

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON FEBRUARY 4, 2020</b>
<b>FROM:</b>	<b>SCOTT STAFFORD MANAGING DIRECTOR, PARKS AND RECREATION  AND  ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>CITY OF LONDON SERVICE REVIEW: REVIEW OF SERVICE DELIVERY FOR MUNICIPAL GOLF</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Parks and Recreation and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions **BE TAKEN**:

- a) the attached Appendix "A": City of London Service Review: Review of Golf Operations **BE RECEIVED** for information;
- b) Civic Administration **BE DIRECTED** to report back on Option 1 as presented by KPMG including holding a Public Participation Meeting (PPM); and,
- c) Civic Administration **BE DIRECTED** to take no further action regarding Options 2, 3, 4 as presented by KPMG;

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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City of London Service Review: Project Update, Strategic Priorities and Policy Committee, April 8, 2019

RFP 18-04: City of London Service Review – Consulting Services, Strategic Priorities and Policy Committee, March 26, 2018

London's Municipal Golf System 2011: Financial Performance and 2012 Business Plan, Community and Neighbourhoods Committee, November 1, 2011

Municipal Golf Task Force Recommendations, Community and Neighbourhoods Committee, June 14, 2011

Potential Closing of River Road – Additional Information, Community and Neighbourhoods Committee, March 8, 2011

London Municipal Golf System Update and Shift in Strategic Direction, Community and Neighbourhoods Committee, February 1, 2011

## 2019-2023 STRATEGIC PLAN LINKAGES

The City of London Service Review links to Council's Strategic Plan 2019 – 2023 strategic area of focus of 'Leading in Public Service', specifically:

- Increase efficiency and effectiveness of service delivery; and
- Maintain London's finances in a transparent and well-planned manner to balance equity and affordability over the long term.

## PURPOSE

On April 8, 2019, the Strategic Priorities and Policy Committee (SPPC) received an update regarding the City of London Service Review. In addition to the review of service delivery for housing, this report identified two in-depth ("Deep Dive") reviews to be undertaken by KPMG which included the service delivery for municipal golf.

The following was also noted in the April 8, 2019 SPPC report in relation to Municipal Golf:

- The City of London currently operates three golf courses, Fanshawe, Thames Valley and River Road, which provide golfing, cart rentals, retail sales, and food and beverage services.
- Revenue generated from golf services may be insufficient to fund future required capital investment.
- KPMG will be undertaking a review of the service delivery model for municipal golf to ensure a sustainable long term service delivery of affordable quality golf opportunities.
- The service review may include the consideration of alternative strategies to maximize revenue from golf services.

This report presents the findings and recommendations from the review undertaken by KPMG for the service delivery for municipal golf (attached as Appendix "A"), provides background and historical context of London's Municipal Golf System, and offers recommendations from Civic Administration on next steps for City Council's consideration.

## BACKGROUND

Today, London's Municipal Golf System consists of 90 holes, across three properties throughout the city including Thames Valley Classic (18 holes), Thames Valley Hickory (9 holes), Fanshawe Traditional (18 holes), Fanshawe Quarry (18 holes), Parkside Nine (accessible 9 holes) and River Road (18 holes).

Maps of all three properties are attached as Appendix "B" for reference.

**Mission:** To offer an affordable, accessible and amazing golf experience for Londoners.

### 2019 Municipal Golf System – By the Numbers:

- 1,836 members: 714 Senior (65+); 851 Adult (25-64); 271 Junior (9-18)
- # of rounds played = 104,667 (River Road = 13,752; Thames Valley = 45,365; Fanshawe = 44,550)
- # of guest rounds played = 35,292
- Golf Reserve Fund balance after 2019 season = \$260,000

## **London's Municipal Golf History**

London's Municipal Golf System has a long history of providing affordable and accessible golf to the community, dating back to 1924. Over the past 95 years, green fees and other golf revenues have been used to cover all operating expenses, fund capital improvements and to expand the system. This means the system has historically operated without municipal tax subsidy. During the late 1990's and early 2000's, the municipal golf system contributed over \$1,000,000 in funding for other municipal recreational endeavours:

- Thames Valley opened in 1924 with a 6 hole golf course and expanded to 18 holes over time and eventually to 27 holes in 1931. It should be noted that from 1940-1945, during the Second World War, Thames Valley ceased golf operations to become a military camp.
- Fanshawe Traditional was constructed in 1957 and grew to 3 nine hole courses. In 1998, nine new holes were added creating two 18 hole courses with the second becoming known as the Quarry. In addition, the Parkside Nine, an accessible course, one of very few in the province/country, and free to play, was built in 1998.
- In 1991, River Road Golf Course, an 18 hole course, was constructed. This was done to take advantage of what was then considered an expanding golf market in the London and area and the potential of adding a course geographically in the southeast.

The timing of the course builds are not uncommon as the golf course construction industry has gone through three boom periods; the 1920's, 1960's and 1990's.

As mentioned above, the revenues generated from all golf activities fund operating expenses, capital improvements, and in the past, until the late 1990's, system expansion (more holes), which is the last time the system grew. The principle of a self-sustaining golf system has been around since the inception of the system in 1924, according to records, which recognizes that even the building of Thames Valley was funded through memberships.

## **London's Municipal Golf Courses and Service Reviews**

The City of London's municipal golf system has been through previous service reviews, most recently in 2011. This review was completed by TE Golf Services, and the impetus for this was noted as follows: "Civic Administration has been growing increasingly concerned about the declining financial performance of the London Civic Golf Courses."

The staff report dated February 1, 2011 further explains: "Over its 85 year history municipal golf has paid for golf, which is operated without municipal tax subsidy. In recent years, as costs rose, golf rounds and associated revenues have declined. For many years, the system covered all operating costs, made healthy annual contributions to capital repairs and contributed additional surplus to offset other recreation costs. In 2010, the system produced its first operating deficit in ten years."

Based on the findings of the 2011 Service Review, civic administration recommended that River Road Golf Course be closed; that a new multi-year golf business plan focusing on the long-term viability of Fanshawe and Thames Valley be developed; that the lands of River Road golf course be repurposed as a City park; and that any decision be referred to a Public Participation Meeting (PPM).

The above recommendations were passed by Municipal Council on February 7, 2011 but following the public participation meeting on March 8, 2011, different direction was provided to civic administration. This direction included:

- The establishment of a Municipal Golf Task Force and associated guidelines.

- The development of a business plan (by May 2011) with specific emphasis on River Road Golf Course that would set the stage for continued operation of the course without the requirement of municipal subsidy.

This work was completed and reported to Municipal Council in June and November of 2011 respectively with some final decisions being made. Most notably, that River Road Golf Course would remain open and operational, and that the golf courses would be treated as a municipal golf system as opposed to individual golf courses. Other directions provided by Municipal Council, and as recommended by the Municipal Golf Task Force at this time included a focus on 3 main goals: improving the golf experience, increasing participation, and increasing revenues.

It is important to share this historical service review information as it reflects the last community and Council discussion on the future of London’s Municipal Golf System. It also provides insight and context into how the golf system currently operates in 2019.

**London Municipal Golf System 2012-2019**

In response to the aforementioned recommendations and resolutions of Municipal Council in 2011 (improving the golf experience, increasing participation, and increasing revenues), civic administration has implemented the following strategies and actions, as noted in the most recent 2015-2019 Municipal Golf Business Plan:

GOAL	STRATEGIES/ACTIONS
1) Improving Experience	<ul style="list-style-type: none"> <li>• Course playability improvements, such as improved turf management practices, cart path construction and hole layout</li> <li>• Service enhancements, such as food and beverage, cart rentals, membership structures and fees</li> </ul>
2) Increasing Participation	<ul style="list-style-type: none"> <li>• Creation and continuation of club events, tournaments, and leagues</li> <li>• Support high school golf programs</li> <li>• Introduction of golf junior camps into recreational/spectrum offerings</li> </ul>
3) Increasing Revenues	<ul style="list-style-type: none"> <li>• Introduction of a variety of membership structures, green fees and guest fees</li> <li>• Contracted 3<sup>rd</sup> party re-seller agreements</li> <li>• Increasing cart availability</li> <li>• Introduction of sponsorship and advertising program (started in 2019)</li> </ul>

Despite all the above strategies and actions taken by civic administration, financial challenges still exist.

**Capital Funding in a ‘Golf pays for Golf’ Environment**

Capital planning and re-investment in a “golf pays for golf” environment is challenging. It requires land and playability (i.e. cart paths, greens, irrigation, etc.) as well as structure (pro-shops, bathrooms, maintenance shops, etc.) investments. The golf reserve fund is the only source of financing available for both areas of investment, and contributions to this reserve fund are directly impacted by the ebbs and flows of participation, economic and market conditions and unfavorable weather patterns. This often presents a challenge in the prioritization of both short and long term needs and can often result in the deferral of important capital works, pushing assets past ideal life-cycle replacement timelines. It is

important to note, that this financing approach is different than all other assets in the Parks and Recreation portfolio.

As noted earlier in this report, and also in KPMG's findings (Appendix 'A'), revenue generated from golf services may be insufficient to fund future required capital investment.

According to the 2019 Corporate Asset Management report (Section 11, page 240), "Golf courses are generally maintained in 'Good' to 'Very Good' condition as required for playability. Golf buildings, including clubhouses and other on course facilities like washrooms, concessions and maintenance buildings, have less priority than the golf courses and are predominantly in 'Fair' to 'Very Poor' condition. The condition of some golf building assets indicates short term investments are required."

Other important information from 2019 Corporate Asset Management Plan related to Municipal Golf System (CAM 2019 only reflects capital needs for buildings and structures, not golf course improvements or needs):

- Replacement value of all golf assets = \$20,578,000
- Average annual funding gap of \$615,000 or a 10-year funding gap of \$6,145,053:
  - Thames Valley Golf Course = \$3,577,363
  - River Road Golf Course = \$881,317
  - Fanshawe Golf Course = \$1,686,372

With the current balance in the golf reserve fund being approximately \$260,000 and future contributions being directly tied to revenues generated, civic administration believes that there is insufficient funding in a "golf pays for golf" environment to fund all future required capital needs. The largest factor in realizing insufficient funding moving forward, is the annual operating losses at River Road Golf Course, which has a large impact on the golf system's ability to contribute to the reserve fund annually.

## **REPORT FINDINGS & RECOMMENDATIONS**

Detailed information on the Service review for municipal golf conducted by KPMG is attached in Appendix "A". KPMG has provided four options for the Council to consider with respect to the future of the municipal golf system.

Civic Administration notes that public consultation was not included in the scope and therefore not conducted as part of the review. Civic Administration is recommending that as part of next steps, should Council wish to proceed, that a public participation meeting be held as part of the next steps.

## **PROPOSED PROCESS/NEXT STEPS**

Civic Administration is recommending a report back to Committee and Council on Option 1 (the closure of River Road golf course) as presented by KPMG. This report back will provide Council the necessary information to decide on the future of the River Road property. Staff are supportive of reporting back on this option for the following reasons:

- River Road golf course is experiencing on-going financial losses;
- Since 2012, River Road has experienced a 37.5% reduction in rounds played;
- KPMG's report indicates, "discontinuance of River Road is the preferred approach to reducing the size of the City's golf system in the event that the City determines a reduction is necessary"
- Revenue generated from the Golf System is insufficient to fund future capital

Civic Administration is also recommending that no further action be taken on Options 2, 3, and 4 as presented by KPMG. Staff are recommending no further action for the following reasons:

- The community is not over-serviced nor under-serviced when it comes to the supply of golf;
- A reduction of 45 holes from the current Municipal Golf System creates risk and could further decrease rounds played, memberships, and in turn, revenue;
- Financing, from an unidentified source would be required to re-work course layouts and design;

As part of the recommended report back regarding Option 1 as presented by KPMG, civic administration will bring back revised capital plans, options to alleviate infrastructure gap, and options to maximize properties for secondary uses. Such options may include the creation of neighbourhood hubs, senior satellite sites and/or community centres. It is important to note that the City of London did submit an application through the Investing in Canada Infrastructure Program (ICIP): Community, Culture and Recreation stream, for Thames Valley Golf Course, and more specifically, “convert the clubhouse to an all season community centre for year round resident use.”

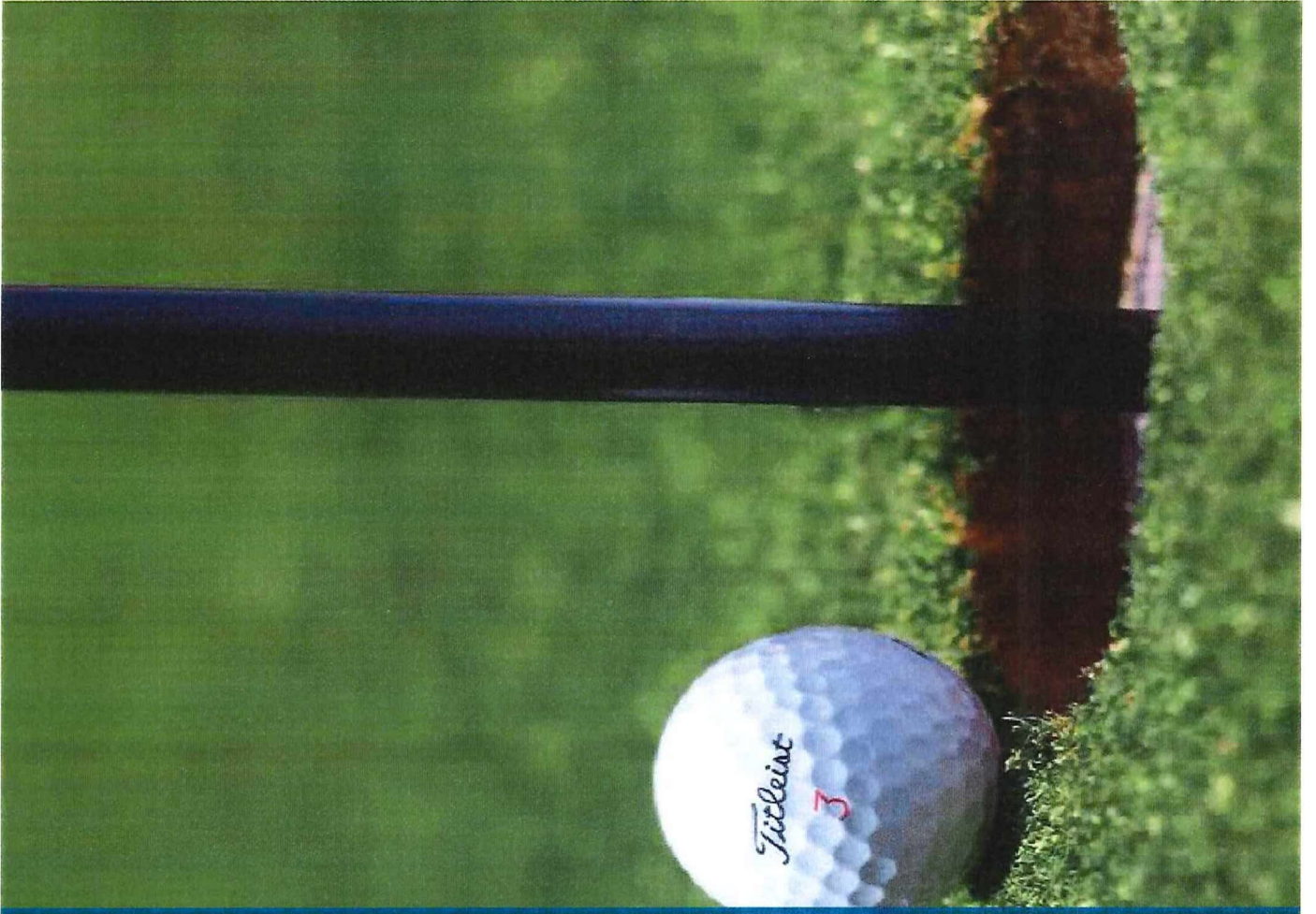
<b>PREPARED BY:</b>	<b>PREPARED BY:</b>
<b>JON-PAUL MCGONIGLE, DIVISION MANAGER, CULTURE, SPECIAL EVENTS AND SPORT SERVICES</b>	<b>MARK JOHNSON, BUSINESS PLANNING PROCESS MANAGER</b>
<b>RECOMMENDED BY:</b>	<b>RECOMMENDED BY:</b>
<b>SCOTT STAFFORD, MANAGING DIRECTOR, PARKS AND RECREATION</b>	<b>ANNA LISA BARBON, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>



City of London Service Review

# Review of Golf Operations

Final Report  
January 23, 2020



# Introduction to the Review

## A. The City of London Service Review

Pursuant to the terms of RFP 18-04, the City of London (the 'City') has engaged KPMG to undertake a service review, the overall goals of which included:

- Developing a better understanding of the relevance, effectiveness and efficiency of City programs and services, as well as those offered by selected Agencies, Boards and Commissions;
- Identifying gaps in service that present opportunities for financial and time efficiencies, continuous improvement, and alignment with the City's strategic goals.

The 2018 Service Review project is part of a larger process begun in 2016 in response to direction by City Council to identify \$4 million in annual permanent operating budget reductions by 2019 that were built-in to the approved 2016 - 2019 Multi-Year Budget. As well, the opportunities identified through the 2018 Service Review are intended to create capacity and/or mitigate budget pressures anticipated for the next Multi-Year Budget (2020-2023).

During the course of the review, KPMG prepared a list of opportunities for consideration by the City to pursue for further analysis. While a high level analysis of all opportunities was undertaken with respect to potential financial impacts and implementation considerations, the review also involved the prioritization of the identified opportunities based on financial and non-financial considerations, with priority opportunities further refined through the completion of individual detailed reviews. Overall, three opportunities were selected for more detailed analysis, including a review of the City's golf operations.

The City currently operates three golf properties through the use of City employees (three full-time non-union, five full-time unionized and 85 casual). The selection of the City's golf operations for further analysis reflects the following factors:

- The operation of golf courses is a discretionary service that is also offered by the private sector;
- The financial performance of the City's golf courses varies, with one course experiencing ongoing financial losses;
- The City is expecting to incur major capital investments relating to its golf operations, with 2019 Corporate Asset Management Plan identifying a funding gap of approximately \$6 million over ten years for both aesthetic improvements and major systems; and
- The City could consider alternative service delivery approaches (e.g. contracting out) as a means of potentially reducing costs.

The detailed review is intended to evaluate the rationale for the City's operation of golf courses, potential changes to its service delivery model and other strategies that could enhance its financial performance.



# Introduction to the Review

## B. Structure of the Report

This report summarizes the results of our review of the City's golf services and is structured as follows:

- The **Current State Assessment** provides a summary of the City's golf operations, including an overview of its facilities, their utilization and financial performance. The current state assessment also includes an assessment of industry trends as well as the supply of and demand for golfing in the community.
- The **Opportunity Identification and Evaluation** provides an overview of potential opportunities for changes to the City's golfing operations.
- The **Suggested Course of Action** outlines potential strategies that could be adopted by the City with respect to its golf operations.
- The **Financial Analysis** provides a summary of the calculated financial impacts and key assumptions underlying the calculations.

## C. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. We had access to information up to November 14<sup>th</sup>, 2019 in order to arrive at our observations but, should additional documentation or other information become available which impacts upon the observations reached in our report, we will reserve the right, if we consider it necessary, to amend our report accordingly. This report and the observations and recommendations expressed herein are valid only in the context of the whole report. Selected observations and recommendations should not be examined outside of the context of the report in its entirety.

Our review was limited to, and our recommendations are based on, the procedures conducted. The scope of our engagement was, by design, limited and therefore the observations and recommendations should be in the context of the procedures performed. In this capacity, we are not acting as external auditors and, accordingly, our work does not constitute an audit, examination, attestation, or specified procedures engagement in the nature of that conducted by external auditors on financial statements or other information and does not result in the expression of an opinion.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and opportunities as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of London. Accordingly, KPMG will assume no responsibility for any losses or expenses incurred by any party as a result of the reliance on our report.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

# Introduction to the Review

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the City of London nor are we an insider or associate of the City of London or its management team. Our fees for this engagement are not contingent upon our findings or any other event. While KPMG does provide auditing and other professional services to the City of London, the service review was conducted by KPMG partners and employees that are not involved in the provision of these services. Accordingly, we believe we are independent of the City of London and are acting objectively.

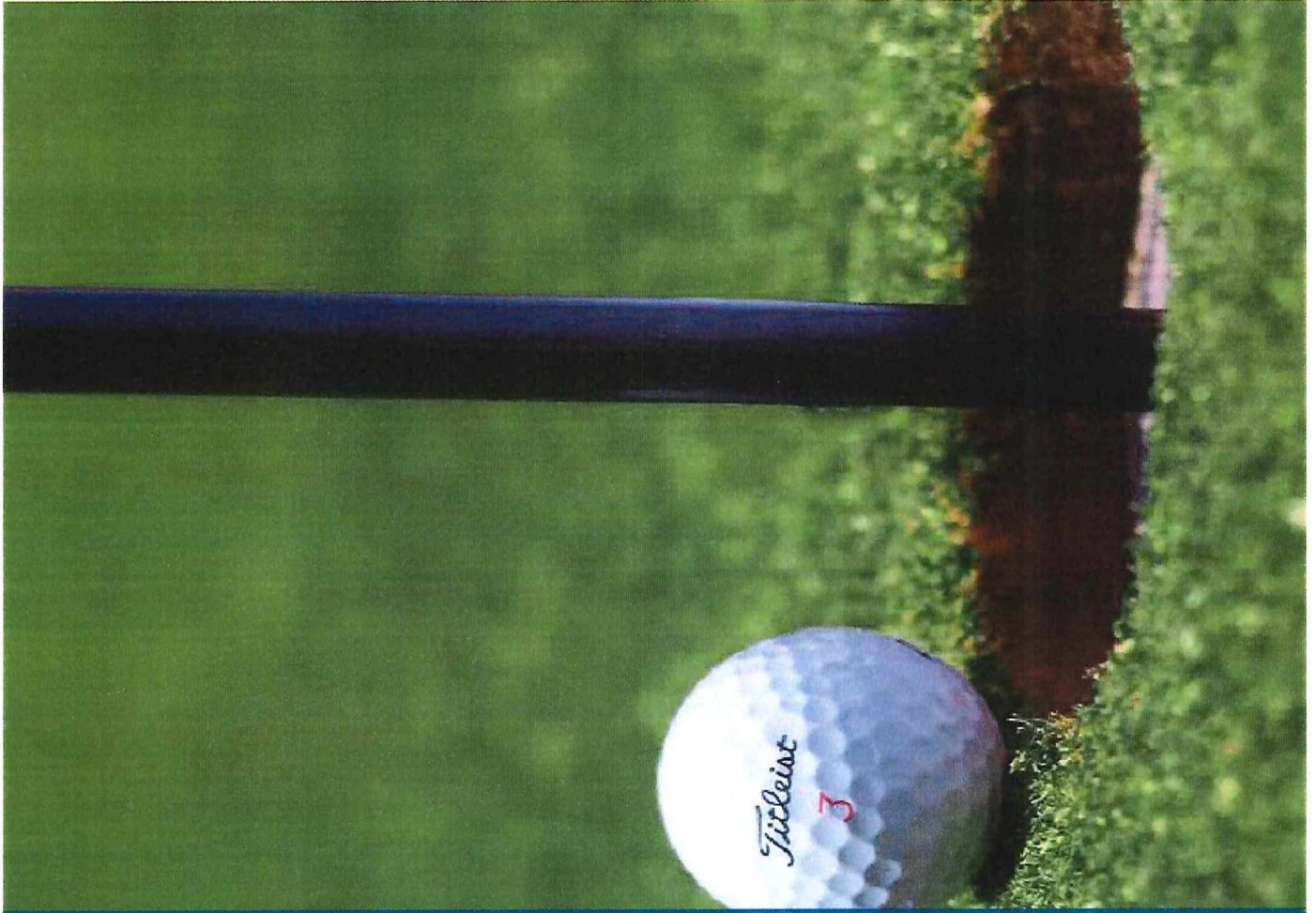




City of London Service Review

Review of Golf Operations

# Current State Assessment



# Current State Assessment

The City golf operations consist of three golf courses comprising of 81 conventional holes (one 9-hole course and four 18-hole courses) and a 9-hole course that is wheelchair accessible.

Course	Year Opened	Number of Holes			Notes
		Conventional 9-Hole Layout	Conventional 18-Hole Layout	Accessible Total	
Fanshawe Golf Course ("Fanshawe" <sup>1</sup> )	1958	-	36	9	Property is leased from the Upper Thames River Conservation Authority ("UTRCA")
Thames Valley Golf Course ("Thames Valley" <sup>2</sup> )	1924	9	18	-	Property is owned directly by the City
River Road Golf Course ("River Road")	1992	-	18	-	Property is owned directly by the City
<b>Total</b>		<b>9</b>	<b>72</b>	<b>9</b>	<b>90</b>

## A. Activity Levels

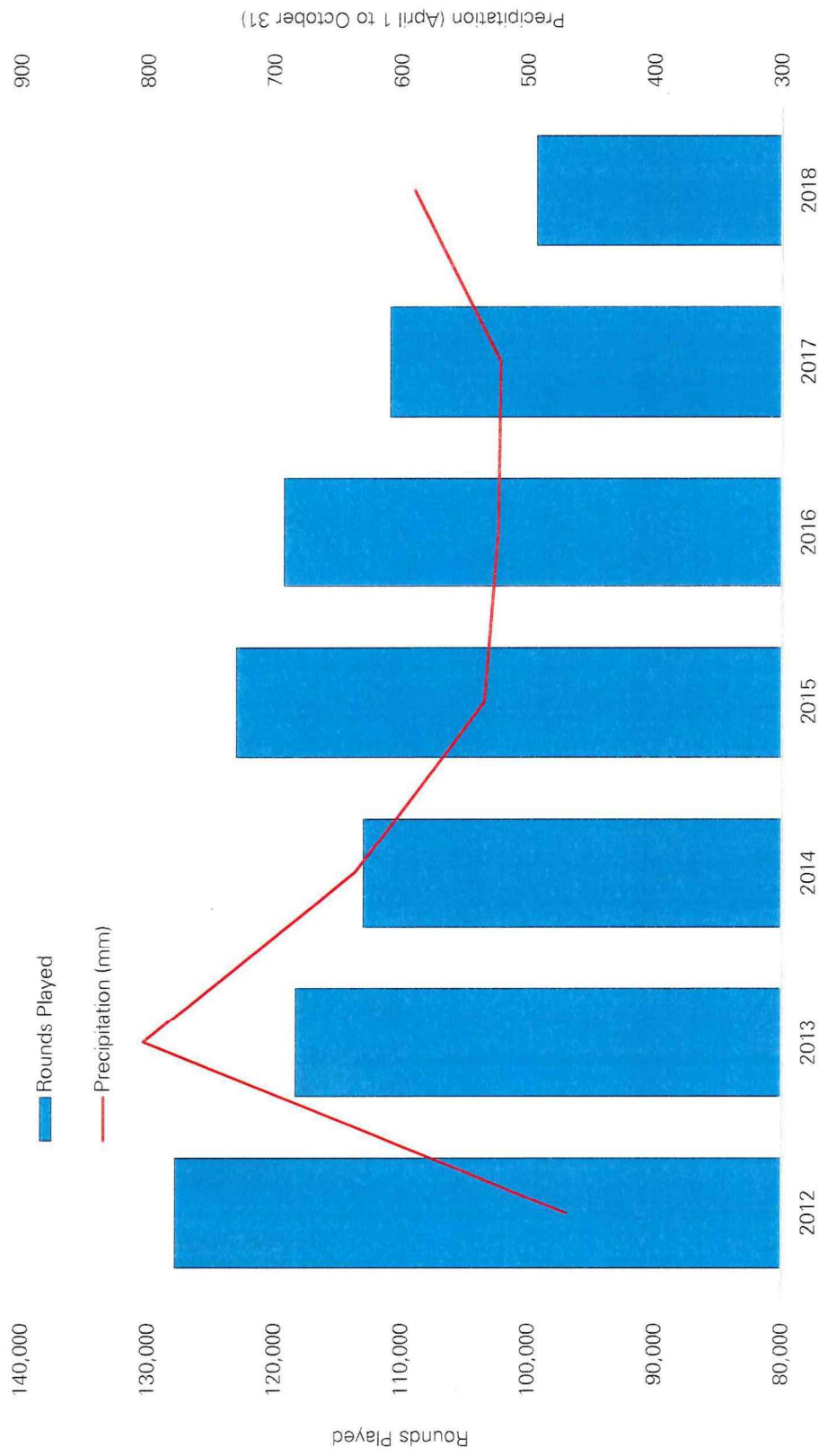
A total of 99,348 rounds of golf were played at the City's golf courses during 2018, with Thames Valley and Fanshawe accounting for 42.3% and 41.8% of rounds played, respectively.

As noted on the following page, the number of rounds of golf played at the City's courses has decreased on an overall basis since 2012, with an average of 116,000 rounds played per year since 2012. An analysis of weather statistics for London (as provided by Environment Canada) indicates that the level of activity appears to be impacted somewhat by precipitation levels, with more rounds played during years with less rainfall. In addition, we were advised that pricing strategies undertaken by other London-area golf courses that offer higher quality golfing experiences have resulted in a loss of market share.

- 1 Fanshawe is comprised of (1) the 18-hole Traditional Course; (2) the 18-hole Quarry Course; and (3) the 9-hole Parkside Course (accessible to those with physical challenges).
- 2 Thames Valley is comprised of (1) the 18-hole Classic Course; and (2) the 9-hole Hickory Course.

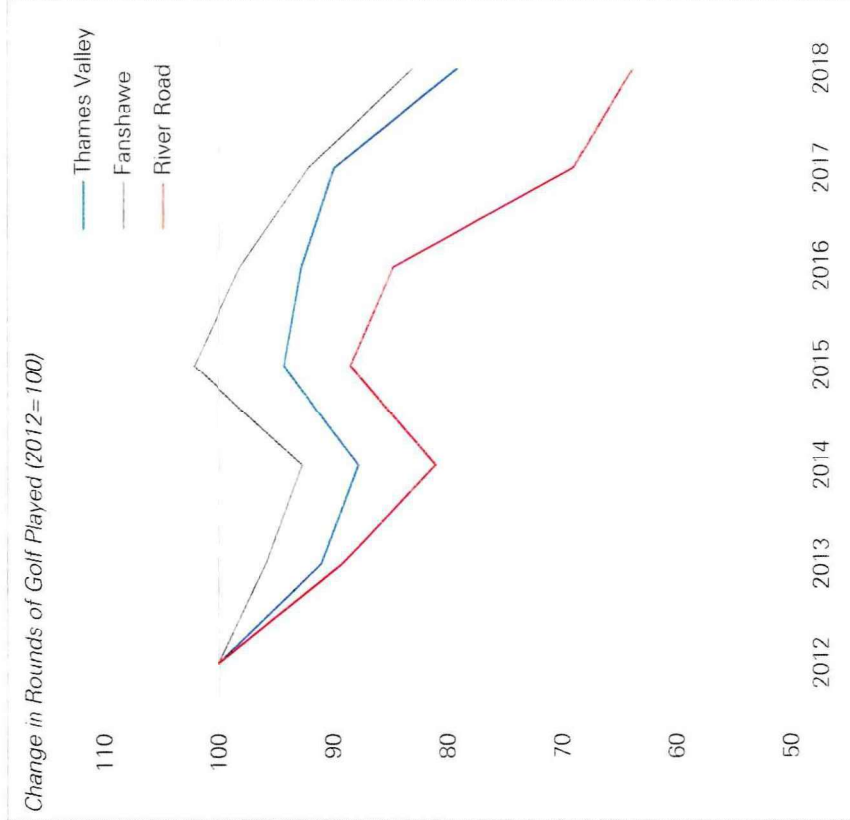
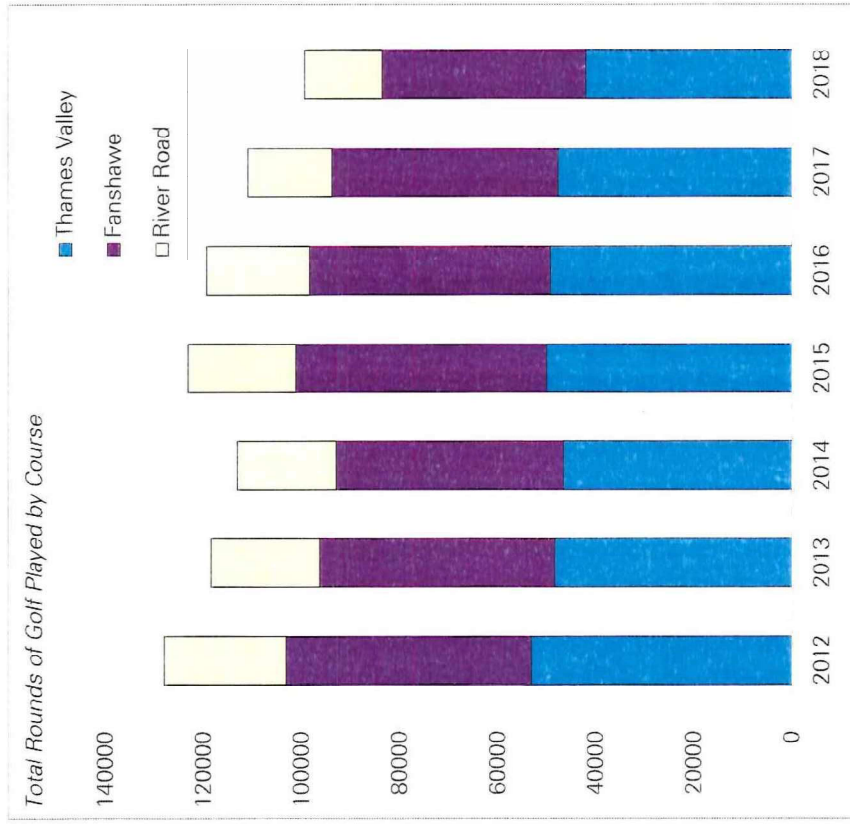
# Current State Assessment

Total Rounds of Golf Played (All Courses) and Total Precipitation (April 1 to October 31)



# Current State Assessment

While all of the City's golf courses have seen a decrease in the number of rounds of golf played since 2012, the largest decreases during this time period have been experienced at River Road (37.5% decrease) and Thames Valley (20.9% decrease). Over the same period, Fanshawe has experienced a 16.7% decrease in the number of rounds of golf played.



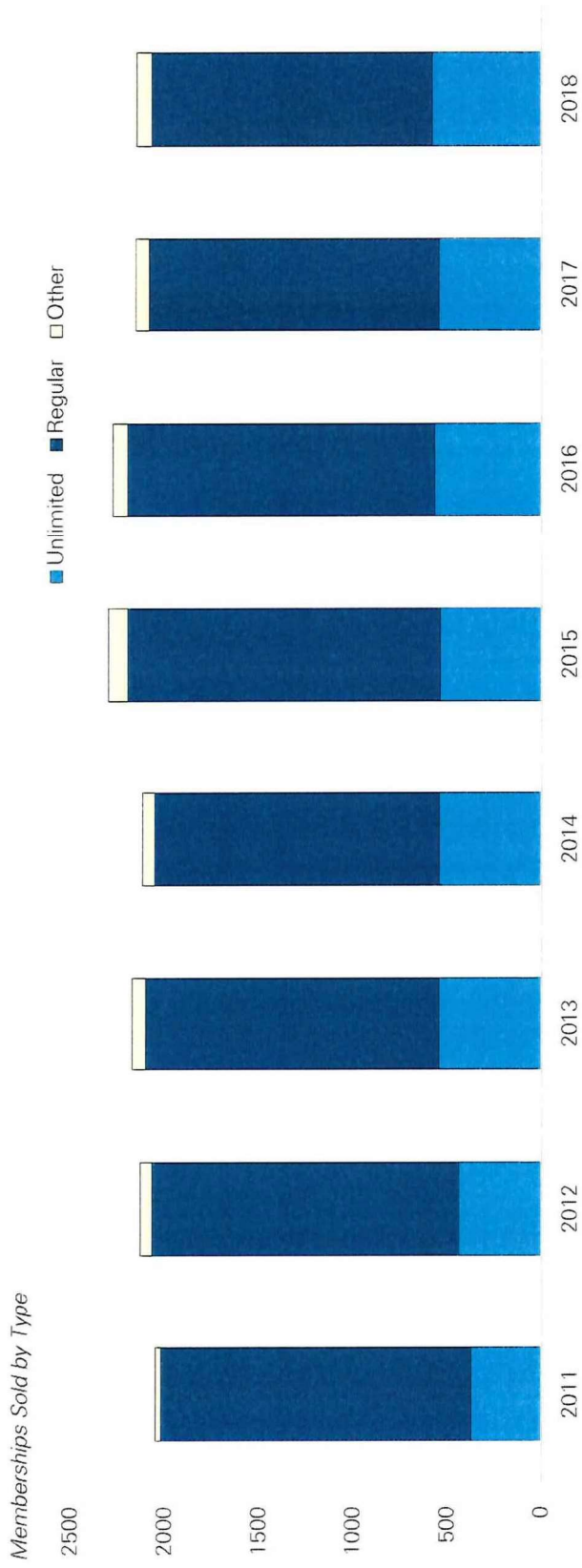
# Current State Assessment

## B. Membership Levels

The City's golf courses are open to the public (walk-on) and also sell memberships. Generally speaking, two classes of memberships are sold by the City<sup>3</sup>:

- Unlimited memberships, which provide unlimited access to all of the City's courses at no additional cost beyond the initial membership fee; and
- Regular golf memberships, which allow access to all of the City's courses with reduced green fees.

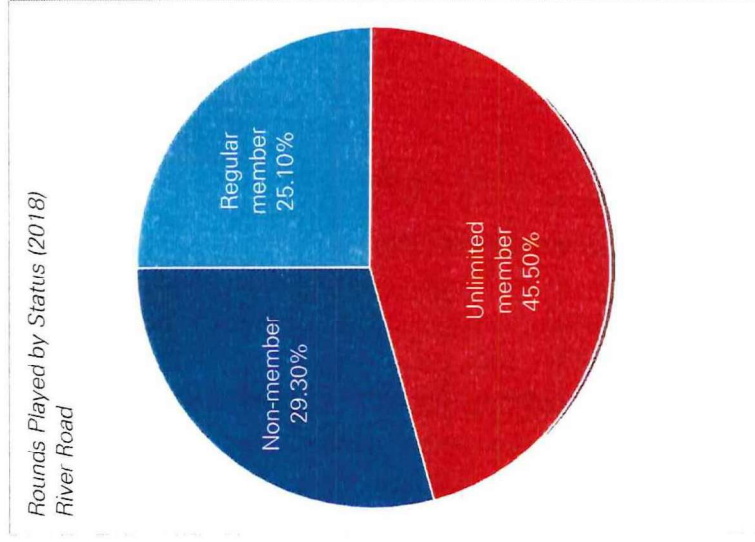
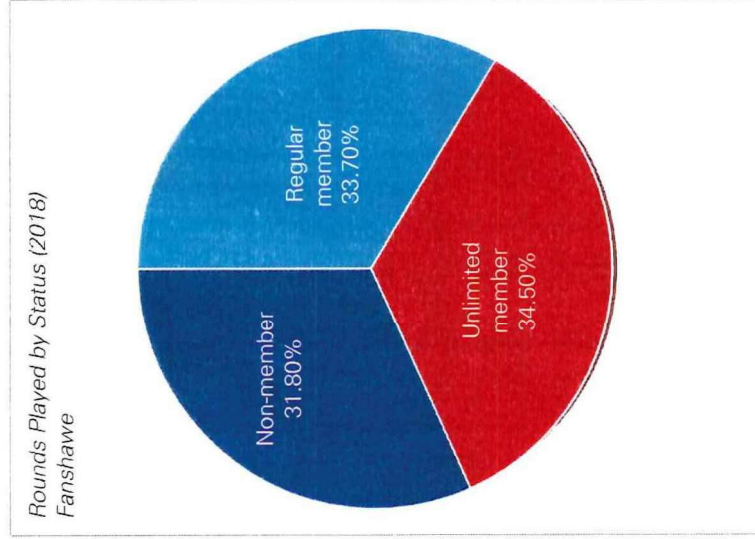
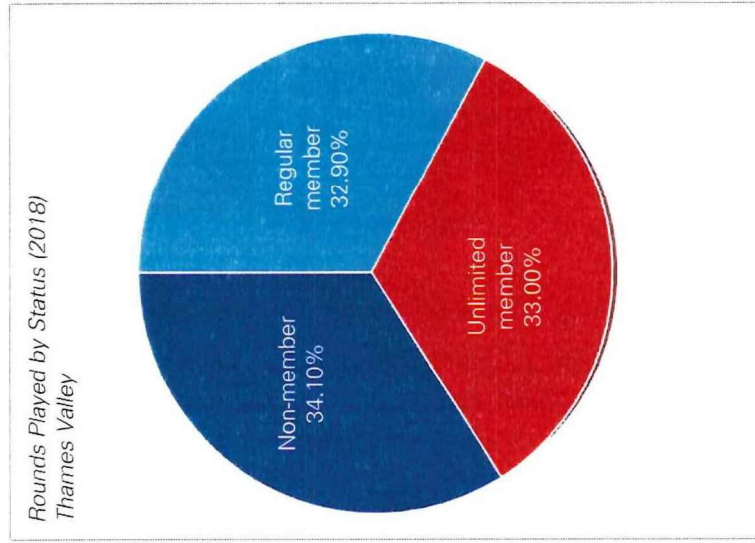
Member levels have remained fairly consistent over the past ten years, averaging just under 2,150 memberships per year. As noted below, regular memberships represent the most popular category of memberships sold by the City and account for approximately three-quarters of all memberships sold.



<sup>3</sup> Memberships will also vary by age group (bantam, junior, adult, senior), weekday or weekend and other considerations.

# Current State Assessment

From an overall perspective, members (unlimited and regular) accounted for 67.6% of rounds played at the City's golf courses in 2018. While the distribution between members and non-members was generally consistent at Thames Valley and Fanshawe, River Road had a higher level of rounds played by members, particularly unlimited members, as opposed to non-members. This distribution is consistent with River Road's experience over the last five years, during which members accounted for between 70.0% and 72.4% of all rounds played.

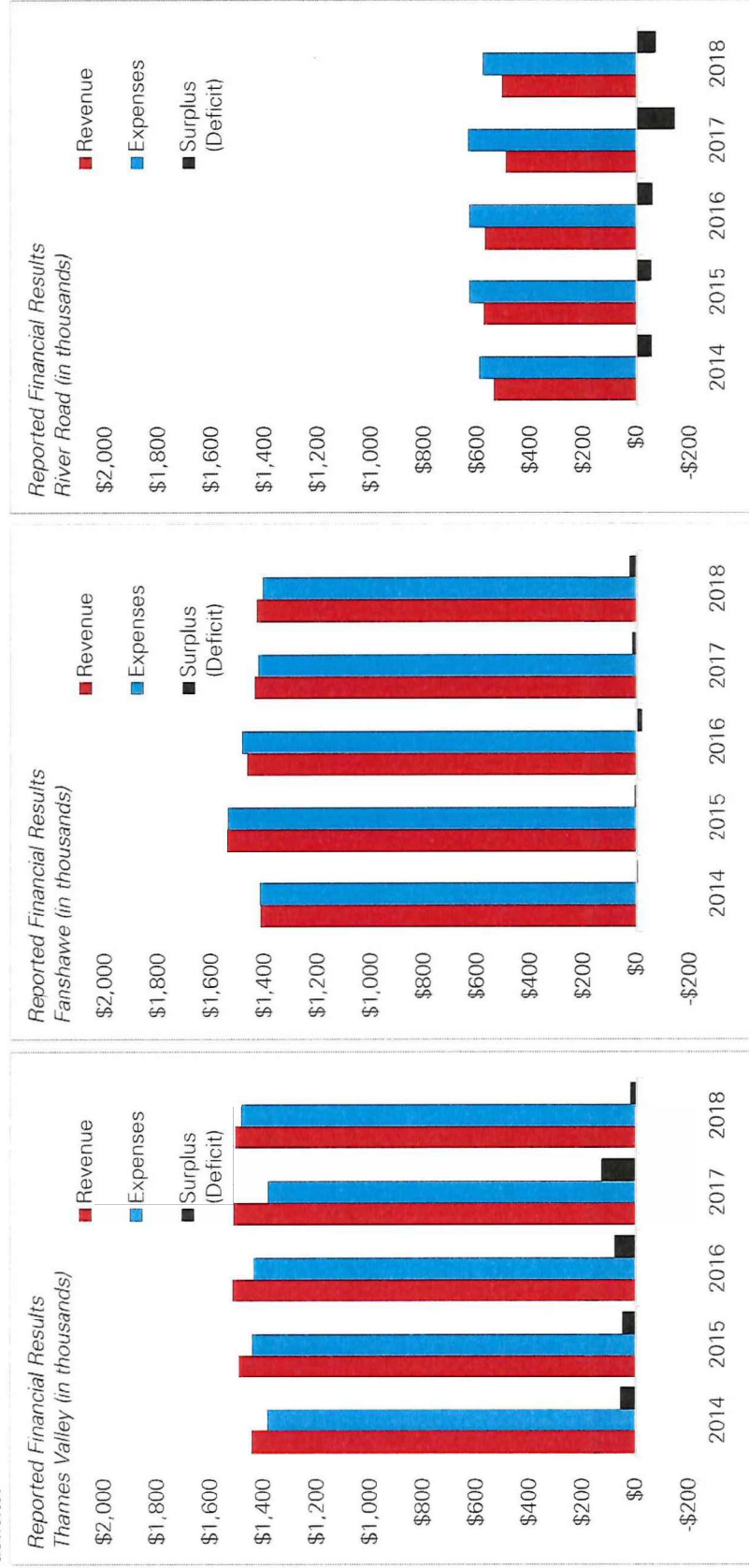




# Current State Assessment

## C. Financial Performance

During 2018, the City generated a total of \$3.433 million in revenues from its golf operations compared to \$3.459 million in reported operating expenses, resulting in an overall deficit of \$26,858. As summarized on the following page, Thames Valley and Fanshawe reported positive financial results for the year, while River Road incurred a financial loss of approximately \$71,000. The 2018 financial results are generally reflective of financial performance of the City's golf courses over the past five years, with Thames Valley and Fanshawe reporting breakeven to positive financial results, while River Road has consistently incurred financial deficits.



# Current State Assessment

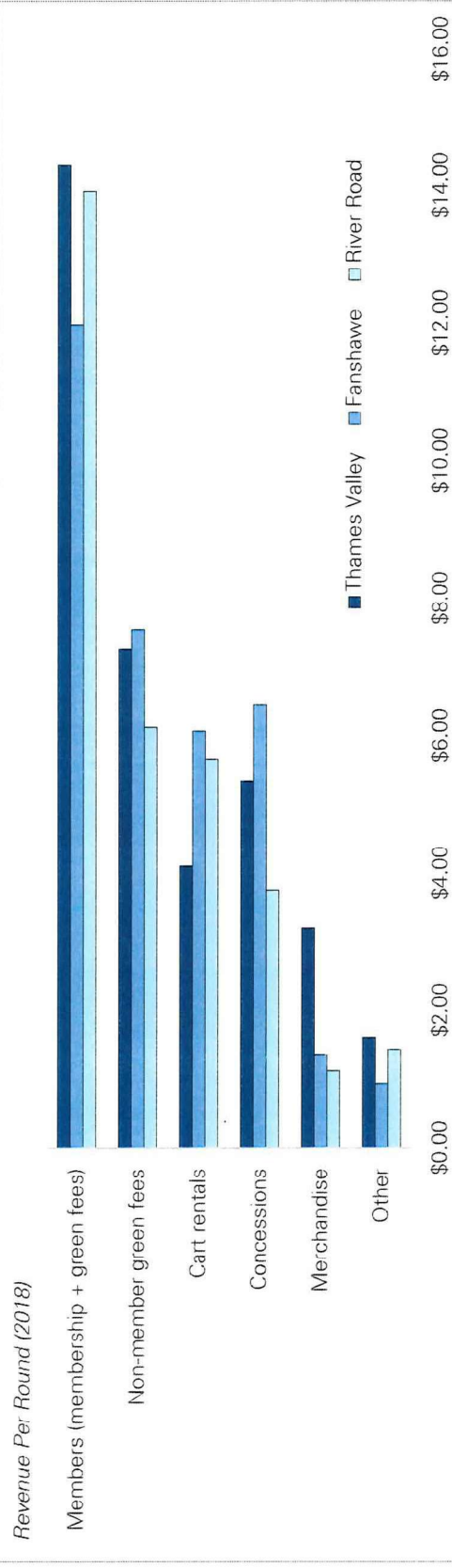
Financial Results for the Year Ended December 31, 2018	Thames Valley	Fanshawe	River Road	Total
<b>Revenues:</b>				
• Memberships sales	\$414,772	282,000	161,143	857,915
• Green fees (members)	186,581	215,367	58,583	460,531
• Green fees (non-members)	305,554	313,013	96,682	715,249
• Golf cart rentals	172,559	251,947	89,363	513,869
• Concessions (food and beverage sales)	224,270	267,600	59,158	551,028
• Merchandise sales	134,872	56,281	17,786	208,939
• Rentals, merchandise sales and other revenues	67,567	39,241	18,688	125,496
Total revenues	\$1,506,175	1,425,449	501,403	3,433,027
<b>Operating costs:</b>				
• Wages and benefits	\$739,296	736,077	353,133	1,828,506
• Cost of goods sold (food and merchandise)	287,335	158,403	26,432	472,170
• Equipment operation	152,814	206,281	75,982	435,077
• Materials, supplies and utilities	129,834	127,622	64,365	321,821
• Golf cart leasing costs	54,779	70,551	27,000	152,330
• Property taxes <sup>4</sup>	-	55,493	-	55,493
• Other	120,541	48,107	25,840	194,488
Total operating costs	\$1,484,599	1,402,534	572,752	3,459,885
<b>Surplus (deficit) before reserve transfers</b>	<b>\$21,576</b>	<b>22,915</b>	<b>(71,349)</b>	<b>(26,858)</b>

<sup>4</sup> The City owns Thames Valley and River Road, and as such no property taxes are paid on these properties. As Fanshawe is leased from the UTRCA, the City is required to pay property taxes on the course.

# Current State Assessment

During 2018, Thames Valley reported the highest revenue per round (\$35.82), with Fanshawe and River Road generating an average of \$34.33 and \$32.01 per round, respectively. The contributing factor to the differences in average revenue per round is different levels in non-golf revenues, with golf revenue (memberships, green fees and cart rentals) relatively consistent between the three courses.

Golf Property	Rounds Played	Revenue per Round (Amount)			Revenue per Round (Percentage)	
		Golf Revenue <sup>5</sup>	Non-Golf Revenue <sup>6</sup>	Total	Golf Revenue <sup>5</sup>	Non-Golf Revenue <sup>6</sup>
Thames Valley <sup>7</sup>	42,045	\$25.67	\$10.15	\$35.82	71.7%	28.3%
Fanshawe	41,519	\$25.59	\$8.75	\$34.33	74.5%	25.5%
River Road	15,784	\$25.71	\$6.31	\$32.01	80.3%	19.7%



<sup>5</sup> Golf revenue is comprised of memberships, green fees and cart rentals.

<sup>6</sup> Non-golf revenue is comprised of concessions, merchandise sales and other revenues.

<sup>7</sup> Thames Valley includes a 9-hole course that results in a lower average revenue per round in comparison to Fanshawe and River Road.

# Current State Assessment

## D. Key Themes

Based on the results of our review, we have identified a number of key themes relating to the City's golf operations.

### 1. While golf operations represent a discretionary service, there is precedence for municipal ownership of golf courses

As part of our review, we undertook an analysis of municipalities with populations in excess of 175,000 residents in order to assess the extent to which other large municipalities directly own and operate golf courses.

The results of our analysis indicate that municipal involvement in golf operations is relatively common, with eight of the 13 Ontario single and lower tier municipalities with populations in excess of 175,000 residents reporting municipal golf operations (62%). We note, however, that the extent of the City's involvement appears to be more pronounced than other municipalities that have golf operations:

- With a total of 81 conventional holes, the City's golf operations represent the largest for the selected communities (tied with Toronto in absolute terms).
- On a per capita basis, the City operates the most golf holes of the selected municipalities (21.1 holes per 100,000 residents vs. 5.0 holes per 100,000 for the selected municipalities that operate municipal golf courses). If the City were to reduce its involvement to a level consistent with the average of the selected municipal comparators, it would operate 18, 27 or 36 holes as opposed to the current system of 81 holes.

<sup>8</sup> For the purposes of our analysis, we have excluded Parkside (nine holes) due to its unique nature (accessible for individuals with physical challenges)

Municipality	Population	Municipal Courses	Municipal Holes	Courses per 100,000 Residents	Holes per 100,000 Residents
Toronto	2,731,571	5	90	0.1830	3.2948
Ottawa	934,243	-	-	-	-
Mississauga	721,599	2	27	0.2772	3.7417
Brampton	593,638	1	9	0.1685	1.5161
Hamilton	536,917	3	54	0.5587	10.0574
London <sup>8</sup>	383,882	3	81	0.7815	21.1002
Markham	328,966	-	-	-	-
Vaughan	306,233	-	-	-	-
Kitchener	233,222	2	36	0.8576	15.4359
Windsor	217,188	2	27	0.9209	12.4316
Richmond Hill	195,022	-	-	-	-
Oakville	193,832	-	-	-	-
Burlington	183,314	1	18	0.5455	9.8192
Average (excluding London)		2	37	0.5016	8.0423

# Current State Assessment

## 2. The community of London does not appear to be overserved or underserved with respect to golf facilities when compared to other larger urban centres in Ontario

An analysis of golf courses for selected Ontario geographic areas (see next page) indicates that both the number of golf courses in London and the surrounding area and the number of holes is consistent with other larger population areas in Ontario (excluding the GTA). As a result, our analysis would support the conclusion that the London/Middlesex area, from an overall perspective, does not have an apparent need for additional golf courses/holes, nor is it operating with a significantly higher level of supply than other larger population centres.

## 3. The City appears to be a high cost service provider

The City's golf operations are staffed by three full-time non-union personnel (one per course), five full-time unionized greenkeepers and greenkeeper assistants and approximately 85 casual staff responsible for maintenance, sales and food and beverage services. Overall, wages and benefits account for 52.8% of operating costs in 2018. In comparison, financial indicators provided by Industry Canada indicate that on an overall sector basis, wages and benefits average 37.6% of total expenses, with the differential equating to approximately \$525,000 per year.

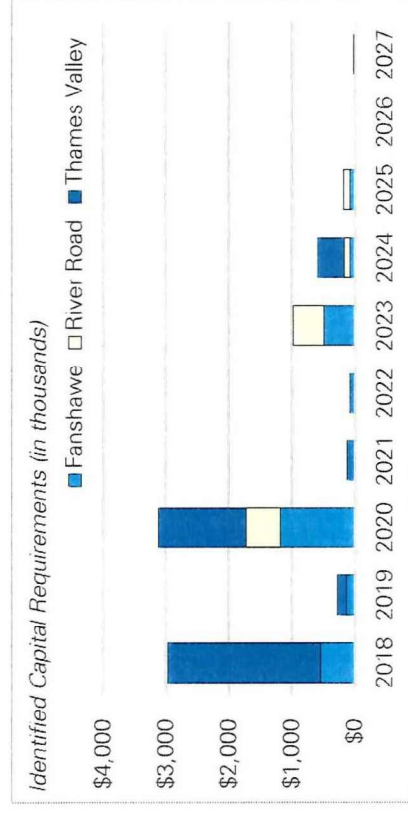
## 3. Reported financial information likely does not reflect the true cost of golf operations to the City's taxpayers

As noted earlier in our report, the City's financial analysis indicates that its golf courses traditionally operate at near breakeven of with a small financial surplus, resulting in no impact on the municipal levy. However, we note the following with respect to the reported financial results for the City's golf operations:

- The reported financial results for 2018 do not appear to include a contribution towards capital expenditures, meaning that any capital requirements in excess of operating surpluses will need to be funded by either the City's golf reserve (which amounts to \$0.315 million) or other sources, most likely taxation support. We note, however, that the golf operations generated positive cash flows that supported a contribution to capital reserves in prior years.

Based on discussions with City representatives, we understand that capital expenditures have not been significant in the past and have traditionally been funded through operating surpluses and the reserve fund. However, the 2019 Corporate Asset Management Plan has identified a ten year capital reinvestment requirement for aesthetic improvements and major systems of \$8.4 million. At the present time, there does not appear to be sufficient reserves available to fund these expenditures, with the City identifying a funding shortfall of approximately \$6 million.

While the reported financial results include direct labour costs, the cost of City staff providing support – including but not limited to personnel from the City's Parks and Recreation Department as well as corporate support functions (finance, information technology, human resources) – does not appear to be included in the reporting operating costs.



# Current State Assessment

Type of course	Public			Semi-Private			Private			Total			
	<18	18	27	36+	<18	18	27	36+	<18		18	27	36+
	<b>Golf Courses:</b>												
London/Middlesex	2	4	-	-	1	18	1	1	-	8	-	-	35
Hamilton/Burlington	5	7	1	-	-	8	3	3	-	5	1	-	33
Windsor/Chatham	3	5	3	-	2	9	2	-	-	4	-	-	28
Kitchener/Waterloo/ Cambridge/Guelph	1	-	1	-	3	16	5	1	1	7	2	-	37
Niagara	1	2	-	1	6	15	2	1	-	4	-	-	32
Average (excluding London/Middlesex)	3	5	2	1	4	12	3	2	1	5	2	-	33

Type of course	Public			Semi-Private			Private			Total			
	<18	18	27	36+	<18	18	27	36+	<18		18	27	36+
	<b>Number of Holes:</b>												
London/Middlesex	24	72	-	-	12	324	27	45	-	144	-	-	648
Hamilton/Burlington	45	126	27	-	-	144	81	108	-	90	27	-	648
Windsor/Chatham	27	90	81	-	18	162	54	-	-	72	-	-	504
Kitchener/Waterloo/ Cambridge/Guelph	9	-	27	-	27	288	135	54	9	126	54	-	729
Niagara	9	36	-	45	56	270	54	36	-	72	-	-	578
Average (excluding London/Middlesex)	23	84	45	45	34	216	81	66	9	90	41	-	615

**Public** – Public courses are open to the general public without restrictions.

**Semi-Private** – Semi-Private courses are open to the general public and also sell memberships that provide specific privileges to members (e.g. preferred times, reduced green fees). The City's golf properties are all considered to be semi-private courses.

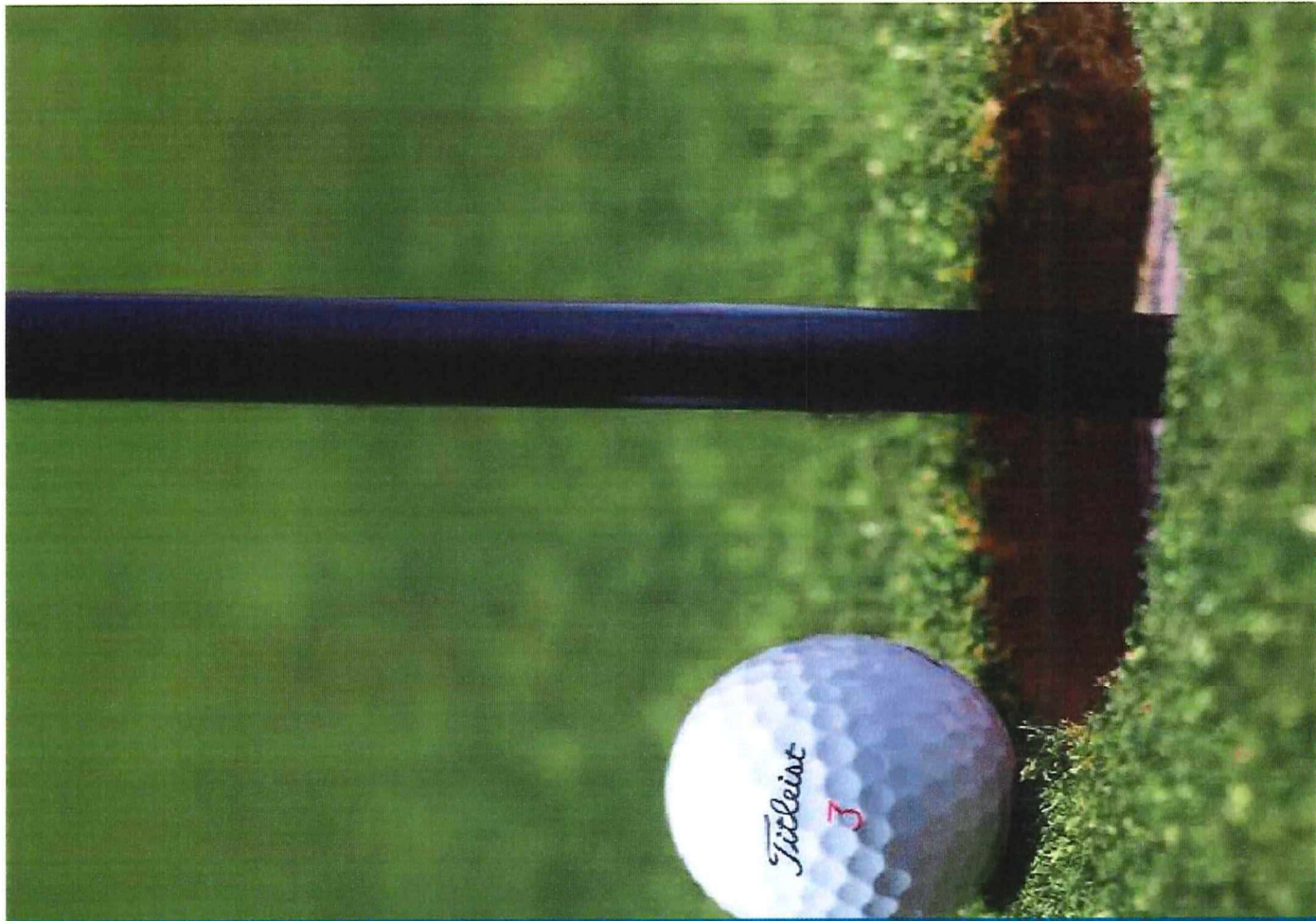
**Private** – Private courses are open solely to members and not members of the general public.



City of London Service Review

Review of Golf Operations

# Opportunity Identification and Evaluation



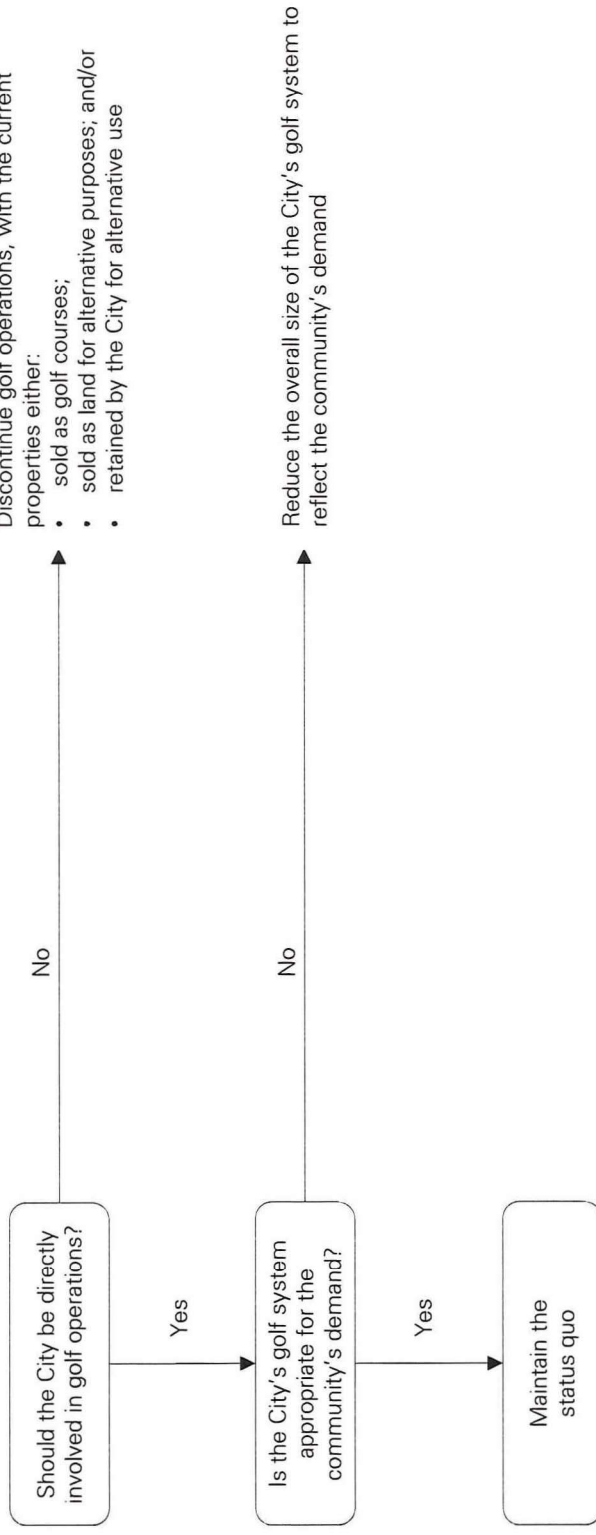
# Opportunity Identification and Analysis

## A. Opportunity Decision Tree

In order to assess potential opportunities for consideration by the City with respect to its golf operations, we have developed a decision tree that attempts to identify key choices that could be considered by the City which, depending on the decision, would open up potential courses of action that could be pursued. In determining the approach to be adopted, consideration should be given to the current context for the City's golf operations:

- The City's golf infrastructure has an anticipated capital investment shortfall of approximately \$6.0 million over the next ten years;
- Thames Valley and Fanshawe generate positive financial results (which could be used to support debt servicing costs associated with infrastructure borrowing), while River Road has experienced consistent financial losses; and
- Usage of the City's golf courses has decreased in recent years.

Our assessment of the City's options is included on the following pages.





# Opportunity Identification and Analysis

## **Question 1 – Should the City be Directly Involved in Golf Operations?**

*Ultimately, the determination as to whether the City should be directly involved in golf operations rests with Council.*

Factors that would support the decision to remain involved in golf operations include the following:

- The direct involvement of larger municipalities in golf operations occurs elsewhere in Ontario and as such, a choice to continue the City's involvement is not without precedence;
- With the exception of the 2018 fiscal year, the City's golf courses have, on a consolidated basis, generated positive financial operating results (ranging from \$59,000 to \$134,000 during the period 2014 to 2017), requiring no taxation support for operations; and
- Continued involvement by the City in golf operations allows the City to adjust its operations to reflect affordability considerations, as well as to continue programming and strategies that continues to provide additional benefits to targeted segments of the community (e.g. youth, low income, individuals with physical challenges).

Factors that would support the decision to discontinue the City's involvement in golf operations include the following:

- The City's golf operations are at risk of incurring financial losses, particularly in light of anticipated future capital funding shortfall over the next ten years of approximately \$6.0 million;
- The level of activity at the City's golf courses has been decreasing, resulting in a decline in overall profitability; and
- There are 32 golf courses in the London/Middlesex area that are in direct competition with the City of London golf system.

# Opportunity Identification and Analysis

## **Question 2 – If the City Continues to be Involved in Golf Operations, Is The Size of The City’s Golf System Appropriate for the Community’s Demand?**

In the event that Council wishes to continue the City’s involvement in golf operations, consideration could still be given to reducing the extent of its involvement. As noted earlier in our report, the City’s golf operations – when viewed from the perspective of number of courses and holes – is higher than other communities that operate municipal golf courses. Accordingly, even if the City continues to be directly involved in golf operations, consideration could be given to reducing its involvement to reflect a level that is consistent with other municipalities.

To the extent that the City chooses to reduce the size of its golf system, there are a number of potential options that could be considered, which we have highlighted below<sup>9</sup>.

- **Option 1 – Discontinue operations at River Road.** Under this option, the City would discontinue golf operations at River Road, which would eliminate 18 holes from the City’s golf system. Based on our review, and as highlighted later in this chapter, we consider this option to be the most apparent strategy for reducing the City’s golf system given the ongoing financial losses experienced by River Road, which has experienced the highest degree of decrease in terms of rounds of golf played of the three City-owned golf courses.
- **Option 2 – Discontinue operations at River Road and the Quarry Course portion of Fanshawe (“Quarry”).** which would eliminate a total of 36 holes from its golf system (18 from River Road and 18 from Quarry).
- **Option 3 – Discontinue operations at River Road and the Hickory Course portion of Thames Valley (“Hickory”).** which would see the City reduce its golf system by 27 holes (18 from River Road and nine from Hickory).
- **Option 4 – Discontinue operations at River Road, Quarry and Hickory.** which would reduce the City’s golf system by 45 holes (18 from River Road, 18 from Quarry and 9 from Hickory).

A graphical depiction of potential strategies involving River Road, Quarry and Hickory are provided on the following pages, with our analysis of each of the options provided in the following section.

<sup>9</sup> For the purposes of our analysis, we have excluded the potential discontinuance of golf operations at the remaining portions of Thames Valley or Fanshawe as these options are predicated on the City wishing to maintain some form of golf operations. We believe this would, at a minimum, involve the continued operation of the original Thames Valley and Fanshawe given their higher rate of utilization, positive financial results and the potential for adverse public response to a closure of either course.

# Opportunity Identification and Analysis

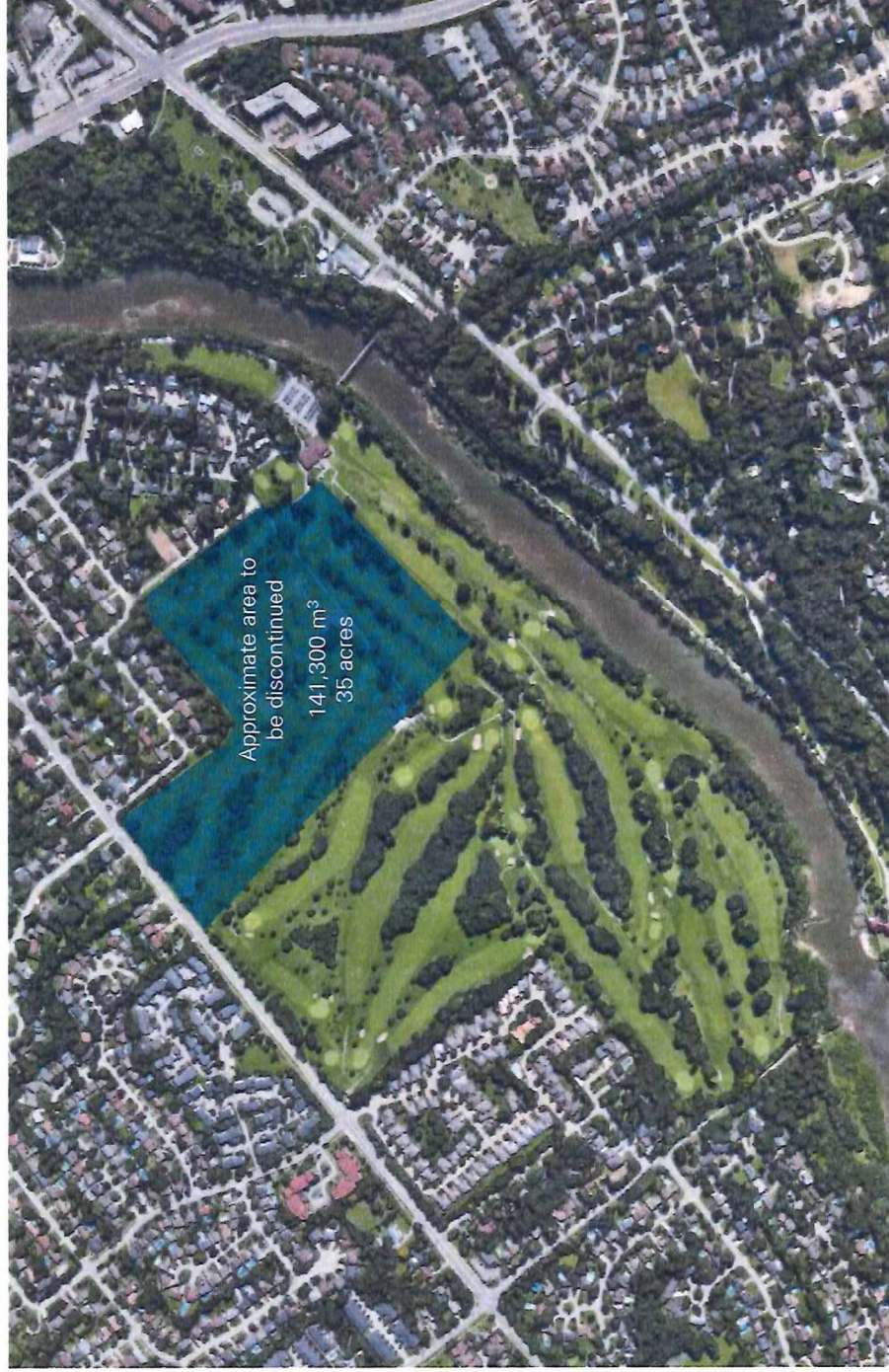
Potential divestment of River Road



- ① Land available for development (11 acres)
- ② Land regulated by UTRCA and not available for development (109 acres)
- ③ Adjacent former landfill site
- ④ Adjacent industrial areas

# Opportunity Identification and Analysis

Potential reduction of Thames Valley



# Opportunity Identification and Analysis

Potential reduction of Fanshawe



# Opportunity Identification and Analysis

For the purposes of our report, we have evaluated these options based on the following criteria:

- Is the option expected to result in a manageable and acceptable impact on the supply of golf infrastructure in the community?
- Could the option provide an annual financial benefit to the City in the form of incremental net revenues?
- Could the option provide a financial contribution to the City through one-time sale proceeds?
- Does the option allow the City to avoid future capital expenditures?
- How does the opportunity align the City's golf system with the average for comparator municipalities of 0.5016 courses and 8,0423 holes per 100,000 residents?

Our evaluation of each option is summarized on the following pages, based on the following rating scale.

- Fully effective in meeting consideration      ● Partially effective in meeting consideration      ○ Least effective in meeting consideration

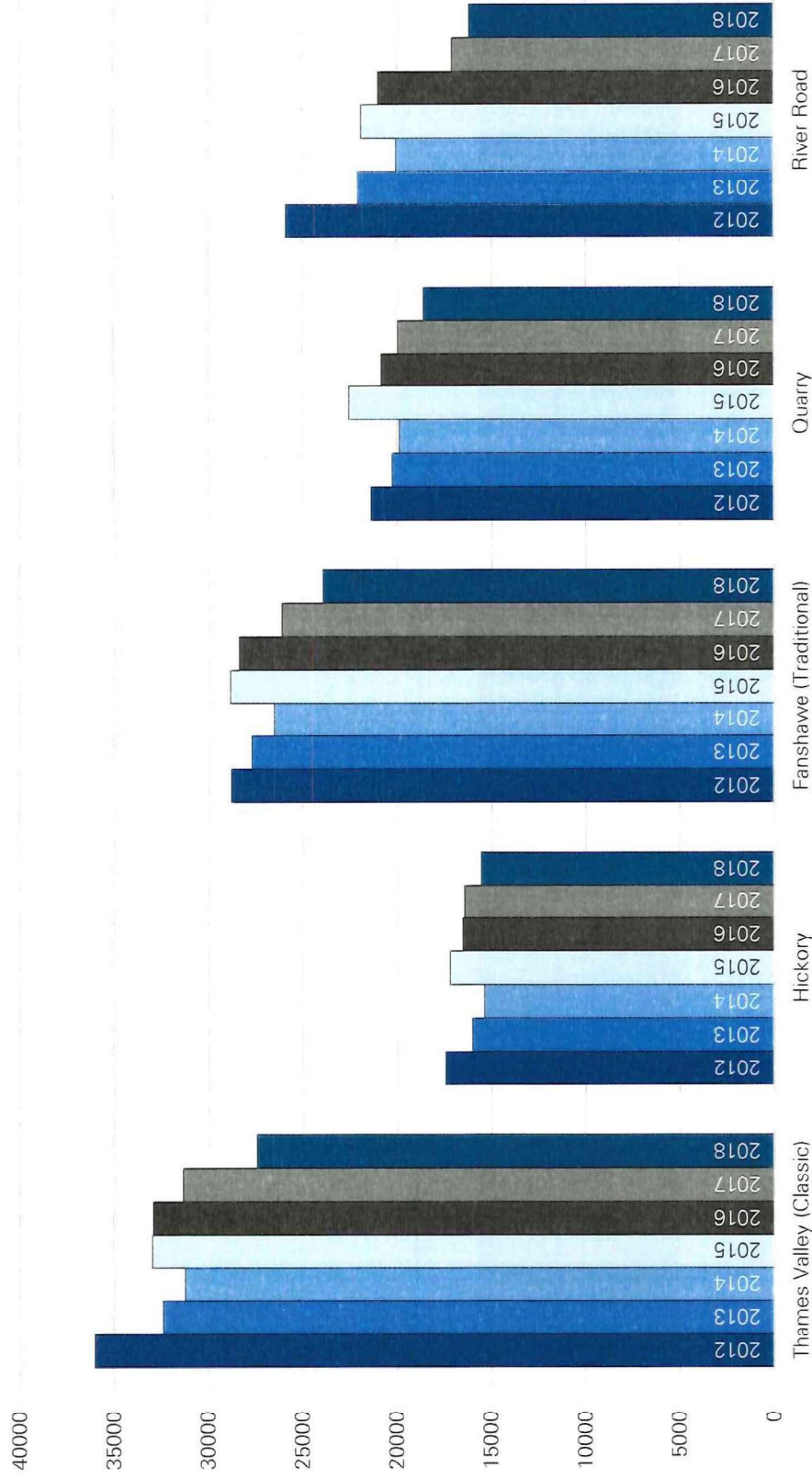
With respect to the evaluation, please note that the determination of rankings is relative (i.e. Option 1 vs. Option 2 vs. Option 3 vs. Option 4) and as such, assigning a "least effective" rating is not necessarily a negative reflection on the option. Rather, it indicates that while the option may sufficiently address the consideration, other options do so to a greater extent.

# Opportunity Identification and Analysis

Consideration	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory	Comments
Is the option expected to result in a manageable and acceptable impact on the supply of golf infrastructure in the community?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<ul style="list-style-type: none"> <li>As noted on the following page, River Road has experienced a decrease in rounds played of 37.5% since 2012, with Quarry and Hickory experiencing decreases of 13.1% and 10.8%, respectively, over the same period, which could indicate that market demand for River Road is less than the other courses.</li> <li>We understand that Hickory is the only 9-hole course located within the City of London and as such, its closure may impact golfers that prefer 9-hole play (although 9-hole courses are available in the Middlesex area and it is possible for golfers to play 9 holes on 18-hole courses located in the community).</li> </ul>
Could the option provide an annual financial benefit to the City in the form of incremental net revenues?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<ul style="list-style-type: none"> <li>Included as Appendix A is an analysis of the potential financial impacts of the options under consideration. As noted in the analysis, Option 1 is expected to provide a net financial benefit of \$146,000 annually, while Options 2 to 4 are all expected to result in a net financial loss to the City.</li> </ul>
Could the option provide a financial contribution to the City through one-time sale proceeds, as well as ongoing taxation revenue from new development?	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<ul style="list-style-type: none"> <li>As noted in Appendix A, the discontinuance of River Road could provide as much as \$1.9 million in proceeds on sale, with the discontinuance of Hickory potentially providing an additional \$6.1 million in sale proceeds. No proceeds have been assumed for Quarry as the land is currently owned by the UTRCA.</li> </ul>

# Opportunity Identification and Analysis

Number of Rounds Played by Course





# Opportunity Identification and Analysis

Consideration	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory	Comments															
	Does the option allow the City to avoid future capital expenditures?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<ul style="list-style-type: none"> <li>The City's Corporate Asset Management Plan has identified a ten-year capital reinvestment requirement of \$1,245,000 for River Road, which we have assumed could be fully avoided in the event that River Road is discontinued.</li> <li>While the Corporate Asset Management Plan also identifies ten-year capital reinvestment requirements for Thames Valley and Fanshawe, this would likely not be avoided in the event of the discontinuance of Hickory and Quarry as the City would continue golf operations on the sites.</li> <li>In the event that the City discontinues Quarry and/or Hickory, one-time costs are expected to be incurred in connection with redesigning the layout of the remaining portions of Fanshawe and Thames Valley.</li> </ul>													
How does the opportunity align the City's golf system with the average for comparator municipalities of 0.5016 courses and 8.0423 holes per 100,000 residents?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<ul style="list-style-type: none"> <li>The number of golf courses and holes per 100,000 residents under each option is as follows:</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>Courses</th> <th>Holes</th> </tr> </thead> <tbody> <tr> <td>Option 1</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">16.4112</td> </tr> <tr> <td>Option 2</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">11.7223</td> </tr> <tr> <td>Option 3</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">14.0668</td> </tr> <tr> <td>Option 4</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">9.3778</td> </tr> </tbody> </table>		Courses	Holes	Option 1	0.5209	16.4112	Option 2	0.5209	11.7223	Option 3	0.5209	14.0668	Option 4	0.5209	9.3778
		Courses	Holes																	
	Option 1	0.5209	16.4112																	
	Option 2	0.5209	11.7223																	
	Option 3	0.5209	14.0668																	
Option 4	0.5209	9.3778																		

# Opportunity Identification and Analysis

## **Question 3 – What if The City Retains Status Quo**

In the event that the City determines that (a) it will continue to be involved in the direct delivery of golf operations; and (b) a reduction of the current size of the municipal golf system is not warranted; it will continue with status quo. In this scenario, we encourage the City to continue to identify strategies for revenue generation and cost reductions, recognizing that:

- The City undertakes regular reviews of its user fee structure for golf and our review of the City's user fee structure indicates close alignment with other golf courses in terms of the quantum of rates as well as the use of different rate structures (e.g. different rates depending on tee-off times, the inclusion of golf cart rentals in a single rate).
- While the City could contract out golf operations to a private sector operator, we note that with the exception of River Road, the City's golf operations have traditionally operated at a surplus and as such, we expect the financial benefit of this strategy to be limited for Thames Valley and Fanshawe. In the event that contracting out is considered, we suggest that this strategy be undertaken through a request for proposal process as opposed to a lowest cost tender so as to allow for the evaluation of financial and non-financial considerations.

# Suggested Course of Action

As noted in the preceding chapter and summarized below, the results of our analysis indicate that Option 1 – Discontinuance of River Road is the preferred approach to reducing the size of the City's golf system in the event that the City determines a reduction is necessary.

	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory
Number of fully effective ratings	4	-	1	2
Number of partially effective ratings	-	3	1	1
Number of least effective ratings	1	2	3	2

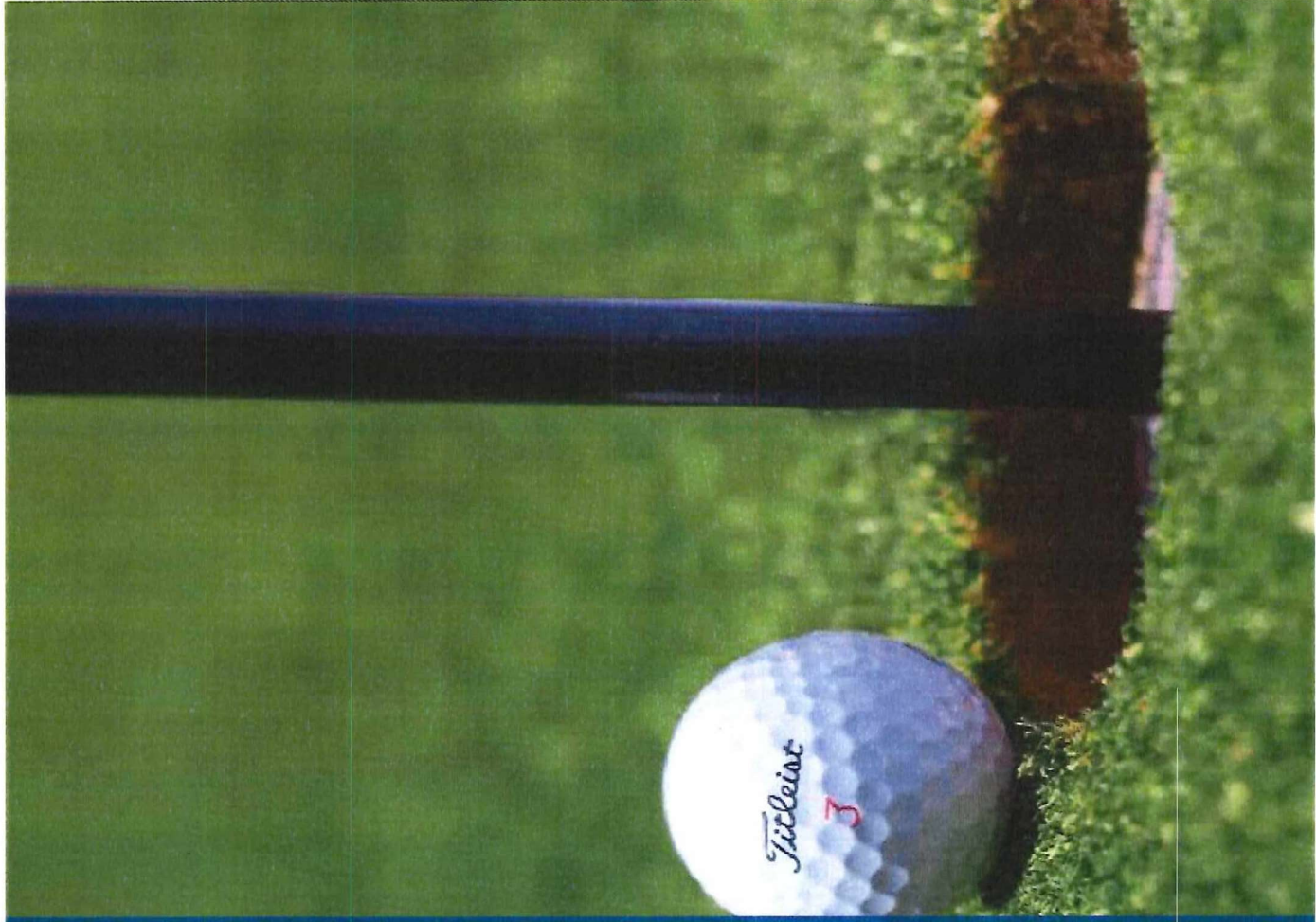
While the other options have merits, the analysis indicates that they would have a higher degree of adverse impact on residents that use the City's golf system while at the same time likely resulting in ongoing annual financial losses, which would need to be financed through other sources. Accordingly, if the City were to determine that a reduction in the size of its golf system is appropriate while continuing to operate golf courses, the analysis would support the conclusion that the discontinuance of River Road (Option 1) is the sole practical option from a financial perspective.



City of London Service Review

Review of Golf Operations

# Appendix A Financial Analysis of Potential Options



# CORPORATION OF THE CITY OF LONDON

## Summary of Projected Financial Impacts Associated With Municipal Golf (Unaudited - See Notice to Reader)

	Reference	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory
<b>(1) Annual financial results</b>					
Reported operating surplus (deficit) based on status quo:					
River Road	(note 1)	\$ (71,349)	(71,349)	(71,349)	(71,349)
Thames Valley	(note 1)	21,576	21,576	21,576	21,576
Fanshawe	(note 1)	22,915	22,915	22,915	22,915
		(26,858)	(26,858)	(26,858)	(26,858)
Elimination of River Road financial loss upon discontinuance	(note 2)	71,349	71,349	71,349	71,349
Revenue shift from River Road golfers moving to other City-owned golf courses	(note 3)	101,450	50,700	50,700	-
Elimination of Quarry financial surplus upon divestment	(note 4)	-	(187,000)	-	(187,000)
Elimination of Hickory financial surplus upon divestment	(note 4)	-	-	(325,200)	(325,200)
		\$ 145,941	(91,809)	(230,009)	(467,709)
<b>(2) One-time financial impacts</b>					
Proceeds on divestment of River Road	(note 5)	\$ 1,925,000	1,925,000	1,925,000	1,925,000
Proceeds on divestment of Quarry	(note 5)	-	-	-	-
Proceeds on divestment of Hickory	(note 5)	-	-	6,125,000	6,125,000
Course reconstruction costs	(note 6)	-	(500,000)	(1,000,000)	(1,500,000)
Avoidance of capital reinvestment requirements	(note 7)	1,245,000	-	0	-
		\$ 3,170,000	1,425,000	7,050,000	6,550,000

# CORPORATION OF THE CITY OF LONDON

## Summary of Projected Financial Impacts Associated With Municipal Golf (Unaudited - See Notice to Reader)

Note 1 Based on the reported financial results for the City's golf services for the year ended December 31, 2018. Financial results for Thames Valley include both Hickory and Classic, while the financial results for Fanshawe include both Quarry and Traditional.

Note 2 With the discontinuance of River Road under Option 1, it is anticipated that its reported financial loss will be fully eliminated.

Note 3 For the purposes of our analysis, we have assumed that the discontinuance of River Road would result in a movement of golfers to other City-owned golf courses with 50% of current River Road golfers choosing to golf at another City-owned course. This transfer of golfers is expected to result in a net increase in revenues for the remaining City-owned golfing courses which we have assumed to be \$101,450, as follows:

	Option 1		Option 2		Option 3		Option 4	
	City Discontinues River Road	River Road	City Discontinues River Road and Quarry	River Road and Quarry	City Discontinues River Road and Hickory	River Road and Hickory	City Discontinues River Road, Quarry and Hickory	
Total River Road golfing revenues:								
Membership sales	\$	161,143		161,143		161,143		161,143
Green fees (members)		58,583		58,583		58,583		58,583
Green fees (non-members)		96,682		96,682		96,682		96,682
Golf cart rentals		89,363		89,363		89,363		89,363
Annual reported golfing revenue		405,771		405,771		405,771		405,771
Percentage of revenue assumed to be shifted to other City-owned golf courses (a)		50%		25%		25%		0%
Assumed revenue shifted from River Road to other City-owned golf facilities		202,900		101,400		101,400		-
Estimated increase in operating costs (b)		(101,450)		(50,700)		(50,700)		-
Incremental increase in net revenues from River Road to other City-owned golf courses	\$	101,450		50,700		50,700		-

- (a) For the purposes of our analysis, we have assumed that 50% of River Road golfers would move to other City-owned courses under Option 1, with this percentage decreasing to 25% under Options 2 and 3 due to the further decrease in the size of the City's golf system and the associated impacts on capacity. Under Option 4, we have assumed no shift in golfers from River Road to other City-owned golf courses based on the magnitude of the reduction of the City's golf system.
- (b) For the purposes of our analysis, we have assumed that operating costs would increase by 50% of the revenue shifted from River Road to the other City-owned golf facilities.

# CORPORATION OF THE CITY OF LONDON

## Summary of Projected Financial Impacts Associated With Golf Operations (Unaudited - See Notice to Reader)

Note 4 We have estimated the financial impact of the discontinuance of Quarry and Hickory to be as follows:

	Quarry	Hickory
Estimated loss of revenue:		
Current estimated annual revenue (a)	\$ 623,300	544,700
Less: Revenue shifted to Fanshawe Traditional/Thames Valley Classic (b)	(155,800)	(54,500)
Estimated annual loss of revenue	467,500	490,200
Estimated reduction in operating costs:		
Current estimated annual operating costs (c)	561,000	494,900
Less: Fixed costs to be incurred by Fanshawe Traditional/Thames Valley Classic (d)	(280,500)	(329,900)
Estimated annual reduction in operating costs	280,500	165,000
Estimated financial impact (loss)	\$ (187,000)	(325,200)

- (a) Estimated based on the pro-rated revenue per round played for Fanshawe and Thames Valley.  
 (b) For the purposes of our analysis, we have assumed that, in the event that the City discontinues Quarry, 25% of current golfers would utilize Fanshawe Traditional, with the remaining 75% of golfers utilizing other (non-City owned) golf courses. We have also assumed that in the event that the City discontinues Hickory, 10% of the current golfers would utilize Thames Valley Classic, with the remaining 90% utilizing other (non-City owned) golf courses.  
 (c) Estimated based on the pro-rated operating cost per hole for Fanshawe and Thames Valley.  
 (d) As Quarry and Hickory are maintained as part of the overall Fanshawe and Thames Valley golf properties, a portion of their operating costs are fixed in nature and as such, would not be avoided in the event that Quarry and/or Hickory are discontinued. Based on discussions with City personnel, we have assumed that 50% of the estimated operating costs for Quarry are fixed in nature (land as such would continue in the event that Quarry was discontinued), while 67% of the estimated operating costs for Hickory are fixed in nature.

Note 5 For the purposes of our analysis, we have assumed a selling price of \$175,000 per acre, which reflects the rate for developable lands as identified in the City's 2019 Development Charges By-law. Our calculation of potential proceeds on disposition are as follows:

	River Road	Hickory
Number of acres available for disposition (a)	11	35
Assumed proceeds per acre	\$ 175,000	175,000
Potential proceeds from disposition	\$ 1,925,000	6,125,000

(a) For the purposes of our analysis, we have assumed the land would be redeveloped for residential purposes, with no consideration given to the value of the properties as golf courses. Accordingly, we have only considered the portion of River Road that is not subject to UTRCA limitations as available for sale.

No proceeds have been considered for Quarry as the land is leased from the UTRCA.

# CORPORATION OF THE CITY OF LONDON

## Summary of Projected Financial Impacts Associated With Golf Operations (Unaudited - See Notice to Reader)

- Note 6 For the purposes of our analysis, we have assumed that the City would be required to incur an estimated \$500,000 to construct a linkage between the main Fanshawe course and the accessible 9-hole course in the event that it discontinues Quarry. We have also assumed that the City would be required to incur an estimated \$1 million to redesign the Thames Valley course in the event that the City discontinues Hickory. This investment would be required in order to realign the layout of the 9th hole such that it ends at the Thames Valley clubhouse.
- Note 7 The City's Corporate Asset Management Plan has identified a ten-year capital reinvestment requirement of \$1,245,000 for River Road, which we have assumed could be fully avoided in the event that the City discontinues River Road. While the Corporate Asset Management Plan also identifies ten-year capital reinvestment requirements for Thames Valley and Fanshawe, we have assumed that these would not be reduced in the event that the City discontinues Quarry and/or Hickory as the City would continue to operate Thames Valley and Fanshawe.





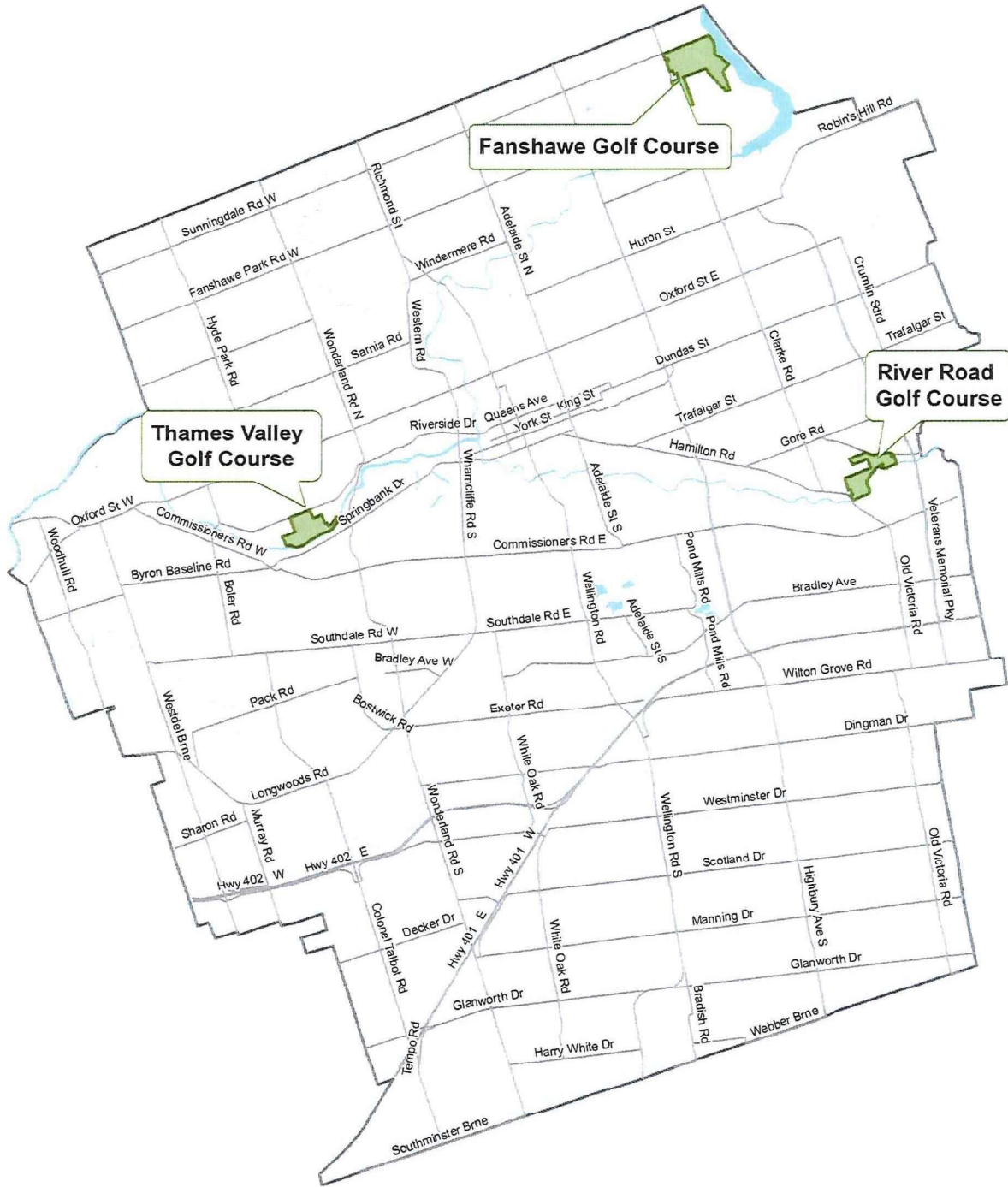
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# City of London Golf Courses

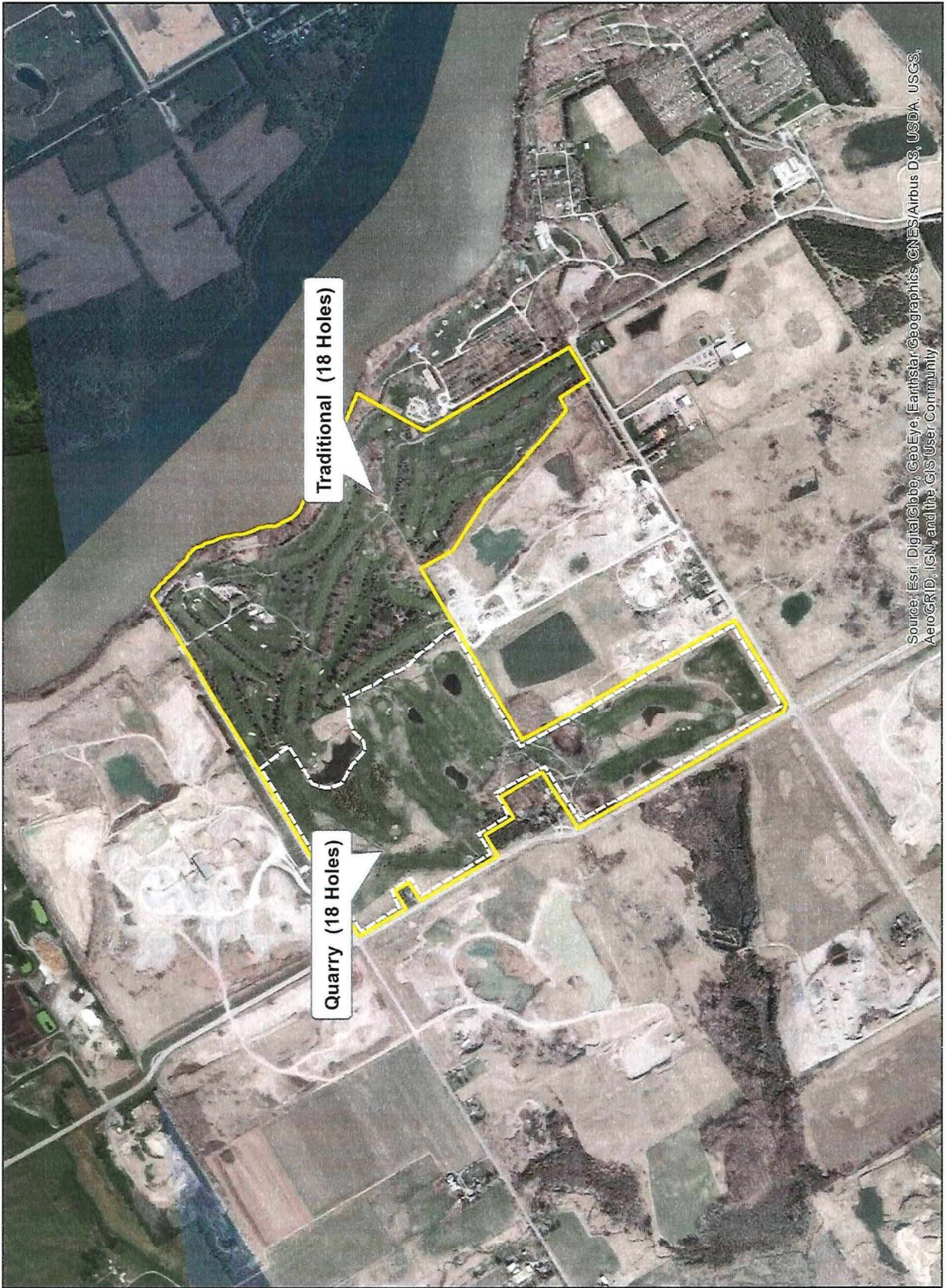


Thames Valley Golf Course



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

Fanshawe Golf Course



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

APPENDIX "B"

River Road Golf Course



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community