

TO:	CHAIR AND MEMBERS COMMUNITY SERVICES COMMITTEE NOVEMBER 12, 2012
FROM:	WILLIAM C. COXHEAD MANAGING DIRECTOR OF PARKS & RECREATION
SUBJECT:	LONDON'S MUNICIPAL GOLF SYSTEM 2012 FINANCIAL PERFORMANCE UPDATE

RECOMMENDATION

That, on the recommendation of the Managing Director of Parks & Recreation, the following actions **BE TAKEN**:

- (a) This report **BE RECEIVED** for information;
- (b) That River Road Golf Course continue to be operated as part of the Municipal Golf System for the 2013 and 2014 seasons; and,
- (c) The Managing Director of Parks and Recreation **BE INSTRUCTED** to report back to the Community Services Committee on the 2013 and 2014 performance of the Municipal Golf System at the conclusion of the 2014 season.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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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

BACKGROUND

Purpose

The purpose of this report is to provide an update on the Municipal Golf Business Plan and a review of the performance of the Municipal golf system in 2012. This report will also assist Council in its decision making regarding the future of River Road Golf Course.

On November 8, 2011, Council:

- Endorsed the 2011 Municipal Golf Business Plan;
- Resolved that Municipal golf be treated as a system, whereby surplus from one or more courses can offset the losses of another course, including contributions to reserves;
- Resolved to keep River Road Golf Course open for three years pending a review of the financial performance of the golf system in Fall of 2012;
- Deferred consideration of the closure of the River Road Golf Course for one year;
- Directed the development of the 2012 Business Plan for the Municipal Golf System with the inclusion of the operation of the River Road Golf Course; and,
- Instructed staff to report back on the 2012 performance of the Municipal Golf System.



The 2012 Municipal Golf Business Plan outlines implementation strategies in three areas: increased participation, revenue generation and improving the golf experience will allow for sufficient funds to be generated from operations to reinvest in upkeep and modernization of golf courses and the support buildings.

The following strategies were successfully implemented in 2011 and throughout the 2012 season. See Appendix A for more details.

1. Increased Participation

Participation targets were exceeded across the board at all courses. In total there were 218 additional memberships and, most encouraging, there were great improvements in the junior division where 46 new memberships were purchased. To date there were an additional 12,000 rounds of golf played over 2011 numbers (see Appendix A, Figure 1).

2. Revenue Generation

It was our intention to increase revenues from all sources. From a financial perspective, this strong turnaround was buoyed by a historically warm spring, however, as well as increasing participation levels mentioned above, performance targets in food and beverage, merchandise and electric cart rentals were also exceeded system wide. The forecast for the consolidated golf system and each individual golf course performance is attached as Appendix C (Consolidated/Thames Valley/Fanshawe/River Road).

3. Improve the Golf Experience

Many low cost course improvements were made over the past 12 months on all of the courses in the system in an attempt to improve playability and overall experience.

Customers and staff are both taking notice of the change. A Golf Survey (474 responses collected) was delivered to all courses over the summer in 2012 and there were many positive comments on the changes and improvements implemented. Players state that *“Improvements to the course over the last few seasons has greatly improved the playability and enjoyment”* and *“City courses are at their best.”* *“We are very satisfied with how the city and Golf Pros are making numerous changes to improve the overall golf experience”*

Building on the success of the 2012 season, staff will continue to implement strategies at all the courses and take into consideration suggested improvements made in the 2012 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). Appendix B details strategies under consideration for the 2013 season. Many build upon the successful strategies implemented in 2011 and 2012.

FINANCIAL IMPACT

The Municipal Golf System is forecasting a break even (net 0) after contributions of \$300,000 to reserve funds for future capital life cycle renewal of assets. See APPENDIX “C”

- \$500,000 improved performance over last year
- Before contributions to reserve fund all courses revenue exceeds expense
- Able to contribute \$300,000 to reserve funds
- After contributions to reserve funds
 - Thames Valley modest surplus
 - Fanshawe breaks even
 - River Road modest deficit



We attribute the success to expenditure control, redistribution of the play through membership structures, improved playability, better course conditioning, changed service delivery models and increased tournament play. This has resulted in a variety of customer experiences, leveling the distribution of play and increased net revenues among the three properties at Thames Valley, Fanshawe and River Road.

Of special note, in 2012, River Road has improved its bottom line by \$190,000 over 2011. River Road is no longer a significant drain on the system if this performance can be sustained in future years as expected.

Ten Year Capital Plan

The annual Golf Business Plan is designed to incrementally increase contributions to the capital reserve fund to set aside funds for future works to sustain the existing assets and improve the golf courses. Annual contributions of \$200,000 are required to sustain the courses as they are. An additional \$100,000 is required to provide sufficient funding for implementation of a 10 Year Capital Improvement Plan to modernize the golf courses. With the exception of necessary structural improvements to the Fanshawe Clubhouse, the infrastructure is in good condition. Minor changes to enhance playability and improve conditions of existing features will continue as part of the yearly operating budget.


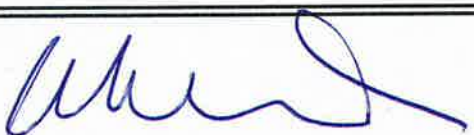
CONCLUSION

The recommendations of the Municipal Golf Task Force, as well as internal business improvements, have generated a significant and positive turnaround for the Municipal golf system. By all accounts, the “golf experience” has significantly improved as a result of the changes and the strong work of the City Golf Team. Participation and net revenue performance targets were exceeded and improvements to the overall golf experience were recognized by customers. The City Golf Team believes the performance of the Municipal Golf System is turning the curve during a time when the remainder of the golf industry in North America is in decline.

Civic administration recommends the City maintain the current golf system and continue to implement and adapt the 2012 Golf Business Plan for a further two years. This will allow a full evaluation of the original turnaround strategy which was previously reported on a three-year term. At the end of the 2014 season, Council will be able to revisit the viability of the Municipal Golf System following a full three years of the “new” Business Plan in place.

Through the 2013 and 2014 golf seasons, staff will continue to implement the Business Plan strategies and build on the successful initiatives implemented in 2011 and 2012.

Acknowledgements: Golf Task Force, John Cowie, Steve Bennett and the rest of Golf Team.

PREPARED BY:	RECOMMENDED BY:
	
SCOTT STAFFORD DIVISION MANAGER, PARKS & COMMUNITY SPORTS	WILLIAM C. COXHEAD MANAGING DIRECTOR, PARKS & RECREATION



APPENDIX A

2012 GOLF STRATEGIES & STATISTICS

1. Increased Participation

- Memberships:
 - a. New “value” membership offering
 - b. Early Bird Membership drive in Spring
 - c. Fall 2012 Membership drive underway resulting in over 50 new memberships
- Green fee pricing that differentiates the various course offerings
- Junior Golf Lessons Increased more than two-fold through Spectrum
- More than double the number of corporate/charity and competitive tournaments, for example:
 - a. Addition of a Senior Invitational tournament at Fanshawe
 - b. Host of the Canadian Junior Optimist Golf Championship
- License agreement with London Golf Club brought in additional rounds (see London Golf Club Report)
- Agreements with Special Olympics for utilization of the Parkside Nine

2. Revenue Generation

- Added 20 carts to service increased demand for electric cart rentals
- Implementation of the “new” customer service delivery model at River Road
- New cart /Green fee package at Fanshawe Quarry
- Additional tournament food and beverage packages offered
- Special Event sales at the Pro Shops i.e., Canada Day, Mothers Day
- License agreement with London Golf Club (see London Golf Club report)

3. Improve the Golf Experience

- 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
- Course improvements:
 - Course conditioning improvements
 - Continued playability improvements at River Road, Fanshawe and Thames Valley - improvements were noted by customers: *“Great changes in terms of playability of the course”*.
 - Appropriate watering of courses during “drought” conditions
 - Improved on - course directional signing to make new customers feel at home
- Improved tournament support from Pro Shop staff
- Quality merchandising plans in the Pro Shops
- Commitment of staff to the new business model. Customers have taken note of this change: *“There is a big difference in service levels this year. Employees really try to make an effort.”*

Figure 1: Golf System Rounds, Season End of October 2012

Golf Rounds	2010 Actual	2011 Actual	2012 Target	31-Oct-12	Q3 % of Target
Thames Classic	34,500	33,060	34,767	34,694	100%
Thames Hickory	15,778	15,203	16,032	17,067	106%
Fanshawe Traditional	25,896	28,068	28,127	27,467	98%
Fanshawe Quarry	16,826	15,593	17,565	20,516	117%
River Road	21,123	20,033	21,758	23,950	110%
Total System	114,123	111,957	118,248	123,694	105%

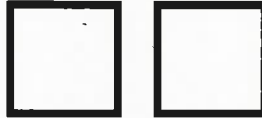


APPENDIX B

PROPOSED 2013 GOLF STRATEGIES

The following strategies are being considered for the 2013 Municipal Golf Business Plan:

- Continue to follow the 2011 and 2012 business plan to strive to achieve the "Buchanan Vision of golf paying for golf"
- As supported by the Golf Task Force and confirmed in the Survey, maintain fee structure reflect the value of the offering at all golf courses.
- Continue to implement the revenue generating and expense control aspects of the plan
- Reduce expectations for contributions to the reserve funds in the short term and grow in future years. It being noted that the golf courses, as a results of recent investments, are in a good state of repair as confirmed in the Golf survey.
- Maintain an contingency fund of \$200,000 in the golf reserves to deal with emergent issues over the next 2 years
- Develop a 10 year capital improvement program as funds are generated in the reserve accounts.
- Continue to enhance the customer experience through efficient service delivery models, sustained course conditions and improved playability.
- Develop further 3rd party agreements to promote sales of "non" prime time tee times
- Minor change to green fees is 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
- Develop additional Junior programs



APPENDIX C

2010 TO 2012 GOLF CONSOLIDATED FINANCIAL SUMMARIES

Golf Consolidated Income Statement

<i>Revenues</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Membership	749,158	698,022	654,703	795,655
Guest Fees	884,000	1,089,351	868,359	941,086
Membership Fees	615,000	645,680	577,950	745,479
Golf Cart Rentals	419,000	350,886	332,664	286,549
F&B Sales	615,000	611,732	553,841	516,606
Retail Sales	173,500	146,186	146,622	101,704
LGC Memberships	220,000	-	7,695	-
Other Revenue	74,253	60,240	67,631	87,731
Total Revenue	3,749,911	3,602,097	3,209,466	3,474,811
Expenditures				
Casual Labour (incl fringe)	594,944	614,813	633,564	588,507
COGS F&B	338,250	318,100	319,204	317,736
COGS Retail	131,050	102,331	116,508	79,400
Direct Labour	1,177,030	1,235,300	1,220,477	1,237,431
Admin Exp	20,918	15,600	16,313	16,284
Purchased Services	402,721	361,825	371,966	330,030
Materials & Supplies	301,192	320,916	275,140	299,668
Equipment Costs	464,170	509,741	499,314	565,582
Other	26,434	26,700	16,490	33,092
Reserve Transfers	293,202	102,170	-	300,000
Total Expenditures	3,749,911	3,607,496	3,468,976	3,767,731
Net	(0)	(5,399)	(259,510)	(292,920)

<i>Performance Measures</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Total Rounds of Golf	127,621	118,248	111,957	114,123
Guest Rounds	40,570	47,203	44,363	39,260
Member Rounds	48,248	48,811	46,113	40,917
Unlimited Rounds	38,802	22,234	21,481	33,946
Avg Green Fee per Guest Rds.	\$ 21.79	\$ 23.08	\$ 19.57	\$ 23.97
Avg Green Fee/ Member Rds.	\$ 12.75	\$ 13.23	\$ 12.53	\$ 18.22
Avg Cart Rental per Total Rds.	\$ 3.28	\$ 2.97	\$ 2.97	\$ 2.51
Avg F&B per Total Rds	\$ 4.82	\$ 5.17	\$ 4.95	\$ 4.53
Avg Retail per TotalRds.	\$ 1.36	\$ 1.24	\$ 1.31	\$ 0.89

It should be noted that the private golf course operator(s) have pointed out that some costs for overhead are not allocated to golf. It is recognized that it is difficult to provide a direct "apples to apples" comparison between private sector and municipal golf operations. Administration concurs that central services, such as computer costs, senior management wages, accounting and marketing are not allocated to the golf expense in operating budgets. The private operators estimate these costs @ \$22,000 per course or \$66,000 for the system.



APPENDIX "C"

River Road Income Statement

<i>Revenues</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Membership	140,895	140,076	122,184	85,644
Guest Fees	144,000	195,792	157,650	167,118
Membership Fees	113,000	95,876	89,009	126,293
Golf Cart Rentals	85,000	63,201	64,463	55,381
F&B Sales	90,000	87,034	84,629	96,066
Retail Sales	18,500	21,758	19,287	22,199
LGC Memberships	66,000	-	-	-
Other Revenue	4,821	2,600	4,234	5,651
Total Revenue	662,216	606,337	541,455	558,351
Expenditures				
Casual Labour (incl fringe)	81,754	81,754	121,989	110,827
COGS F&B	49,500	45,257	54,004	42,385
COGS Retail	12,950	15,231	12,809	18,956
Direct Labour	249,378	230,695	272,060	301,199
Admin Exp	5,278	2,400	3,173	1,301
Purchased Services	85,809	82,238	85,501	77,004
Materials & Supplies	52,000	52,900	41,013	49,463
Equipment Costs	81,636	96,388	92,116	123,888
Other	7,479	6,700	4,942	9,360
Reserve Transfers	65,155	22,704	-	66,667
Total Expenditures	690,939	636,267	687,607	801,050
Net	(28,723)	(29,930)	(146,151)	(242,699)

<i>Performance Measures</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Total Rounds of Golf	24,504	21,758	20,033	21,123
Guest Rounds	6,736	9,179	8,455	6,740
Member Rounds	9,202	7,856	7,597	7,994
Unlimited Rounds	8,567	4,723	3,981	6,389
Avg Green Fee per Guest Rds.	\$ 21.38	\$ 21.33	\$ 18.65	\$ 24.79
Avg Green Fee/ Member Rds.	\$ 12.28	\$ 12.20	\$ 11.72	\$ 15.80
Avg Cart Rental per Total Rds.	\$ 3.47	\$ 2.90	\$ 3.22	\$ 2.62
Avg F&B per Total Rds	\$ 3.67	\$ 4.00	\$ 4.22	\$ 4.55
Avg Retail per Total Rds.	\$ 0.75	\$ 1.00	\$ 0.96	\$ 1.05



APPENDIX "C"

Thames Valley Income Statement

<i>Revenues</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Membership	361,697	329,902	319,119	481,042
Guest Fees	338,000	406,108	327,918	393,363
Membership Fees	240,000	274,714	246,253	310,439
Golf Cart Rentals	124,000	115,933	99,139	92,488
F&B Sales	240,000	274,310	246,143	221,417
Retail Sales	96,000	78,737	84,551	52,057
LGC Memberships	35,200	-	7,695	-
Other Revenue	58,886	47,240	48,986	66,565
Total Revenue	1,493,783	1,526,944	1,379,804	1,617,371
Expenditures				
Casual Labour (incl fringe)	294,130	294,130	278,903	275,475
COGS F&B	132,000	142,641	134,312	164,911
COGS Retail	76,800	55,116	69,522	45,587
Direct Labour	442,703	471,997	468,860	429,198
Admin Exp	10,178	8,200	8,490	10,702
Purchased Services	102,640	86,647	87,580	80,051
Materials & Supplies	123,662	138,786	113,501	123,652
Equipment Costs	163,642	162,748	177,748	191,089
Other	10,264	12,200	5,619	14,800
Reserve Transfers	97,735	34,057	-	100,000
Total Expenditures	1,453,754	1,406,522	1,344,533	1,435,466
Net	40,029	120,422	35,271	181,905

<i>Performance Measures</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Total Rounds of Golf	53,470	50,798	48,263	50,278
Guest Rounds	16,558	18,603	17,333	17,328
Member Rounds	19,770	21,567	19,837	16,175
Unlimited Rounds	17,142	10,628	11,093	16,775
Avg Green Fee per Guest Rds.	\$ 20.41	\$ 21.83	\$ 18.92	\$ 22.70
Avg Green Fee/ Member Rds.	\$ 12.14	\$ 12.74	\$ 12.41	\$ 19.19
Avg Cart Rental per Total Rds.	\$ 2.32	\$ 2.28	\$ 2.05	\$ 1.84
Avg F&B per Total Rds	\$ 4.49	\$ 5.40	\$ 5.10	\$ 4.40
Avg Retail per TotalRds.	\$ 1.80	\$ 1.55	\$ 1.75	\$ 1.04



APPENDIX "C"

Fanshawe Income Statement

<i>Revenues</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Membership	246,566	228,044	213,400	228,969
Guest Fees	402,000	487,451	382,791	380,605
Membership Fees	262,000	275,090	242,688	308,748
Golf Cart Rentals	210,000	171,752	169,062	138,681
F&B Sales	285,000	250,388	223,070	199,123
Retail Sales	59,000	45,691	42,784	27,448
LGC Memberships	118,800	-	-	-
Other Revenue	10,546	10,400	14,411	15,516
Total Revenue	1,593,912	1,468,816	1,288,206	1,299,089
<i>Expenditures</i>				
Casual Labour (incl fringe)	219,060	238,929	232,673	202,205
COGS F&B	156,750	130,202	130,888	110,440
COGS Retail	41,300	31,984	34,178	14,857
Direct Labour	484,949	532,608	479,556	507,034
Admin Exp	5,462	5,000	4,650	4,282
Purchased Services	214,272	192,940	198,885	172,975
Materials & Supplies	125,530	129,230	120,627	126,552
Equipment Costs	218,892	250,605	229,450	250,605
Other	8,691	7,800	5,929	8,932
Reserve Transfers	130,312	45,409	-	133,333
Total Expenditures	1,605,219	1,564,707	1,436,836	1,531,216
Net	(11,307)	(95,891)	(148,630)	(232,127)

<i>Performance Measures</i>	<i>2012 Forecast</i>	<i>2012 Budget</i>	<i>2011</i>	<i>2010</i>
Total Rounds of Golf	49,647	45,691	43,661	42,722
Guest Rounds	17,276	19,421	18,561	15,192
Member Rounds	19,277	19,388	18,677	16,748
Unlimited Rounds	13,094	6,883	6,423	10,782
Avg Green Fee per Guest Rds.	\$ 23.27	\$ 25.10	\$ 20.62	\$ 25.05
Avg Green Fee/ Member Rds.	\$ 13.59	\$ 14.19	\$ 12.99	\$ 18.43
Avg Cart Rental per Total Rds.	\$ 4.23	\$ 3.76	\$ 3.87	\$ 3.25
Avg F&B per Total Rds	\$ 5.74	\$ 5.48	\$ 5.11	\$ 4.66
Avg Retail per TotalRds.	\$ 1.19	\$ 1.00	\$ 0.98	\$ 0.64