

Report to Strategic Priorities and Policy Committee

To: Chair and Members
Strategic Priorities and Policy Committee

From: Scott Stafford, Managing Director, Parks and Recreation
Anna Lisa Barbon, Managing Director, Corporate Services
and City Treasurer, Chief Financial Officer

Subject: City of London Service Review: Recommended Closure of
River Road Golf Course

Public Participation Meeting Not Before 4:05 PM

Date: February 16, 2021

Recommendation

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) Civic Administration **BE DIRECTED** to cease golf operations at the municipally operated River Road Golf Course, effective immediately, to mitigate budget pressures on the municipal golf system;
- b) Civic Administration **BE DIRECTED** to initiate the disposition of property process in compliance with the City's Sale and Other Disposition of Land Policy; and,
- c) Notwithstanding the Council approved Sale of Major Assets Policy, the proceeds from any partial or full disposition of River Road Golf Course lands **BE ALLOCATED** to the municipal golf reserve fund.

Executive Summary

The 2018 City of London Service Review project is part of a larger process that began in 2016 in response to direction by City Council to identify \$4 million in annual permanent operating budget reductions.

The opportunities identified through the 2018 Service Review are also intended to create capacity and or mitigate budget pressures anticipated for future Multi-Year Budgets.

Civic Administration brought forward a report to [SPPC on February 4, 2020](#) presenting the findings and recommendations from the review undertaken by KPMG for the service delivery of municipal golf, attached as Appendix "C", providing background and historical context of London's Municipal Golf System, and offering recommendations on next steps for City Council's consideration.

On February 11, 2020, City Council resolved the following in relation to the Service Review of the municipal golf system:

- a) the KPMG Report entitled "City of London Service Review - Review of Golf Operations", dated January 23, 2020 appended as Appendix "A" to the staff report dated February 4, 2020, BE RECEIVED for information;
- b) Civic Administration BE DIRECTED to report back at a Public Participation Meeting before the appropriate Standing Committee with respect to the options set out in Option 1 set out in the Report noted in a) above; and,

- c) Civic Administration BE DIRECTED to take no further action regarding Options 2, 3, 4 set out in the Report noted in a) above;

it being noted that Option 1 includes a review of all possible options for the future use of River Road Golf Course.

The purpose of this report is to directly respond to b) above, providing City Council with recommendations for consideration for the future of River Road Golf Course. A map of River Road is attached as Appendix “A”.

Linkage to the Corporate Strategic Plan

Leading in Public Service

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

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

- City of London Service Review: Review of Service Delivery for Municipal Golf (SPPC, February 4, 2020)
- City of London Service Review: Project Update (SPPC, April 8, 2019)
- RFP 18-04: City of London Service Review – Consulting Services (SPPC, March 26, 2018)
- London’s Municipal Golf System 2011: Financial Performance and 2012 Business Plan (CNC, November 1, 2011)
- Municipal Golf Task Force Recommendations (CNC, June 14, 2011)
- Potential Closing of River Road – Additional Information (CNC, March 8, 2011)
- London Municipal Golf System Update and Shift in Strategic Direction (CNC, February 1, 2011)

2.0 Discussion and Considerations

2.1 Recap of Option 1 (as presented by KPMG)

“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, 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” (KPMG Review of Golf Operations, January 23, 2020, p.20).

Golf Measures and Metrics

Civic Administration has updated all the golf measures and metrics (including 2020 financial statements) that were introduced as part of KPMG’s Service Review and attached this as Appendix “B”. Previous metrics and measures provided a review of data from 2012-2018. Appendix “B” has added data from 2019 and 2020.

It should be noted that River Road Golf Course was closed for the 2020 season due to the impacts of COVID-19 on the City of London.

2020 Municipal Golf System – By the Numbers

- 2,035 members
- 111,427 rounds played
- 38,808 guest rounds played
- 73,339 member rounds played
- (\$105,964) loss as system
- \$158,000 current reserve fund balance (after covering operating loss)
- 70% utilization of available tee times
- \$25.35 total revenue per round for 2020

London's Municipal Golf History

London's Municipal Golf System has a long history of providing public golf to the community, dating back to 1924. Over the past 96 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 additionally contributed approximately \$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.

The timing of the course builds is 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.

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 outcomes of the service review process in 2011 included the creation of a Municipal Golf Task Force, the development of a business plan with specific emphasis on River Road Golf Course's continued operation without municipal subsidy, 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 that time, included a focus on three main goals: improving the golf experience, increasing participation, and increasing revenues.

Civic Administration has implemented many strategies attached to the above goals of improving the golf experience, increasing participation, and increasing revenues. Despite all the actions taken by Civic Administration, financial challenges still exist.

3.0 Financial Impact/Considerations

3.1 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, washrooms, maintenance shops, etc.) investments. The golf reserve fund is the only source of financing available for both areas of investment. Contributions to this reserve fund are directly impacted by the ebbs and flows of participation, economic and market conditions, operating deficits, and unfavorable weather patterns. This 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.

As noted earlier in this report, and in KPMG's findings, revenue generated from golf services is insufficient to fund future required capital works for the City golf system.

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 the 2019 Corporate Asset Management Plan related to the 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

After covering off the operating losses in the amount of \$105,964 from the golf reserve fund for the 2020 season, the current balance in the golf reserve fund is approximately \$158,000 with all future contributions being directly tied to revenues generated.

This means that there is insufficient funding in a 'golf pays for golf' environment to fund required and pressing capital needs, which impacts accessibility, health and safety, and the golf system's ability to be viable in attracting new business.

One factor contributing to insufficient funding, 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. Annual operating deficits of River Road are covered off by the positive financial results at Fanshawe and Thames Valley golf courses.

As noted by KPMG (January 23, 2020, p.11), "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."

To further exemplify this point, we can look at financial operating actuals from 2014-2019. If River Road was not part of the system during this time period, the potential increased contributions to the golf reserve fund would equate to approximately \$473,000 or \$79,000 on average annually.

The municipal golf system is currently at a tipping point. If another source of funding is not identified for capital requirements and future capital works are not avoided, the entire system may be in jeopardy as the unfunded infrastructure gap will only continue to grow.

4.0 Key Issues and Considerations

4.1. Recommendations and Rationale

Prior to providing rationale for the recommendations included in this report, it is important to highlight criteria used to evaluate the options considered and the assumptions under which the recommendations were developed.

First and foremost, it is assumed that the principle of ‘golf pays for golf’, or a self-sustaining system needs to continue for London’s municipal golf system. As noted earlier in the report, this approach has been around since the inception of the system in 1924. Secondly, it is assumed that any options to be brought forward are to mitigate budget pressures anticipated for future Multi-Year Budgets.

The following criteria, introduced by KPMG, was utilized as part of administration’s evaluation of options for the future of River Road Golf Course:

- 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 golf system in the form of incremental net revenues?
- Could the option provide a financial contribution to the golf system through one-time sale proceeds?
- Does the option allow the golf system to avoid future capital expenditures?
- Does the option allow the City of London to continue ‘golf pays for golf’?

The below chart provides rationale for the options recommended in this report, noting that they were most effective in meeting the above criteria and provide an opportunity to continue a sustainable system of ‘golf pays for golf’.

Table 1 Recommendations and Rationale

RECOMMENDED	RATIONALE
Cease golf operations at River Road Golf Course.	<ul style="list-style-type: none"> • River Road Golf Course is experiencing on-going annual 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”. • Allows for potential increased annual contributions to the golf reserve fund. • Removes \$881,317 from \$6M in unfunded capital requirements from the golf system.
River Road Golf Course lands be disposed of pursuant to the Sale and Other Disposition of Land Policy.	<ul style="list-style-type: none"> • Provides the appropriate process and policy framework for the potential sale of the golf course lands as outlined in the Council approved Sale of Major Assets Policy.

RECOMMENDED	RATIONALE
	<ul style="list-style-type: none"> • It being noted the goal of this recommendation for the golf system is to sell subject lands (full or partial).
<p>Proceeds from any disposition of River Road Golf Course lands be allocated to the Golf Reserve Fund notwithstanding the Council approved Sale of Major Assets Policy.</p>	<ul style="list-style-type: none"> • Proceeds being allocated to the golf reserve fund provides a sustainable path forward for the golf system to continue 'golf pays for golf'. • The golf system will continue to put financial pressures on future budgets should proceeds not be allocated to the golf system. • Respects that River Road Golf Course was built and developed utilizing golf revenues. • Respects and recognizes that the Golf Reserve Fund contributed financially to other recreation endeavours (approximately \$1M) over the last 20 years.

The below chart provides rationale for the options that were considered, but not recommended in this report, noting that that they were least effective in meeting the above criteria.

Table 2 Options not Recommended and Rationale

NOT RECOMMENDED	RATIONALE
<p>Maintain status quo</p>	<ul style="list-style-type: none"> • Requires on-going municipal subsidy for unfunded capital needs which creates future budget pressures. • Discontinues 'golf pays for golf' principles.
<p>Leasing out property as golf courses</p>	<ul style="list-style-type: none"> • While this option may provide positive net incremental revenue for the golf system, the incremental nature would not be large enough to solve the capital needs in the time period required. • May require capital investment to ensure property is adequate to be leased with no funding available. • Does not allow for the one-time proceeds from a land sale to be allocated to the Golf Reserve Fund which is part of the overall approach to address the capital requirements for the golf system in a 'golf pays for golf' environment.
<p>Repurposing lands for other parks and recreation needs (partial or full)</p>	<ul style="list-style-type: none"> • The 2019 Parks and Recreation Master Plan is the guiding document for the provision of facilities, services, and programs. Identified needs are funded through multiple sources and are done well in advance of delivery. • Repurposing golf course lands would currently be an unfunded project and contribute to future budget pressures.

NOT RECOMMENDED	RATIONALE
	<ul style="list-style-type: none"> Approach does not recognize or respect that the subject lands were purchased and developed using revenues generated in the golf system.

Conclusion

The City of London currently operates three golf properties, Fanshawe, Thames Valley and River Road, which provide golfing, cart rentals, retail sales, and food and beverage services.

London's Municipal Golf System has a long history of providing affordable and public golf to the community, dating back to 1924. Over the past 96 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.

As identified by KPMG as part of the 2018 Service Review Project and concurred with by administration as part of this report, there is insufficient funding in a 'golf pays for golf' environment to fund required and pressing capital needs.

Therefore, London's Municipal Golf System, at this current time, is not sustainable and a change is necessary. The growing infrastructure gap has a shortfall of \$6.14M over the next 10 years with no funding source outside of the golf reserve fund.

The recommendations in this report support a path back to a sustainable model municipal golf for London in a 'golf pays for golf' environment. It includes the disposition of an underutilized and financially underperforming asset (River Road) that impedes the system's ability to reinvest into its revenue generating assets (Fanshawe and Thames Valley). This allows for the avoidance of capital costs at River Road (\$881,713) excluding golf course improvements or other needs, and an increase in net incremental revenues of approximately \$80,000 annually for contribution to the golf reserve fund.

It is also recommended that any proceeds from the full or partial disposition of River Road Golf Course lands be allocated to the golf reserve fund. The previous mentioned steps of capital cost avoidance and increases in incremental revenue still may put pressure on future budgets, as contributions can be tied to economic situations, weather patterns, participation ebbs and flows and other external factors. Providing proceeds from disposition to the golf reserve fund provides City Council the best opportunity to avoid any future budget pressures from the golf system.

Prepared and Submitted by: **Jon-Paul McGonigle, Division Manager, Culture, Special Events and Sport Services**

Recommended by: **Scott Stafford, Managing Director, Parks and Recreation**

Recommended by: **Anna Lisa Barbon, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer**

Appendix A

Aerial View of River Road Golf Course

River Road Golf Course

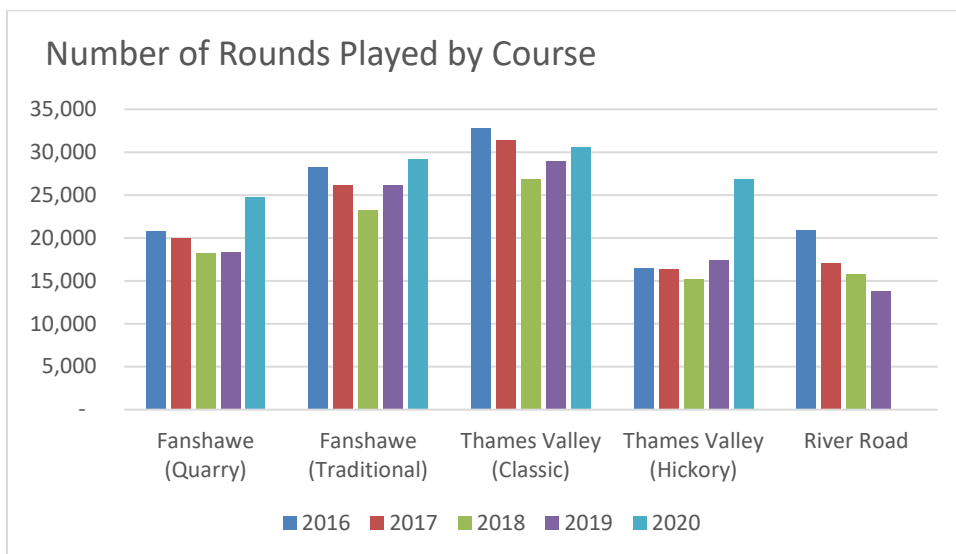
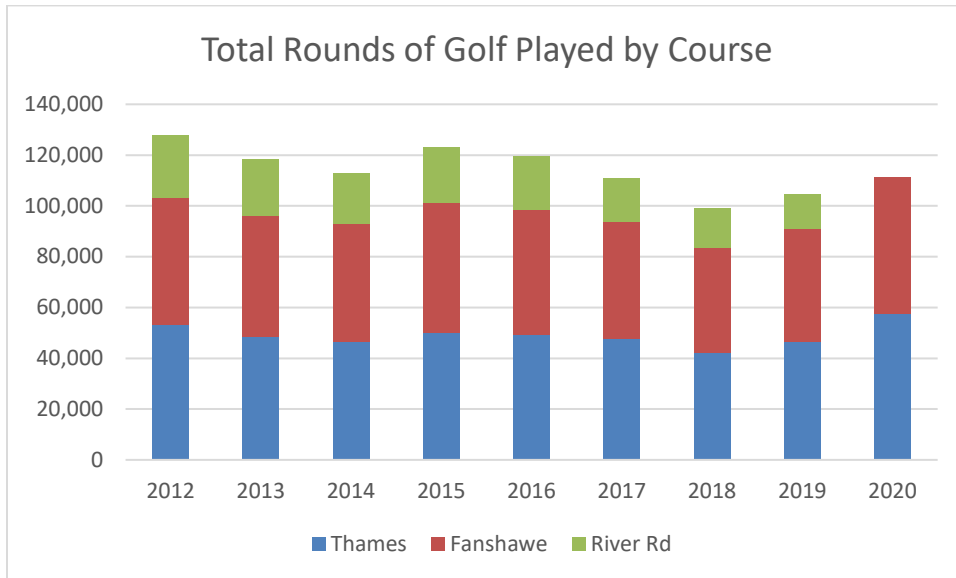


Appendix B

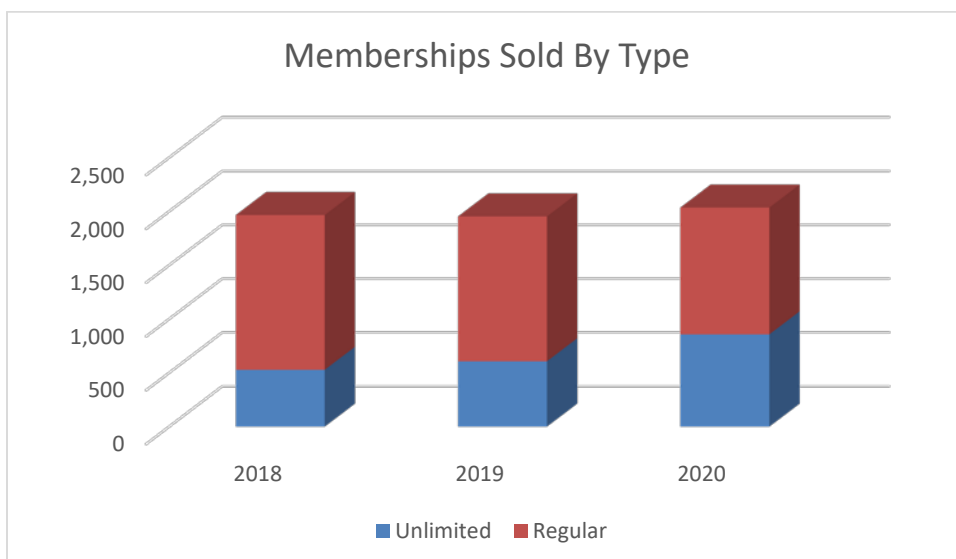
Golf Metrics and Financials

The below data, graphs, and charts were introduced as part of KPMG's January 23, 2020 report, but did not include 2019 and 2020. They have been updated to include 2019 and 2020 to provide the most up to date information.

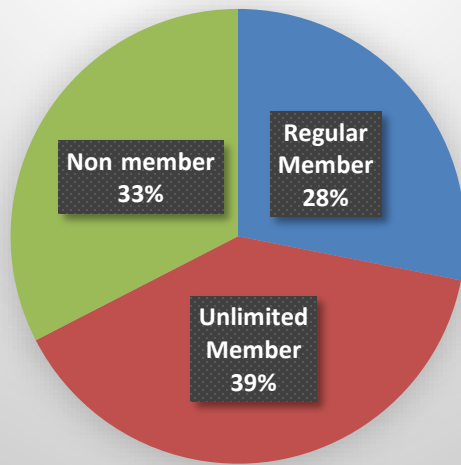
Activity Levels



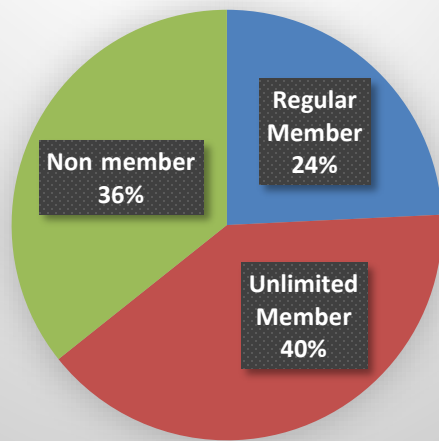
Memberships Levels



Fanshawe Rounds 2020

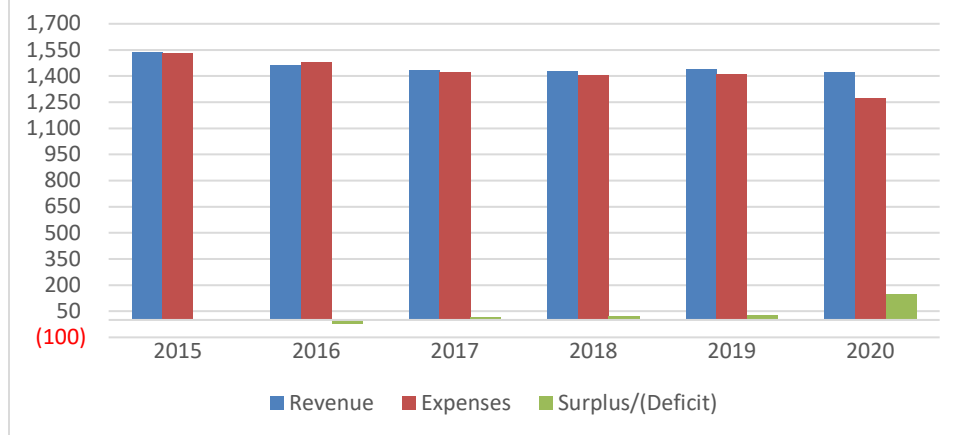


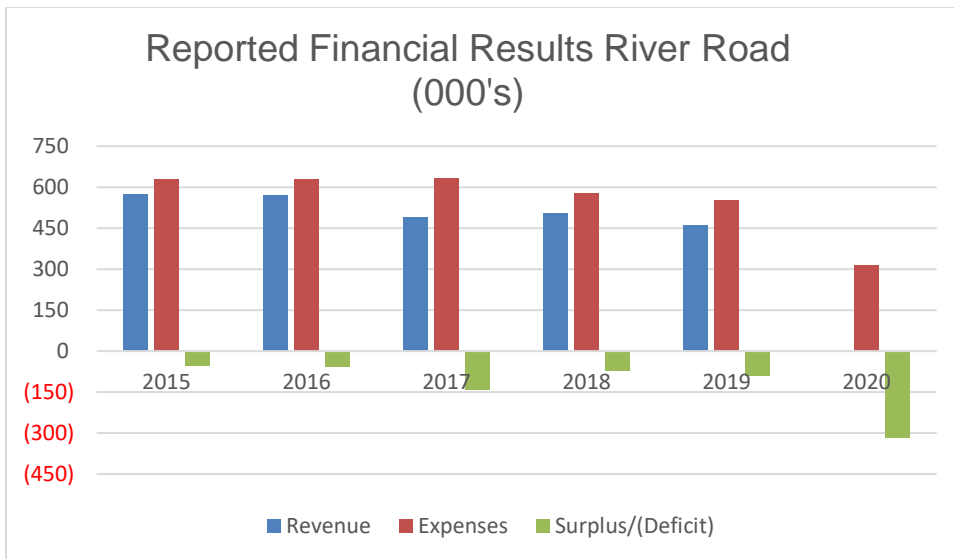
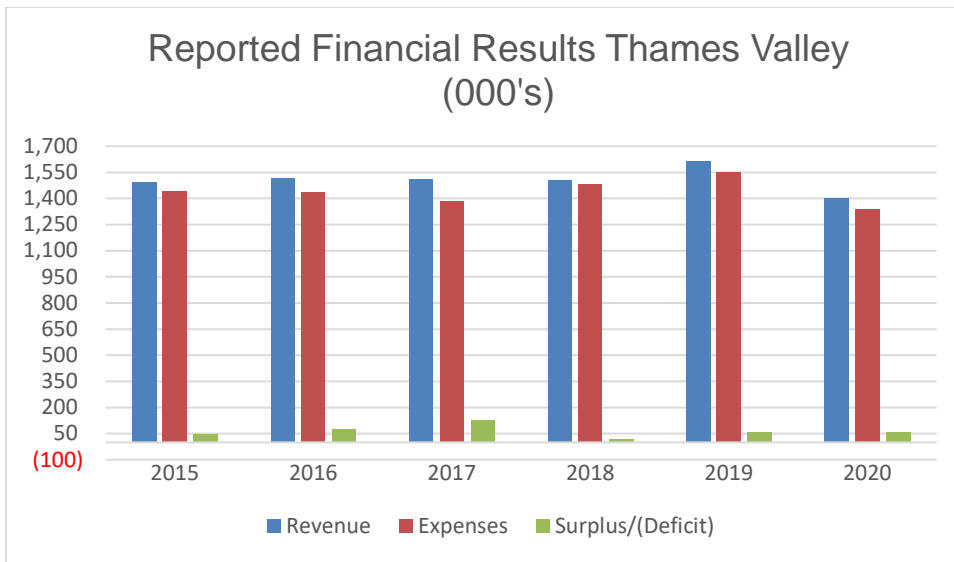
Thames Rounds 2020



Financial Performance

Reported Financial Results Fanshawe (000's)





Financial results for the Year Ended 2020	Thames Valley	Fanshawe	River Road	Total
Revenues:				
Membership sales	\$411,737	\$298,528	\$-	\$710,265
Green Fees (members)	205,360	277,112	-	\$482,472
Green Fees (non-members)	407,312	430,199	-	\$837,511
Golf Cart Rentals	199,338	271,332	-	\$470,670
Concessions (food & beverage sales)	84,762	105,779	16	\$190,557
Merchandise sales	75,541	27,102	-	\$102,643
Rentals, and other revenues	17,620	12,413	5	\$30,038
Total Revenues:	\$1,401,670	\$1,422,464	\$21	\$2,824,156
Operating Costs:				
Wages and benefits	\$762,422	\$645,182	\$140,072	\$1,547,676
Cost of Goods Sold (food & merchandise)	125,442	74,416	5,049	\$204,907
Equipment operation	168,926	233,319	88,844	\$491,089
Materials, supplies and utilities	117,246	119,544	32,488	\$269,277
Golf cart leasing costs	54,841	87,739	-	\$142,581
Property taxes	3,500	56,036	-	\$59,536
Other	108,962	57,199	48,892	\$215,053
Total Operating Costs	\$1,341,339	\$1,273,436	\$315,345	\$2,930,120
Surplus (deficit) before reserve transfers	\$60,331	\$149,049	\$(315,345)	\$(105,964)

Golf Property	Rounds Played	Revenue/Round		
		Golf Revenue	Non-Golf Revenue	Total
Thames Valley	57,518	\$21.28	\$3.09	\$24.37
Fanshawe	53,909	\$23.69	\$2.70	\$26.39
Total System	111,427	\$22.44	\$2.90	\$25.35

*Golf revenue is comprised of memberships, green fees and cart rentals



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 14th, 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 golf 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") ¹	1958	–	36	9	45	Property is leased from the Upper Thames River Conservation Authority ("UTRCA")
Thames Valley Golf Course ("Thames Valley") ²	1924	9	18	–	27	Property is owned directly by the City
River Road Golf Course ("River Road")	1992	–	18	–	18	Property is owned directly by the City
Total		9	72	9	90	

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.

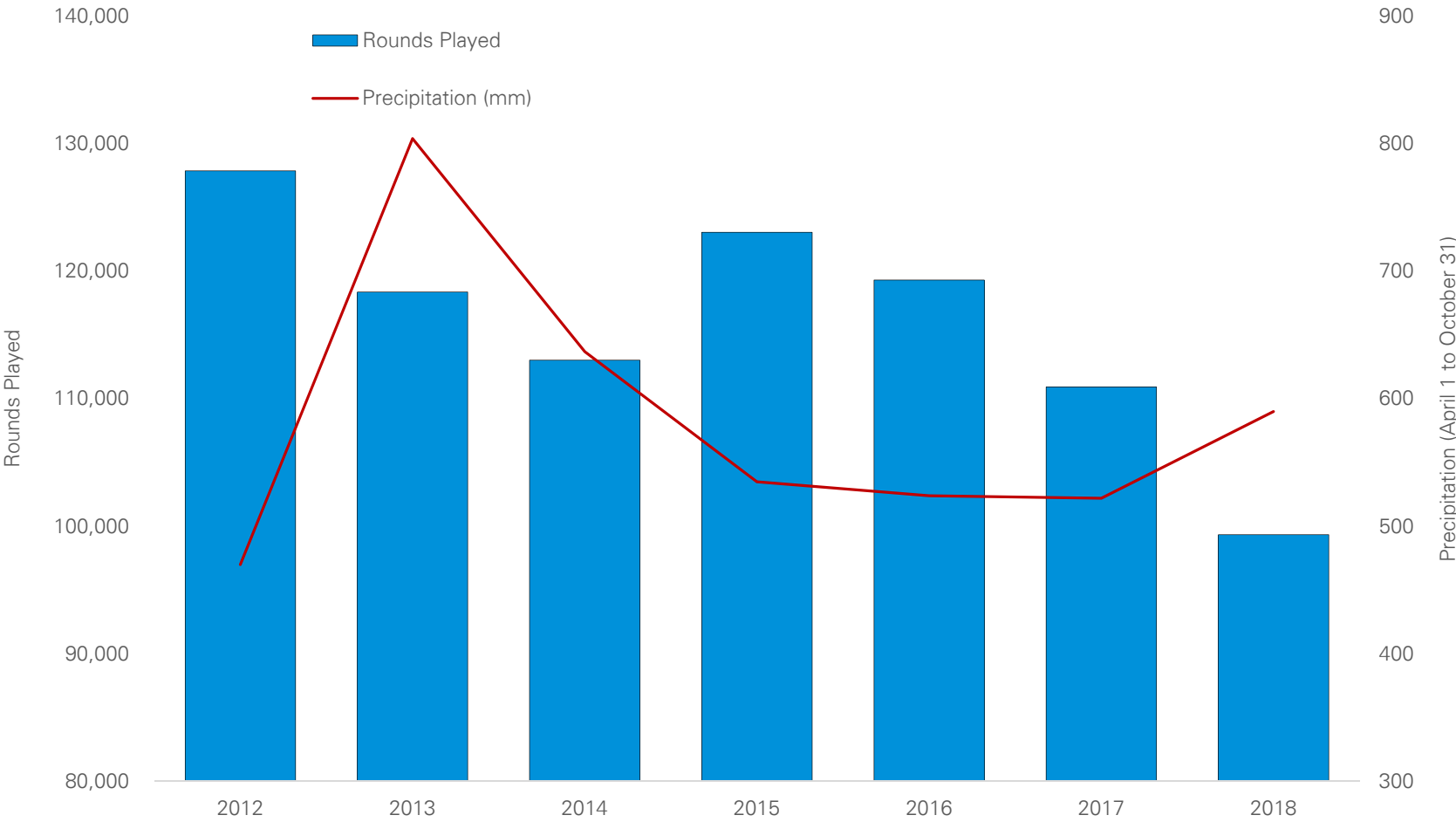
As noted on the following page, the number of rounds of golf played at the City's courses has decreased on an overall basis since 2012, with an average of 116,000 rounds played per year since 2012. An analysis of weather statistics for London (as provided by Environment Canada) indicates that the level 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

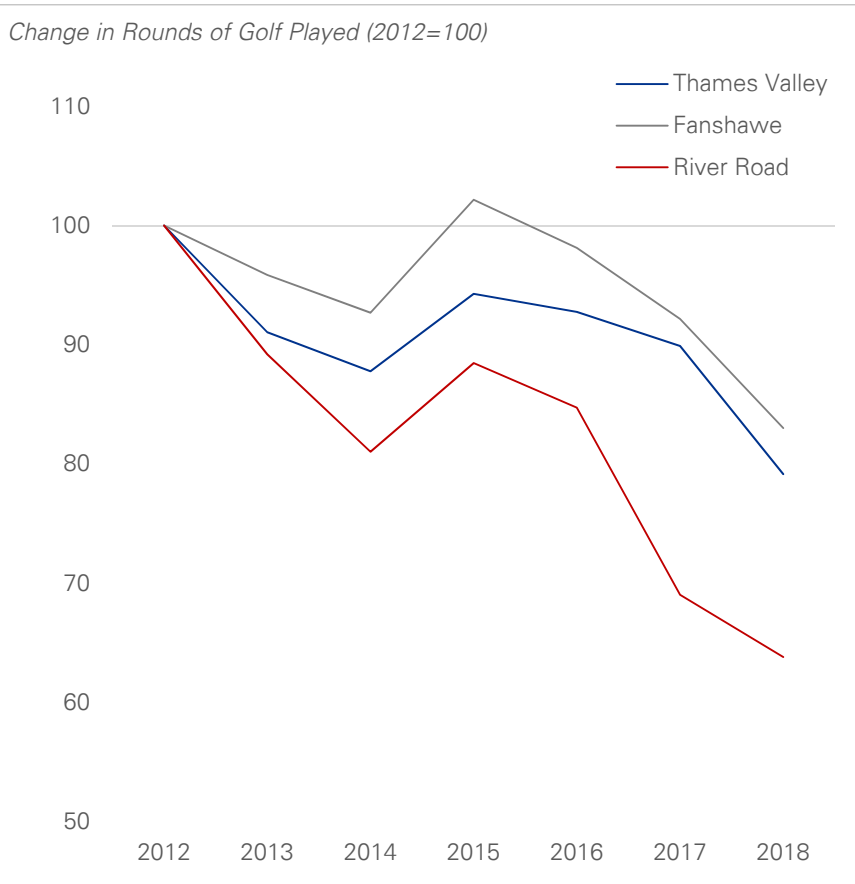
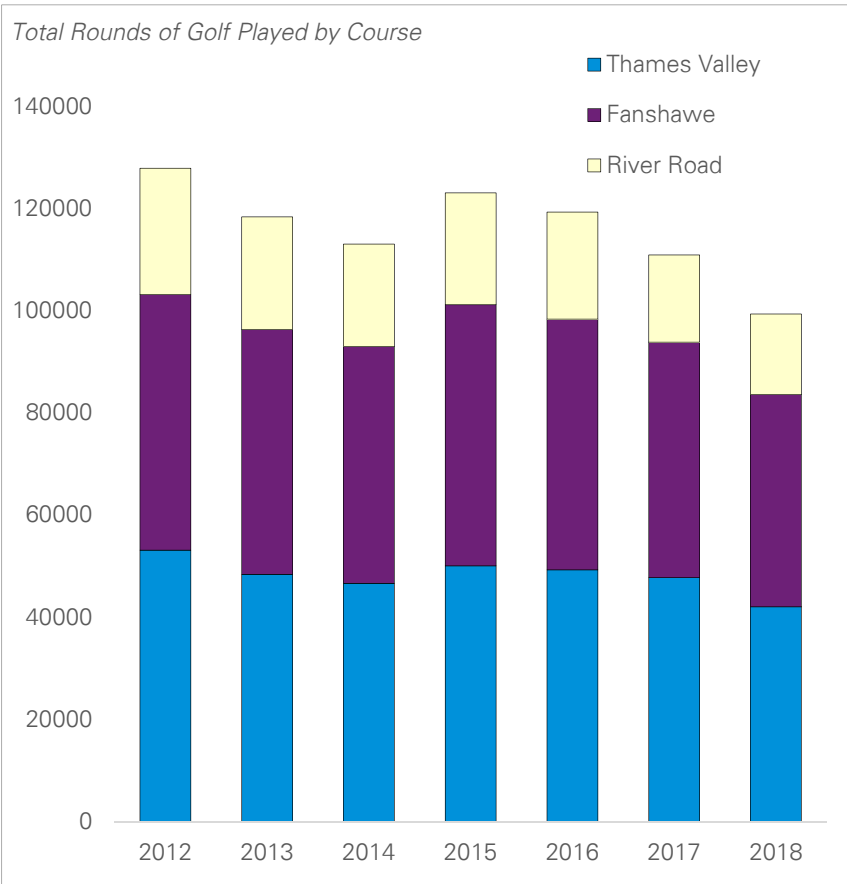
Total Rounds of Golf Played (All Courses) and Total Precipitation (April 1 to October 31)



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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

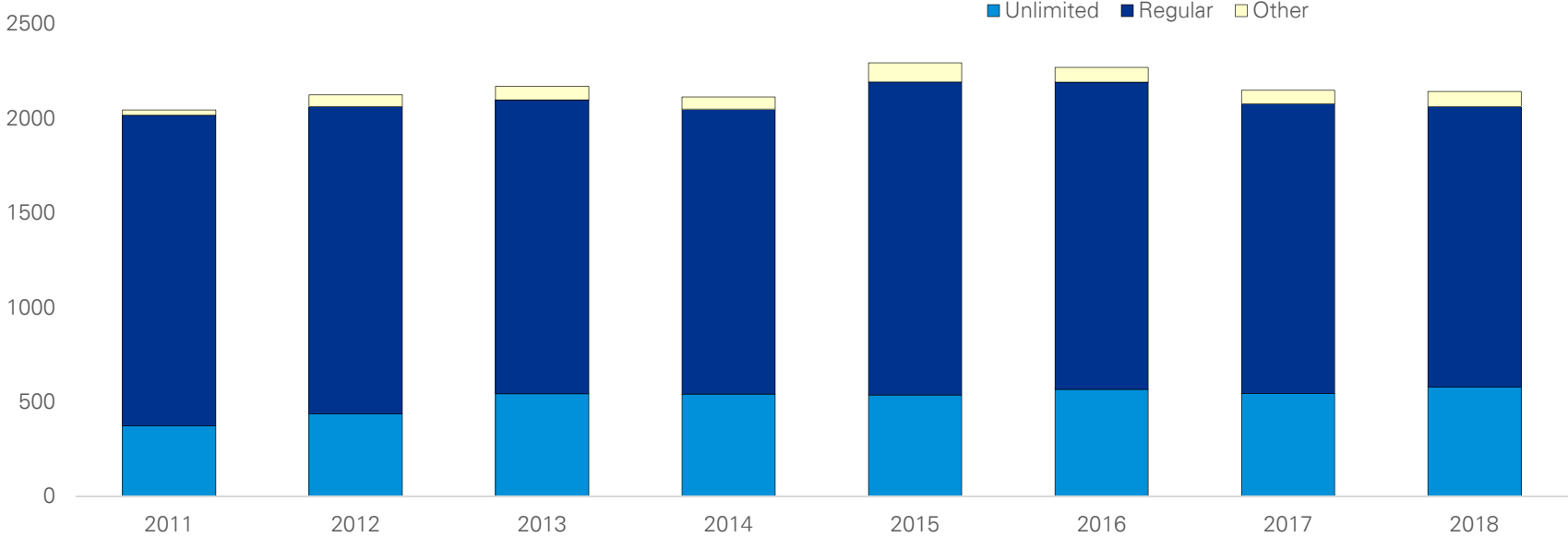
B. Membership Levels

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 City³:

- 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.

Memberships Sold by Type

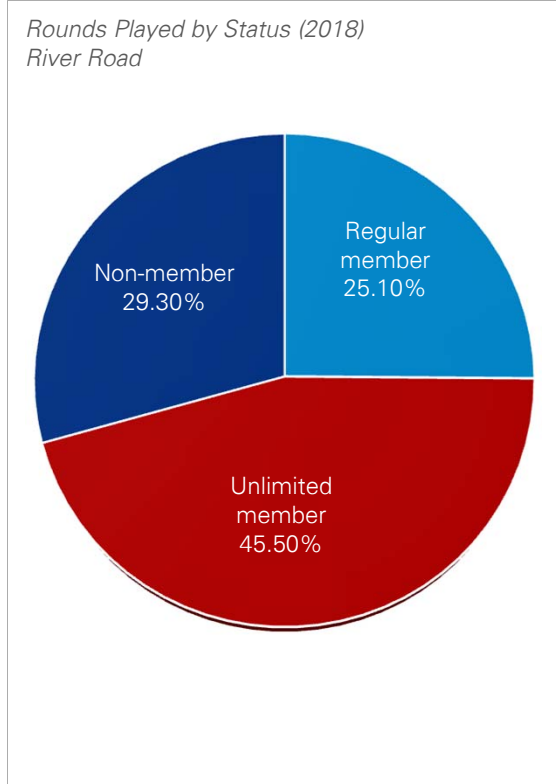
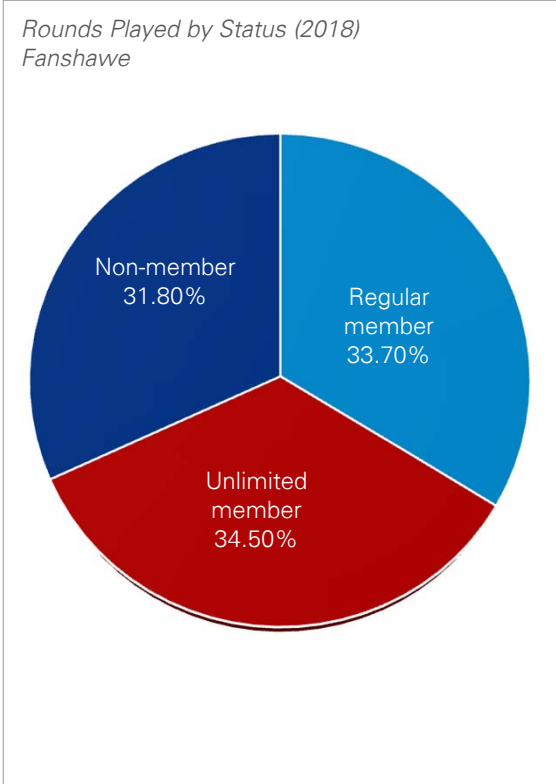
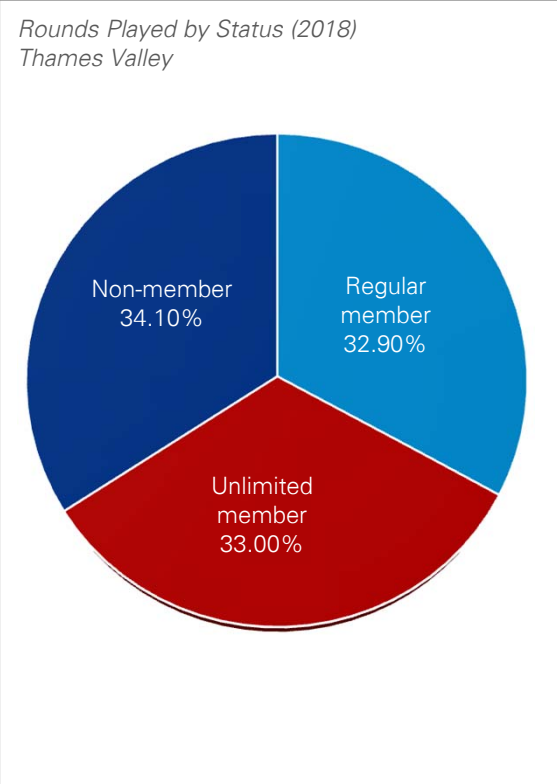


³ Memberships will also vary by age group (bantam, junior, adult, senior), weekday or weekend and other considerations.



Current State Assessment

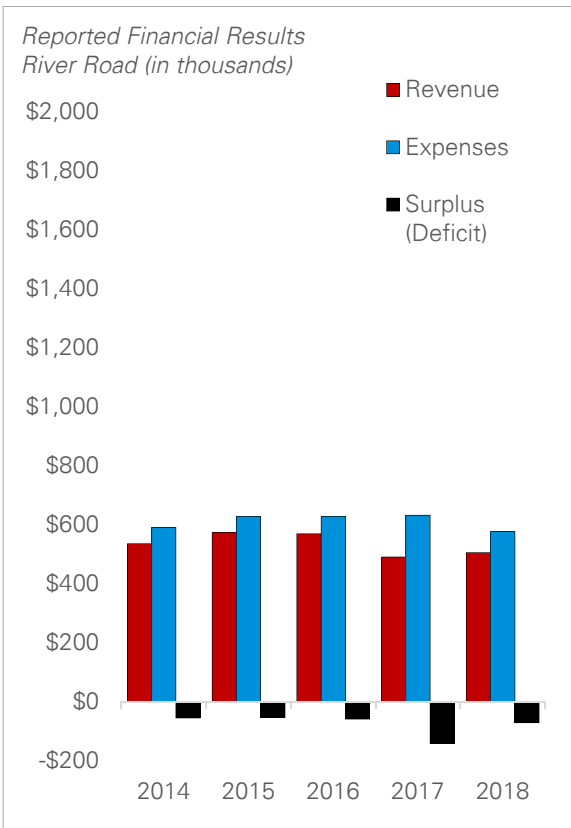
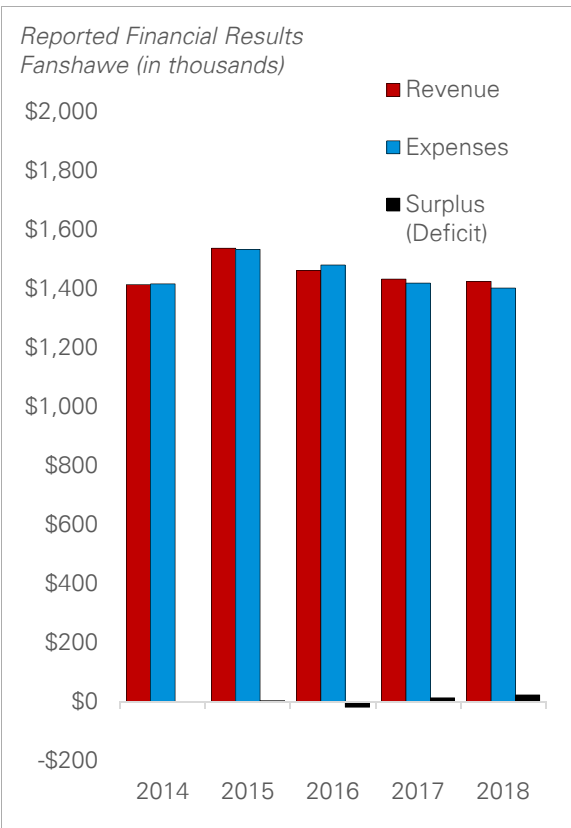
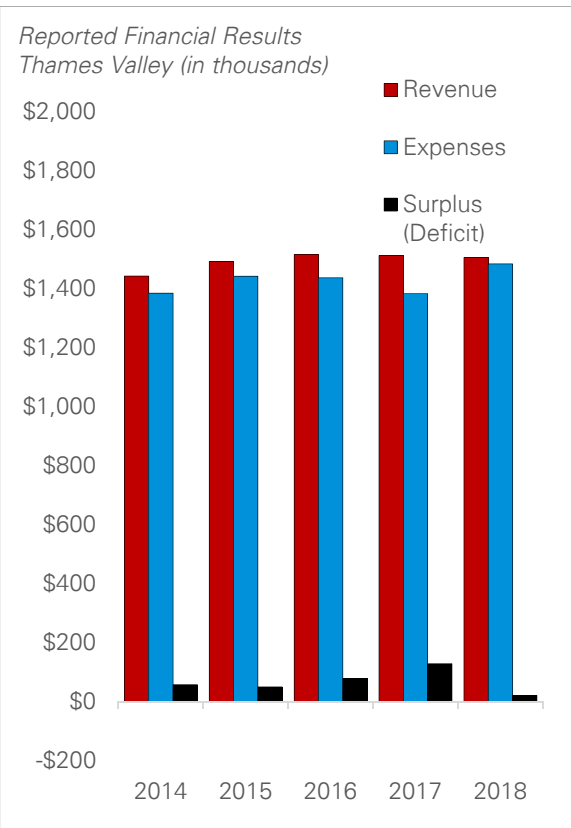
From an overall perspective, members (unlimited and regular) accounted for 67.6% of rounds played at the City’s golf courses in 2018. While the distribution between members and non-members was generally consistent at Thames Valley and Fanshawe, River Road had a higher level of rounds played by members, 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

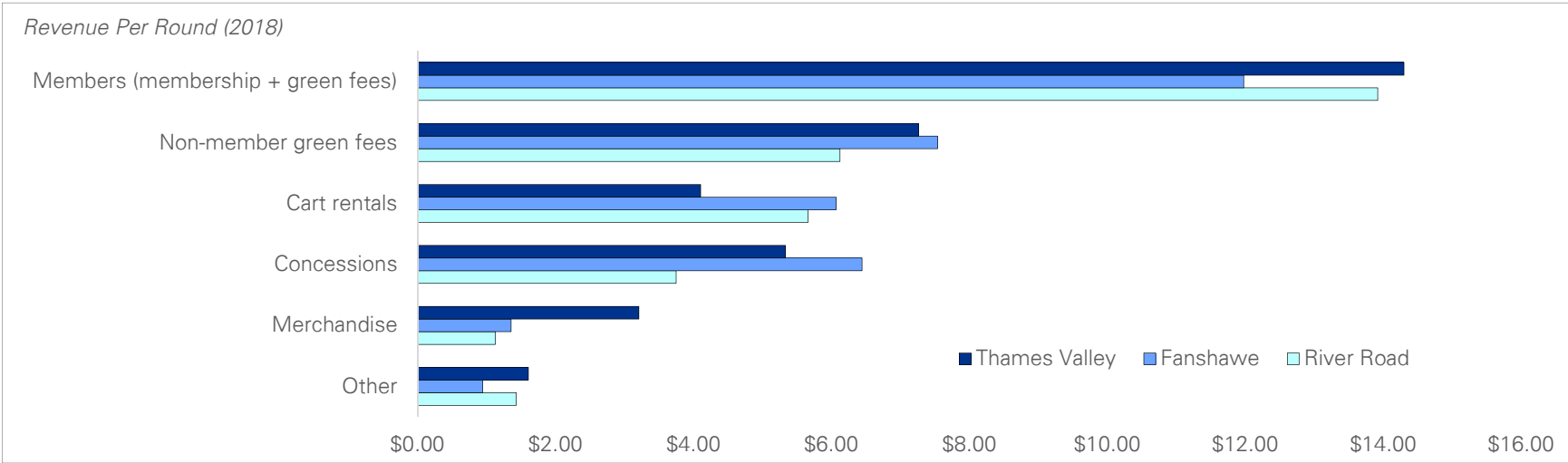
Financial Results for the Year Ended December 31, 2018	Thames Valley	Fanshawe	River Road	Total
Revenues:				
• Membership sales	\$414,772	282,000	161,143	857,915
• Green fees (members)	186,581	215,367	58,583	460,531
• Green fees (non-members)	305,554	313,013	96,682	715,249
• Golf cart rentals	172,559	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
Operating costs:				
• 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 ⁴	–	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
Surplus (deficit) before reserve transfers	\$21,576	22,915	(71,349)	(26,858)

⁴ 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 ⁵	Non-Golf Revenue ⁶	Total	Golf Revenue ⁵	Non-Golf Revenue ⁶
Thames Valley ⁷	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%



⁵ Golf revenue is comprised of memberships, green fees and cart rentals.

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

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



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.

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 ⁸	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

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

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.

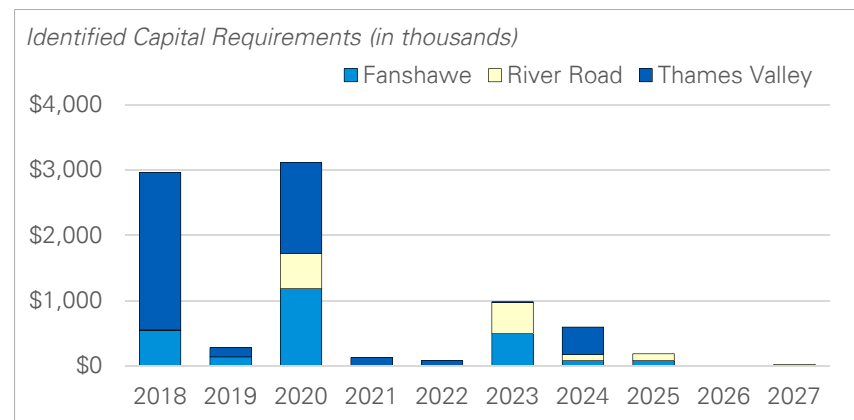
3. Reported financial information likely does not reflect the true cost of golf operations to the City's taxpayers

As noted earlier in our report, the City's financial analysis indicates that its golf courses traditionally operate at near breakeven or 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+	
Golf Courses:													
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

Number of Holes:													
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



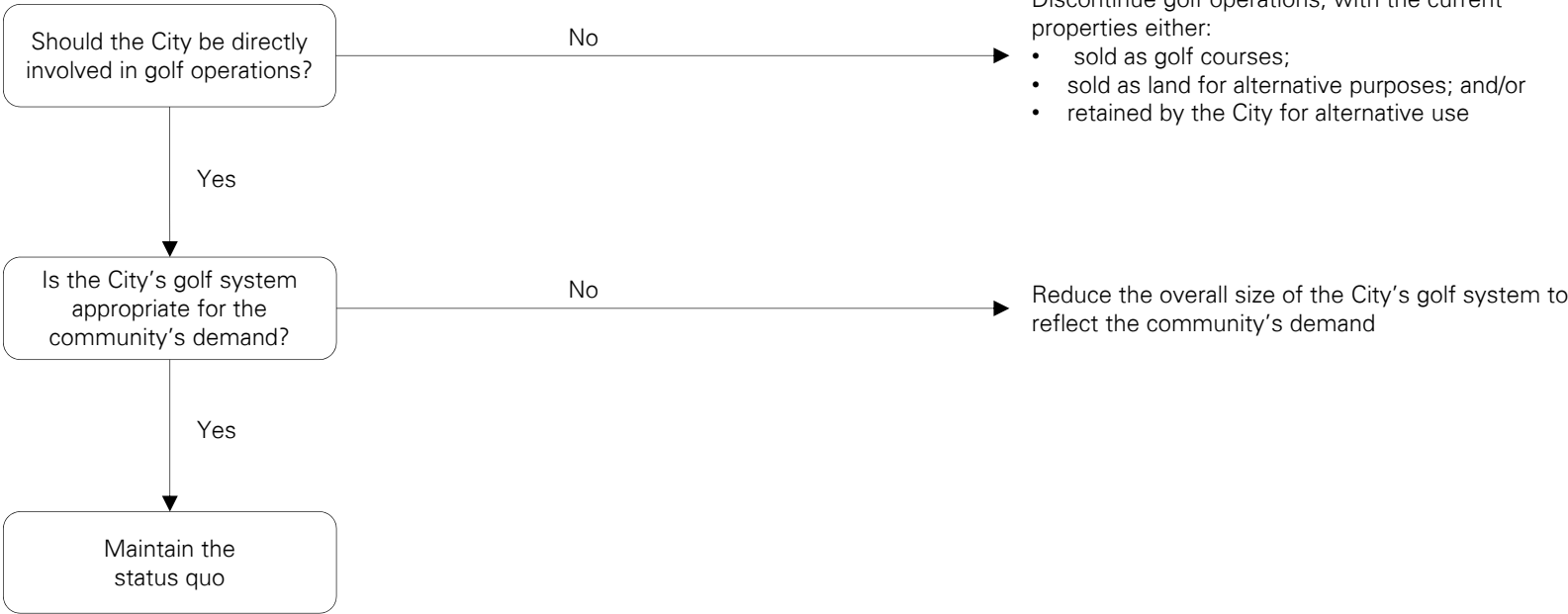
Opportunity Identification and Analysis

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 below⁹.

- **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.

⁹ 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

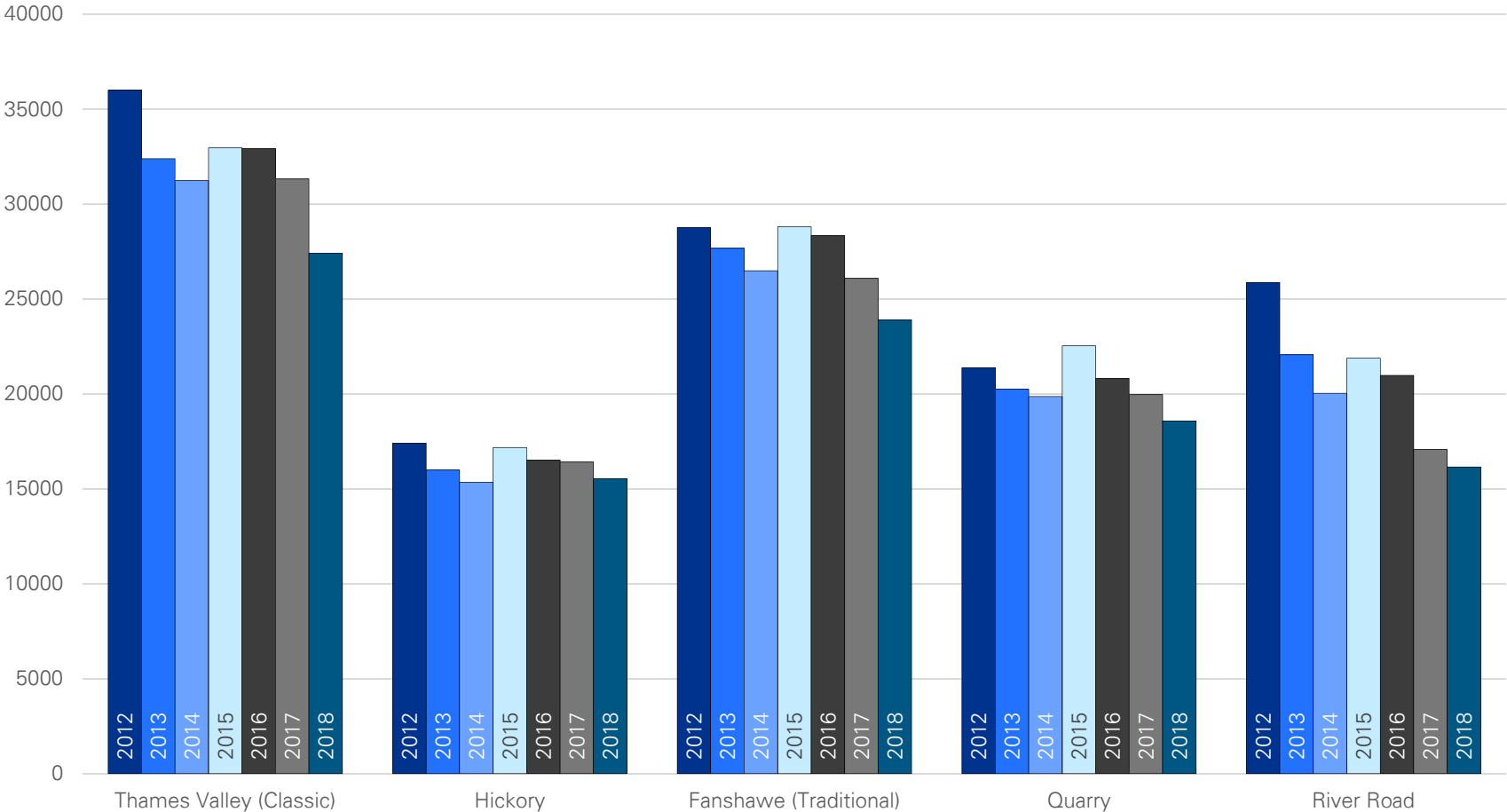
With respect to the evaluation, please note that the determination of rankings is relative (i.e. Option 1 vs. Option 2 vs. Option 3 vs. Option 4) and as such, assigning a "least effective" rating is not necessarily a negative reflection on the option. Rather, it indicates that while the option may sufficiently 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?	●	◐	○	○	<ul style="list-style-type: none"> 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. 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).
Could the option provide an annual financial benefit to the City in the form of incremental net revenues?	●	○	○	○	<ul style="list-style-type: none"> 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.
Could the option provide a financial contribution to the City through one-time sale proceeds, as well as ongoing taxation revenue from new development?	●	◐	●	●	<ul style="list-style-type: none"> 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.

Opportunity Identification and Analysis

Number of Rounds Played by Course



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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?	●	○	○	◐	<ul style="list-style-type: none"> 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. 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. 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. 	
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?	○	◐	◐	●	<ul style="list-style-type: none"> The number of golf courses and holes per 100,000 residents under each option is as follows: 	
					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
(1) Annual financial results					
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)
(2) One-time financial impacts					
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 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
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 Traditiona/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 (and 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.

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- 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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