.

Strategies under consideration for the **2015 to 2018 seasons are included in APPENDIX A**. Many build upon the successful strategies implemented over the past four years.



## FINANCIAL IMPACT

Despite a late start to spring, revenues generated in 2014 allow for a \$59,000 contribution to the reserve accounts for capital replacement and course improvements. The 2013 and 2014 seasons realized a combined contribution to the golf reserve fund of nearly \$200,000. The reserve fund currently sits at \$275,000. (APPENDIX B)

Assuming a typical golf season the 2015 Municipal Golf System has an approved budget contribution to reserve funds of \$200,000 for future capital life cycle renewal of assets.

### Capital Plan

The annual Golf Business Plan is designed to incrementally increase contributions from operating surpluses (non-tax supported) to the capital reserve fund for future works to sustain the existing assets and improve the golf courses.

We estimate the need to spend \$100,000 annually to sustain the courses as they are. Any additional surpluses will be used to improve/modernize the golf courses in the context of the ten year capital plan.

The current infrastructure is in good condition; however clubhouses, maintenance buildings, cart paths and irrigation systems will continue to need capital repairs to maintain their functionality. Minor changes to enhance playability and improve conditions of existing features like teeing grounds, sand traps and forestry projects will continue as part of the yearly operating and capital budgets.

Our existing customers are telling us that our products are priced properly and the course conditioning and layouts are at an appropriate level and value proposition. We believe the golf course properties will be able to maintained appropriately and sustainable without tax support going forward.

## CONCLUSION

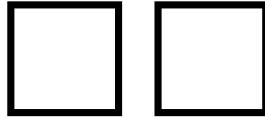
Since 2011 the “**golf experience**” has significantly improved as a result of the changes on the grounds and in the clubhouse. The management team has been overhauled and changed the culture to be focused on the customer experience.

- River Road golf course has seen improvements to make the course more playable for all levels of golfers while changing the service delivery model to be more efficient and consistent in its service.
- We have controlled expenses and increased revenues per round more effectively without affecting the customer experience.
- We have improved turf quality and the visual appeal of the properties with increased over seeding and fertilization programs on the grounds while the Clubhouses have seen cosmetic and structural changes to patios, pro shops and lounges to be more efficient and customer friendly.
- Marketing and advertising campaigns have been more focused and directed at our current and potential customers.
- The courses have become youth friendly and affordable again with an increased focus on camps and support of youth events like high school tournaments and the Junior Optimist Championships.
- Increased attention to attracting and reviving tournament play at the courses has resulted in increased play and exposure to the courses with new and returned visitation.



Our mission is to maintain the municipal golf system at an affordable level. The City provides quality municipal golf facilities and services to attract and develop a loyal following of golfers, while striving to be self-sustaining as a municipal system of golf. The City will continue to develop and implement a plan of continuous improvement for the municipal golf system, focusing on revenue streams, cost management and an “At Your Service” attitude that will provide an amazing golf experience for London.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>SCOTT STAFFORD DIVISION MANAGER, PARKS &amp; COMMUNITY SPORTS</b>	<b>WILLIAM C. COXHEAD MANAGING DIRECTOR, PARKS &amp; RECREATION</b>



## **APPENDIX A**

### **2015-2018 GOLF STRATEGIES**

**The following activities are in place for the 2015-2018 Municipal Golf Business Plan:**

- Continue to follow the Golf Business Plan to strive to achieve the Buchanan Vision of “Golf paying for Golf”
- Continue to implement the revenue generating and expense control aspects of the plan
- Continue to enhance the customer experience through efficient service delivery models, sustained course conditions, improved playability and improved aesthetics
- Continue to maintain the municipal golf system at an affordable level

#### **1. Increased Participation**

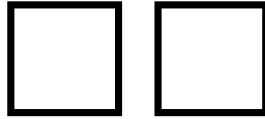
- Memberships:
  - a. Early Bird Membership drive in spring
  - b. Fall Membership drive
  - c. Participate in the winter London Golf Show
- Green fee pricing that differentiates the various course offerings
- Continue to promote internal and external tournaments to increase participation and exposure to all of our course offerings
- Agreements with Special Olympics for utilization of the Parkside Nine
- Establish a “Play it Forward” program to allow for appropriate course layouts for all ages and abilities
- Continue to grow junior golf with SPECTRUM golf camps, promotion of junior and high school events and hosting of the Canadian Junior Optimist Golf Championship
- “Bring a kid to the course program”—Free Saturdays and Sundays for Junior Golfers
- Advertise our products through various means, social media, radio, new Canadian newspapers

#### **2. Revenue Generation**

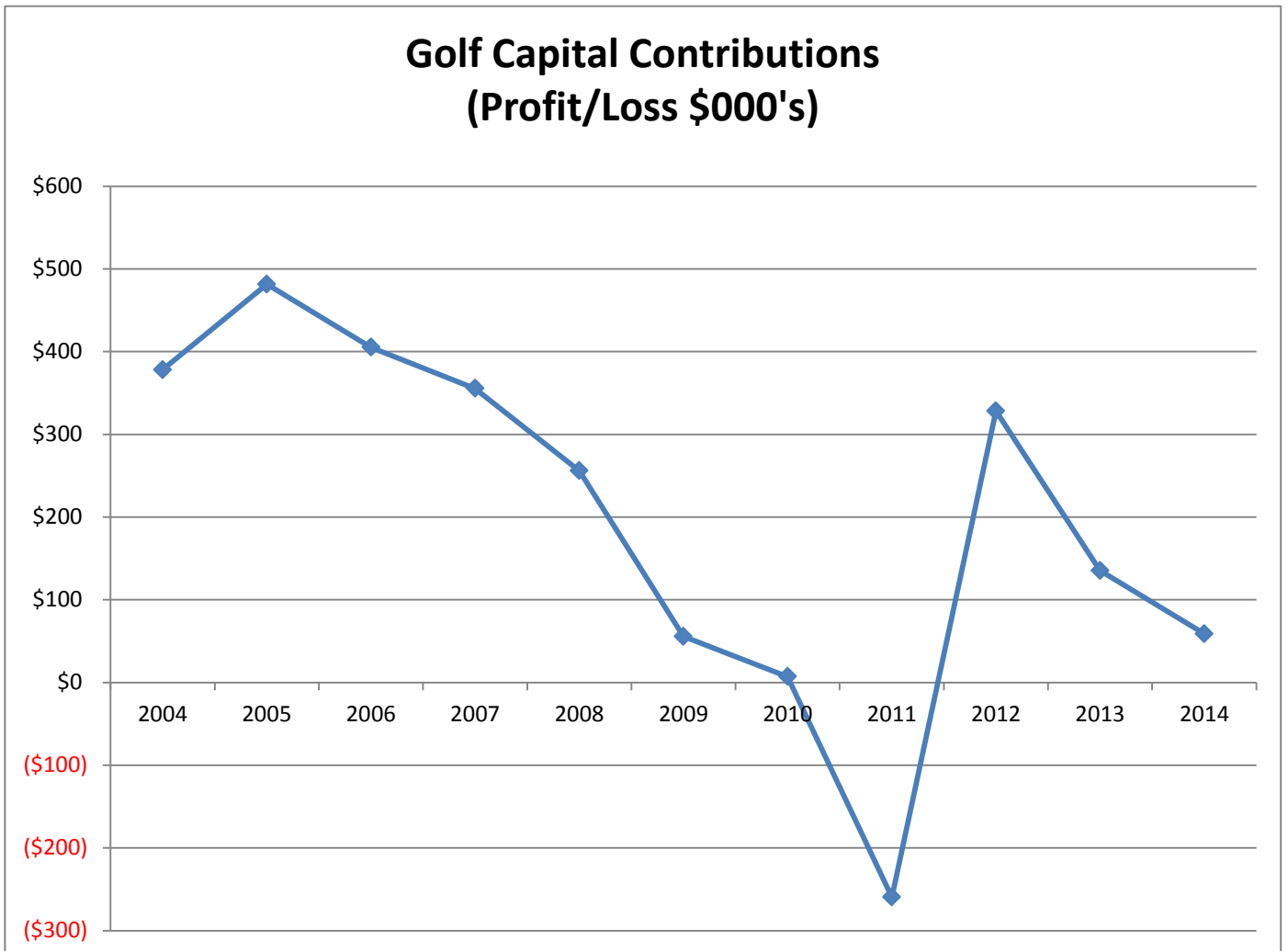
- Added motorized carts to service increased demand for cart rentals
- Flexible fee options are required to allow for promotional rates in non-prime times to right-size the fees to be competitive with comparable golf courses and to achieve revenue targets
- Continue to utilize 3<sup>rd</sup> party agreements to promote sales of non-prime times
- Grow the number of tournaments
- Increase clubhouse sales through promotion and quality product offerings
- Investigate advertising and sponsorship opportunities
- Tee time Yield Management Software

#### **3. Improve the Golf Experience**

- Implement suggestions from the customer feedback surveys
- Continue to ask for customer feedback through a variety of survey methods
- Continue to employ PGA of Canada professionals to utilize their skills , training and expertise
- Golf Staff creating a welcoming atmosphere from Parking Lot to Parking Lot
- Site appropriate Customer service food and beverage delivery models/menus at all properties
- Continue to improve existing course features and conditions
- Establish a colour coded pin placement system at all courses
- Quality merchandising plans in the Pro Shops
- Continue to be a member of the National Golf Course Owners Association to follow industry best practices



**APPENDIX B**



The golf industry in North America and London reached its peak in 2005. This coincided with a strong global economy. The economic crash of 2008 took a couple years to trickle down but decisions were being made by all golfers as to where they wanted to spend their shrinking recreational dollar. There were a number of new golf courses in London area that were competing for the same golfers. Some courses began offering high end golf at mid-range golf prices. Golfers were being very selective on how that dollar was being spent creating significant competition. By 2010 it was clear that the customer felt that the municipal courses were overpriced for the quality and service that was being provided. They were telling us this and showing us by spending their money elsewhere. It was time for a change in the product we were offering. In 2011 a business plan was developed with an emphasis on improving the customer experience, increasing revenue from all sources, increase participation and improve our marketing plan. The principles of the plan have been implemented over the past four seasons and we are hearing through surveys and seeing through increased participation during record setting participation days in 2014 that the plan is working and that the customer experience is improved. Profits have rebounded in 2012 and continue to be in the black during a time when the golf industry has not fully recovered. Variations in 2012-2014 reflect the length of the season and the impacts weather can have on the surplus generated.



**2012 TO 2015 GOLF CONSOLIDATED FINANCIAL SUMMARIES**

**Total Golf System  
90 Holes**

(\$ 000's)

<i>Revenues</i>	<b>2015 Budget</b>	<b>2014 Budget</b>	<b>2014 Actual</b>	<b>2013 Actual</b>	<b>2012 Actual</b>
Membership	\$ 845	\$ 808	\$ 799	\$ 799	\$ 749
Guest Fees (Daily)	879	853	776	827	884
Membership Fees (Daily)	606	584	475	503	612
Golf Cart Rentals	460	425	420	413	413
Food & Beverage Sales	614	599	572	599	614
Retail Sales	200	195	190	214	174
London Golf Club Memberships	50	164	84	165	220
Other Revenue	66	66	77	77	75
<i>Total Revenue</i>	\$ 3,720	3,693	3,393	3,595	3,741
<i>Expenditures</i>					
Casual Labour (incl fringe)	\$ 585	\$ 561	\$ 478	\$ 535	\$ 582
Cost of Goods Food & Beverage	325	317	306	312	336
Cost of Goods Retail	146	142	150	167	135
Direct Labour	1,261	1,273	1,213	1,250	1,161
Admin Exp	17	17	17	18	20
Purchased Services	391	356	385	371	389
Materials & Supplies	295	299	290	336	304
Equipment Costs	449	449	449	435	464
Other	49	45	44	36	23
Reserve Transfers	200	229	59	135	328
<i>Total Expenditures</i>	\$ 3,720	3,691	3,393	3,595	3,741
<i>Net</i>	\$0	\$2	(\$0)	\$0	\$0

<b>Total Rounds (Rds) of Golf</b>	<b>122,663</b>	<b>120,204</b>	<b>113,034</b>	<b>118,379</b>	<b>128,079</b>
Guest Rounds	39,137	38,485	37,666	39,325	39,996
Member Rounds	43,699	42,812	36,114	38,656	48,173
Unlimited Rounds	39,826	38,907	39,254	40,398	39,910
Avg Green Fee per Guest Rds.	\$ 22.47	\$ 22.17	\$ 20.59	\$ 21.02	\$ 22.10
Avg Green Fee/ Member Rds.	\$ 13.87	\$ 13.65	\$ 13.15	\$ 13.02	\$ 12.71
Avg Cart Rental per Total Rds.	\$ 3.75	\$ 3.54	\$ 3.72	\$ 3.49	\$ 3.22
Avg Food & Beverage per Total Rds	\$ 5.01	\$ 4.98	\$ 5.06	\$ 5.06	\$ 4.79
Avg Retail per Total Rds.	\$ 1.63	\$ 1.62	\$ 1.68	\$ 1.80	\$ 1.36



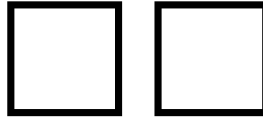


## River Road 18Holes

(\$ 000's)

<i>Revenues</i>	2015 Budget	2014 Budget	2014 Actual	2013 Actual	2012 Actual
Membership	\$ 161	\$ 153	\$ 151	\$ 151	\$ 141
Guest Fees(Daily)	148	146	115	136	145
Membership Fees(Daily)	106	104	75	83	113
Golf Cart Rentals	90	90	74	82	85
Food & Beverage Sales	83	79	74	82	91
Retail Sales	18	17	18	22	19
London Golf Club Memberships	13	41	23	43	66
Other Revenue	3	3	6	6	5
<i>Total Revenue</i>	\$ 620	633	536	604	665
<i>Expenditures</i>					
Casual Labour (incl fringe)	69	67	50	56	93
Cost of Goods Food & Beverage	44	42	39	41	45
Cost of Goods Sold Retail	13	12	6	4	11
Direct Labour	285	274	271	286	232
Admin Exp	2	2	4	2	5
Purchased Services	83	82	69	73	83
Materials & Supplies	50	50	49	55	47
Equipment Costs	78	79	79	76	82
Other	11	11	11	9	7
Reserve Transfers	45	51	13	30	73
<i>Total Expenditures</i>	\$ 680	669	591	634	677
<i>Net</i>	(\$59)	(\$37)	(\$55)	(\$30)	(\$13)

Total Rounds (Rds) of Golf	22,816	22,816	20,046	22,065	24,775
Guest Rounds	6,473	6,473	5,535	6,614	6,606
Member Rounds	7,817	7,817	5,785	6,627	9,333
Unlimited Rounds	8,526	8,526	8,726	8,824	8,836
Avg Green Fee per Guest Rds.	\$ 22.86	\$ 22.56	\$ 20.85	\$ 20.51	\$ 21.86
Avg Green Fee/ Member Rds.	\$ 13.54	\$ 13.29	\$ 12.98	\$ 12.50	\$ 12.10
Avg Cart Rental per Total Rds.	\$ 3.94	\$ 3.94	\$ 3.71	\$ 3.70	\$ 3.43
Avg Food & Beverage per Total Rds	\$ 3.64	\$ 3.46	\$ 3.68	\$ 3.72	\$ 3.66
Avg Retail per Total Rds.	\$ 0.79	\$ 0.75	\$ 0.90	\$ 1.00	\$ 0.76

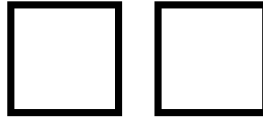


## Thames Valley 27 Holes

(\$ 000's)

<i>Revenues</i>	2015 Budget	2014 Budget	2014 Actual	2013 Actual	2012 Actual
Membership	\$ 422	\$ 405	\$ 384	\$ 384	\$ 362
Guest Fees(Daily)	339	327	309	316	335
Membership Fees(Daily)	228	218	186	192	236
Golf Cart Rentals	123	123	132	125	124
Food & Beverage Sales	256	252	239	244	240
Retail Sales	114	112	119	127	95
London Golf Club Memberships	11	34	15	33	45
Other Revenue	53	53	60	60	59
<i>Total Revenue</i>	\$ 1,546	1,525	1,443	1,481	1,496
<i>Expenditures</i>					
Casual Labour (incl fringe)	\$ 293	\$ 279	\$ 220	\$ 247	\$ 271
Cost of Goods Food & Beverage	136	134	129	129	146
Cost of Goods Retail	83	82	133	148	91
Direct Labour	469	475	451	483	464
Admin Exp	11	11	8	11	11
Purchased Services	92	85	127	99	106
Materials & Supplies	118	117	123	142	127
Equipment Costs	158	158	158	153	164
Other	21	19	17	12	6
Reserve Transfers	67	76	20	45	109
<i>Total Expenditures</i>	\$ 1,447	1,436	1,385	1,469	1,495
<i>Net</i>	\$100	\$89	\$58	\$12	\$0

Total Rounds (Rds) of Golf	<b>51,249</b>	<b>49,748</b>	<b>46,629</b>	<b>48,371</b>	<b>53,190</b>
Guest Rounds	16,046	15,672	15,630	15,648	16,223
Member Rounds	17,936	17,425	15,252	15,661	19,516
Unlimited Rounds	17,267	16,651	15,747	17,062	17,451
Avg Green Fee per Guest Rds.	\$ 21.14	\$ 20.89	\$ 19.74	\$ 20.17	\$ 20.61
Avg Green Fee/ Member Rds.	\$ 12.72	\$ 12.52	\$ 12.19	\$ 12.29	\$ 12.07
Avg Cart Rental per Total Rds.	\$ 2.40	\$ 2.47	\$ 2.82	\$ 2.58	\$ 2.31
Avg Food & Beverage per Total Rds	\$ 5.00	\$ 5.07	\$ 5.13	\$ 5.05	\$ 4.50
Avg Retail per Total Rds.	\$ 2.22	\$ 2.25	\$ 2.54	\$ 2.58	\$ 1.76



## Fanshawe 45 Holes

(\$ 000's)

<i>Revenues</i>	2015 Budget	2014 Budget	2014 Actual	2013 Actual	2012 Actual
Membership	\$ 262	\$ 249	\$ 264	\$ 263	\$ 247
Guest Fees(Daily)	392	380	352	375	405
Membership Fees(Daily)	272	262	214	228	264
Golf Cart Rentals	247	212	214	206	204
Food & Beverage Sales	275	268	259	272	283
Retail Sales	68	66	54	65	59
London Golf Club Memberships	27	88	46	89	109
Other Revenue	10	10	12	12	11
<i>Total Revenue</i>	\$ 1,553	1,536	1,414	1,511	1,581
<i>Expenditures</i>					
Casual Labour (incl fringe)	\$ 224	\$ 216	\$ 209	\$ 231	\$ 219
Cost of Goods Food & Beverage	146	142	138	142	144
Cost of Goods Sold Retail	50	48	11	14	32
Direct Labour	507	524	491	481	465
Admin Exp	4	4	5	5	4
Purchased Services	217	189	189	200	200
Materials & Supplies	127	132	118	139	130
Equipment Costs	214	213	213	205	219
Other	16	15	17	15	9
Reserve Transfers	89	102	26	60	146
<i>Total Expenditures</i>	\$ 1,593	1,585	1,417	1,492	1,569
<i>Net</i>	(\$40)	(\$50)	(\$3)	\$18	\$12

Total Rounds (Rds) of Golf	<b>48,598</b>	<b>47,640</b>	<b>46,359</b>	<b>47,943</b>	<b>50,114</b>
Guest Rounds	16,618	16,340	16,501	17,063	17,167
Member Rounds	17,946	17,570	15,077	16,368	19,324
Unlimited Rounds	14,034	13,730	14,781	14,512	13,623
Avg Green Fee per Guest Rds.	\$ 23.61	\$ 23.24	\$ 21.31	\$ 22.00	\$ 23.57
Avg Green Fee/ Member Rds.	\$ 15.16	\$ 14.91	\$ 14.19	\$ 13.94	\$ 13.63
Avg Cart Rental per Total Rds.	\$ 5.08	\$ 4.45	\$ 4.62	\$ 4.30	\$ 4.07
Avg Food & Beverage per Total Rds	\$ 5.66	\$ 5.63	\$ 5.59	\$ 5.68	\$ 5.64
Avg Retail per Total Rds.	\$ 1.40	\$ 1.39	\$ 1.16	\$ 1.35	\$ 1.18