



# MUNICIPAL GOLF 2011 FINANCIAL PERFORMANCE UPDATE

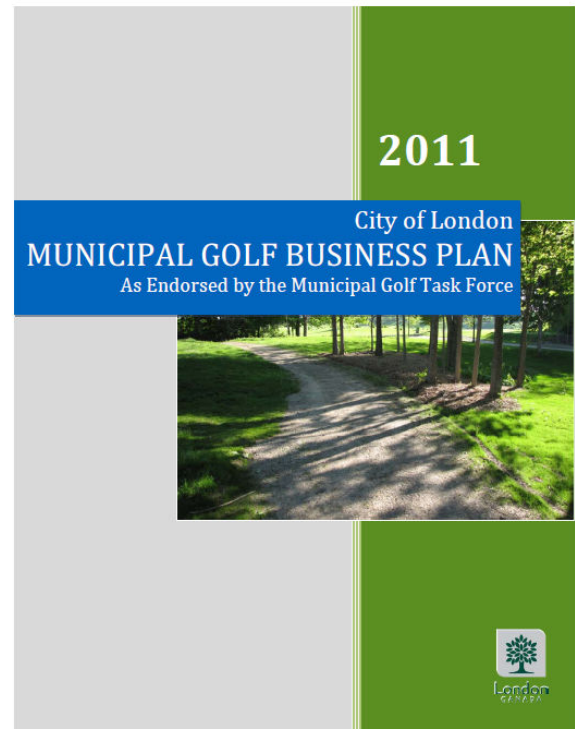
**November 1, 2011  
Community & Neighbourhoods  
Committee Meeting**

# COUNCIL RESOLUTION JUNE 2011

- a) The 2011 Municipal Golf Business Plan and recommendations report BE ENDORSED;
- b) The following recommendations from the Task Force BE ENDORSED:
  - i. The Civic Administration BE REQUESTED to further develop a 3 year Capital Plan that includes improvements to all municipal golf courses noting that the 2011 Municipal Golf Business Plan includes a short term capital budget;
  - ii. The golf courses BE TREATED as a municipal golf system as opposed to individual golf courses;
  - iii. The Civic Administration BE DIRECTED to continue to review any concerns that could not be addressed by the Golf Task Force;
  - iv. The Golf Task Force NOT BE DISBANDED and the Task Force, as amended from time to time, BE REQUESTED to participate in an advisory capacity with Civic Administration at least two times per year (both pre and post season);
- c) **Consideration of the Task Force recommendation that “Any decision to close River Road Golf Course be deferred for 3 years to allow for a recovery to occur and move towards financial sustainability” BE TABLED until the Fall of 2011 at which time the Civic Administration will be providing a report on the 2011 performance of the golf system;**
- d) The members of the 2011 Municipal Golf Task Force BE THANKED for their work, ideas and commitment to the success of London’s Municipal golf system.

# BUSINESS PLAN UPDATE

- Increase Participation
- Revenue Generation
- Improve the Golf Experience
- Marketing Plan
- River Road Focus



# SUCCESSSES TO DATE

- Competitive pricing has been implemented;
- Increased visibility through signage and advertising has been implemented;
- Improvements to playability at courses have been completed and work is ongoing;
- Improved property management;
- Pro Shop merchandise availability and enhanced displays are in place;
- Junior golf opportunities increased;
- Food & Beverage service enhancements including daily menu specials have been implemented;
- Friendly, professional staff are in place
- Sand trap improvements are in process
- Brush clearing is completed

# WHAT WE'RE HEARING

- “I have never seen as much improvement and effort in such a short time”
- “There is a very strong men’s league this year.”
- “I just golfed the back nine at River road. Price is fine. Course is fine.”
- “keep up the great work”
- “Catering staff have been extremely accommodating this year. We have enjoyed refreshments after golf and at our special events. We are extremely pleased with the congenial attitude in the clubhouse  
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# SUMMER PERFORMANCE

(99% of Aggressive performance targets met in June, July and August)

# Golf System – Rounds SUMMER 2011

<b>Figure 1 GOLF SYSTEM ROUNDS, SUMMER SUMMARY (JUNE, JULY &amp; AUG.) 2011</b>					
Golf Course	ACTUAL 2010	TARGET 2011	ACTUAL 2011	2011 VARIANCE TARGET/ACTUAL	% of Target (June/July/Aug)
River Road	10,474	11,819	11,476	(343)	97%
Quarry	8,006	8,886	9,291	405	105%
Traditional	12,580	13,720	14,305	585	104%
Classic	17,010	18,574	17,390	(1,184)	94%
Hickory	8,669	9,404	9,249	(155)	98%
<b>TOTAL</b>	<b>56,739</b>	<b>62,404</b>	<b>61,711</b>	<b>(692)</b>	<b>99%</b>

<b>GOLF SYSTEM – ROUNDS –SUMMER (JUNE, JULY &amp; AUG.) 2011</b>						
Golf Course	2010			2011		
	June	July	Aug.	June	July	Aug.
River Road	3,402	3,581	3,491	3,655	3,953	3,868
Quarry	2,629	2,702	2,675	2,910	3,116	3,265
Traditional	4,190	4,324	4,066	4,828	4,836	4,641
Classic	5,594	5,614	5,802	5,905	5,494	5,991
Hickory	2,628	2,943	3,098	2,937	2,996	3,316
<b>MONTHLY TOTAL</b>	<b>18,443</b>	<b>19,164</b>	<b>19,132</b>	<b>20,235</b>	<b>20,395</b>	<b>21,081</b>
<b>SUMMER TOTAL</b>	<b>2010 = 56,739</b>			<b>2011 = 61,711</b>		

## **Unpredictable and Wet Spring** **(Participation well below normal)**

- As reported to council in June, the 2011 golf season began under a cloud of uncertainty which had negative effect on the image of municipal golf.
- Golfers waited for the decisions around the opening or closing of River Road before purchasing memberships.
- Customers had questions about management, value and sustainability of the golf courses.
- While the questions were being addressed, record rainfalls hit the London golf industry.
- The thirty year average for precipitation for March, April and May in London is 211 mm
- The total amount of rainfall this past Spring was 354 mm!! (Weather Network).



# Golf System – Rounds Spring 2011

GOLF SYSTEM ROUNDS, SUMMARY SPRING (MAR/APR/MAY) 2011					
Golf Course	ACTUAL 2010	TARGET 2011	ACTUAL 2011	2011 VARIANCE TARGET/ACTUAL	% of Target (at May 31/11)
River Road	5,374	6,120	3,898	(2,222)	64%
Quarry	4,248	4,786	2,541	(2,245)	53%
Traditional	6,905	7,229	6,109	(1,120)	85%
Classic	9,449	10,249	6,615	(3,634)	65%
Hickory	4,246	4,607	2,929	(1,678)	64%
<b>TOTAL</b>	<b>30,222</b>	<b>32,991</b>	<b>22,092</b>	<b>(10,899)</b>	<b>67%</b>

GOLF SYSTEM – MONTHLY ROUNDS – SPRING (MARCH/APRIL/MAY) 2011						
Golf Course	2010			2011		
	March	April	May	March	April	May
River Road	20	2,231	3,123	0	1,449	2,449
Quarry	2	1,861	2,385	0	727	1,814
Traditional	64	3,174	3,667	0	1,901	4,208
Classic	374	4,060	5,015	0	2,241	4,374
Hickory	181	1,702	2,363	0	757	2,172
<b>MONTHLY TOTAL</b>	<b>641</b>	<b>13,028</b>	<b>16,553</b>	<b>0</b>	<b>7,075</b>	<b>15,017</b>
<b>SPRING TOTAL</b>	<b>2010 = 30,222</b>			<b>2011 = 22,092</b>		

# Golf System – Revenue Spring 2011

<b>Figure 2 - GOLF SYSTEM – REVENUE SPRING 2011 (MARCH/APRIL/MAY)</b>					
Revenue Source	ACTUAL 2010	BUDGET 2011	ACTUAL 2011	DIFFERENCE (2011 Actual to Budget)	+/-
Memberships	\$778,658	\$775,915	\$629,934	(\$145,981)	-
Member Green Fees	\$205,479	\$193,764	\$110,831	(\$82,933)	-
Guest Green Fees	\$220,038	\$298,091	\$144,638	(\$153,453)	-
Food & Beverage Sales	\$110,633	\$197,759	\$89,517	(\$108,241)	-
Golf Cart Rentals	\$56,835	\$85,017	\$56,389	(\$28,628)	-
Retail Sales	\$14,971	\$47,691	\$25,501	(\$22,189)	-
Lessons	\$19,770	\$9,650	\$16,999	\$7,349	+
Other	\$18,537	\$15,916	\$15,707	(\$209)	-
Total Spring Loss In Revenue	\$1,424,921	\$1,623,805	\$1,089,516	(\$534,285)	-

# RIVER ROAD 2011 SEASON

- Reduced Green fees
- Improved playability
- Increased advertising
- Improved customer service

# River Road – 2011 Rounds

2010 (as at Sept. 30)	2011 (as at Sept. 30)	2011 Target (as at Sept. 30)
18,994	18,117	21,481

# WHAT IF?

## 2011 System Forecast Summary

Actual	
(\$157,819)	Net before contribution
0	Contribution to golf reserve
(\$157,819)	
Hypothetical	
How much of this can we attribute this to weather? A difference of \$287,000 based on Spring averages over the last three years. (approximately 7,500 rounds)	
Adjusted system position reflecting an average Spring would be <b>\$129,181</b>	
Had we had an average Spring we would have improved our overall financial picture.	
	(\$157,819)
	<u>\$287,000</u>
2011 Adjusted Spring position	\$129,181

# WHAT IF?

## 2011 River Road Forecast Summary

Actual	
(\$168,058)	Net before contribution
0	Contribution to golf reserve
(\$168,058)	
Hypothetical	
<p>How much of this can we attribute this to weather? A difference of \$20,000 based on Spring averages over the last three years. (approximately 1,000 rounds)</p>	
<p>Adjusted River Road position reflecting an average Spring would be <b>(\$148,058)</b></p>	
<p>Had we had an average Spring we would have improved our overall financial picture.</p>	
	<p>(\$168,058)</p> <p><u>    \$20,000</u></p>
2011 Adjusted Spring position	<b>(\$148,058)</b>

## Did we move the yardstick?

### Hypothetical – YES – without contribution to reserve

- If we had an average Spring we would have improved our overall financial picture by \$122,102
- 2010 position \$7,079
- 2011 position \$129,181

### Actual – YES

June, July, August 99% of Business Plan Targets

# 10 Year GOLF SYSTEM

Golf (\$000)	Total Expenditure	Total Revenue	Total Net Before Contributions	Total Reserve Fund Contributions	Net Surplus/(Deficit) After Contributions
1999	1,973	2,625	652	300	352
2000	2,018	2,707	690	350	340
2001	1,897	2,316	419	540	-121
2002	2,331	2,689	358	307	51
2003	2,387	2,801	414	172	242
2004	2,487	2,865	378	325	53
2005	2,443	2,924	481	341	140
2006	2,638	3,043	405	300	105
2007	2,675	3,031	355	300	55
2008	3,248	3,520	272	272	0
2009	3,517	3,589	72	316	-244
2010	3,449	3,475	26	319	-293
2011	3,375	3,236	-139	19	-158
<b>Total</b>	<b>34,438</b>	<b>38,821</b>	<b>4,383</b>	<b>3,861</b>	<b>522</b>



# What will future reserves look like?

- Current reserve fund balance is \$100,000 (emergency repairs)
- 2011 forecast anticipates a direct operating deficit therefore, zero contributions to reserve fund
- 2012 draft budget anticipates \$100,000 contribution
- Limited modernization and enhancements to golf course properties until reserve fund reaches adequate level

# Go Forward Strategies

## DEVELOPMENT OF THE 2012 BUSINESS PLAN:

- Insert some “weather proofing” to the budget to allow for poor weather.
- As supported by the Golf Task Force, modestly increase some fees to reflect the value of the offering at all golf courses. These increases would be in the range of 3%- 8%.
- Maintain an contingency fund of \$100,000 in the golf reserves to deal with emergent issues over the next 2 years

## EXPLORE PARTNERSHIPS

- Staff has engaged the services of Price Waterhouse Cooper to investigate the merit of two proposals received from London Golf Club and London Golf Trails.

# OPTIONS FOR FUTURE OF MUNICIPAL GOLF SYSTEM

## OPTION 1:

MOVE FORWARD WITH THE CLOSURE OF THE RIVER ROAD GOLF COURSE

## OPTION 2:

RETAIN THE CURRENT GOLF SYSTEM FOR TWO MORE YEARS TO FULLY EVALUATE A TURNAROUND STRATEGY PREDICATED ON A THREE-YEAR TERM

## OPTION 3:

OPERATE THE CURRENT GOLF SYSTEM FOR 2012 AND REVISIT THE ISSUE OF REDUCING THE NUMBER OF COURSES IN THE FALL OF 2012

**The Civic Administration has reviewed these options and is recommending that Council endorse Option 3.**

We believe that the strong performance of 2011 warrants an additional year of effort to see if progress to the financial goal can be met within the context of continuing to operate the three courses.

# Recommendations

- This report **BE RECEIVED** for information purposes; and
- Notwithstanding the recommendation of the Municipal Golf Task Force, consideration of the closure of the River Road Golf Course **BE DEFFERED** for one year;
- The Director of Parks and Recreation **BE DIRECTED** to develop the 2012 Business Plan for the Municipal Golf System with inclusion of operation of the River Road Golf Course;
- The Director of Parks and Recreation **BE INSTRUCTED** to report back to the Community Services Committee on the 2012 performance of the Municipal Golf System at the conclusion of the 2012 season.