



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
 Corporate Assets and Strategic Planning Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	June 15, 2015
SUBJECT/REPORT NO:	Golf Courses - Golf Course Business Plan Update (PW15053) - (Wards 1 and 5)
WARD(S) AFFECTED:	Wards 1 and 5
PREPARED BY:	Rom D'Angelo Director, Facilities Management & Capital Programs (905) 546-2424, Extension 4617 Rob Gatto Manager, Sports & Entertainment Facilities (905) 546-2424, Extension 5448
SUBMITTED BY:	Gerry Davis, CMA General Manager Public Works Department
SIGNATURE:	

RECOMMENDATION

- (a) That the "Golf Course Performance Analysis Follow-up Study" contained in Appendix "A" attached to Report PW15053 be received;
- (b) That the current Golf Course Business Plan, currently in the ninth of ten years, be extended for an additional five years;
- (c) That staff be directed to explore various opportunities for public-private partnerships and new development, in order to generate new revenues for the purpose of capital reinvestment in the existing golf courses and that staff report back with its results at future date;
- (d) That staff be directed to develop a marketing strategy and a new fee structure for Season Passes & Green Fees for the 2016 golf season, in order to maximize rounds and increase revenues and report back as part of the 2016 Budget Process.

EXECUTIVE SUMMARY

The purpose of this report firstly is to provide Council an update on the financial performance of the municipal golf courses that is referenced in Appendix B. Today we are in the ninth year of a ten year business plan. The results in this report are based on annual financial reporting from 2007 - 2014 (eight year period).

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In order to determine the effect the past eight seasons has had on the business plan, staff commissioned the JF Group - John Frittenburg Consultant to undertake an analysis of the City's two golf facilities (three golf courses - 36 holes) comparing actual performance to projections contained within the staff's business model.

The Golf Course industry globally has been in a down turn over the past six years. Unforeseen events have impacted the golf courses, with respect to the 2009 harmonized sales tax, where golf was not exempt. Another major contributing factor that has impacted the golf courses has been the economic slowdowns, which resulted in a dramatic drop in memberships, green fee, and food service revenues.

With the down turn within the golf industry, golf operations were unable to increase the proposed 39% increase in memberships, and 25% in green fees over the past eight years. Without the increases in memberships, and green fees, golf operations were unable to fund the capital needs of the three golf courses. Staff's original business plan submitted in 2006 conformed to Council's overarching directive - which was that golf services remain financially self-sustaining. Specifically, golf revenue was to support the operations of the golf courses as well as fund re-investments in golf infrastructure (i.e. turf, bunkers, greens, clubhouses, maintenance buildings, etc.). Net revenue was to be contributed to a capital reserve fund that would be employed to underwrite the cost of facility improvements. Therefore, golf net revenue production would need to remain at sufficient levels for the reserve to adequately fund required capital maintenance and planned infrastructure upgrades. The facility maintenance and infrastructure improvement strategy was a foundational element of the business plan to support the projected revenue streams because an improved golfer experience would distinguish Hamilton's courses from local competitors thereby attracting more greens fee players. Unfortunately, the aforementioned impacts on golf rounds played at the City's courses coupled with the lingering effects of the global economic crisis eroded net revenue production and restricted the courses' capacity to sufficiently contribute to the golf capital reserve. As a result, clubhouse renovations, practice facilities and course irrigation projects were unfunded and either deferred or abandoned (refer to Appendix D). These projects did not materialize as a result of a number of factors already stated above. To date, approximately \$1.3 million dollars in Golf Course Capital Reserves have been reinvested in the upgrades to the golf courses (refer to Appendix C).

Extending the current business plan for an additional five years allows staff to explore various alternatives and opportunities to generate new revenues for capital reinvestments to the golf courses. Internal and public meetings will be required to seek input from the community as part of the process of developing a strategic vision as it relates to municipally owned golf courses.

Undertaking a golf user fee market study, will allow golf operations to focus on the whole process, from identifying market needs and wants, targeting market segments, producing attractive and satisfying offerings, and winning local customers. The marketing plan must cater to the changing dynamics of the golf industry and must provide the flexibility to adjust rates based on the changing industry and the competitive rates in the surrounding areas and markets. For the most part, green fee rates will dictate usage. The study will not only look at the price points of golf courses in the

immediate area, but examine the demographics of the surrounding population, corporate opportunities, and tourist sources.

The National and Canadian Golf Institute of Golf Management forecasted for 2010 through to 2014 that golf courses can expect that current recessions have had a negative impact on the sport of golf. Market research state that economic uncertainty, unemployment and low discretionary spending will impact industry revenue. Golf Courses will have to look for ways of retaining and enticing customers. The current competitive market is offering discount golf packages for both membership and green fees, as way to entice and retain customers.

Alternatives for Consideration - Page 5

FINANCIAL - STAFFING - LEGAL IMPLICATIONS

Financial: N/A
Staffing: N/A
Legal: N/A

HISTORICAL BACKGROUND

On December 23, 2005, a Request for Proposal (RFP) was released and it closed on March 15, 2006. One of three proponents, who received the RFP, did not submit a proposal by the deadline date. One of the two remaining proponents was disqualified because they did not meet all of the specifications outlined in the RFP document

In 2006 Council approved the year business plan by the City's internal bid team, to own and operate Chedoke and King's Forest golf courses.

The golf courses (King's Forest and Chedoke) are long-standing, fee-based operations that are traditionally well attended, and are mandated to fully fund all direct operating expenses and capital development.

Our proudest achievements are made possible by the hard working and dedicated employees in golf operations. In 2015, King's Forest Golf Club was ranked number one for municipal courses in the country, and we have also garnered prestigious awards and recognition across the golfing industry. The following are awards and high profile events at both King's Forest and Chedoke Golf Courses.

King's Forest Golf Course

- 2015 • SCORE Golf - Golf Analyst Bob Weeks featured a thirty minute segment on both King's Forest & Chedoke Golf Courses. Aired Nationally on TSN2 on June 5, 2015

 - 2014 • Spectacular Golf Ontario - a fascinating hard cover book features more than eighty of the most interesting, challenging, historic, and scenic golf holes in the Province
 - Fairway Magazine - Ontario Publication
 - Hamilton Spectator - Reader's Choice Awards - King's Forest Golf Platinum
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- 2013
- SCORE Golf - Ranked King's Forest the No. 1 Municipal Golf Course in Canada
 - Hamilton Spectator - Reader's Choice Awards - King's Forest Golf Course Platinum

- 2012
- Canadian Open Qualifier
 - Hamilton Tourism Award of Excellence for Golf Courses
 - Hamilton Spectator - Reader's Choice Awards - King's Forest Golf Course Platinum

- 2010
- Hamilton Spectator - Reader's Choice Awards - King's Forest Golf Course Platinum
 - SCORE Golf - Top 100 Best Value in Canada for Public Golf Course - King's Forest rated 15th overall
 - SCORE Golf - Top 100 Canadian Golf Courses - King's Forest rated 96th overall

- 2009
- Hamilton Spectator - Reader's Choice Awards - King's Forest Golf Course Platinum
 - Canadian Men's & Women University Championship's

- 2008
- Hamilton Spectator - Reader's Choice Awards - King's Forest Golf Course Platinum

Chedoke Golf Course (Martin and Beddoe)

- 2015
- SCORE Golf - Golf Analyst Bob Weeks featured a thirty minute segment on both King's Forest and Chedoke Golf Courses. Aired Nationally on TSN2 on June 5, 2015

- 2014
- Spectacular Golf Ontario - a fascinating hard cover book features more than eighty of the most interesting, challenging, historic, and scenic golf holes in the Province
 - Fairway Magazine - Ontario Publication
 - View Reader's Choice Award - Best Public Golf Course
 - Consumer Choice Award Winner - Business Excellence

- 2013
- Consumer Choice Award Winner - Business Excellence
 - View Reader's Choice Award - Best Public Golf Course

- 2012
- Consumer Choice Award Winner - Business Excellence
 - View Reader's Choice Award - Best Public Golf Course
 - Hamilton Tourism Award of Excellence for Golf Course

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not applicable

RELEVANT CONSULTATION

JF Group - John Frittenburg Consultant

ANALYSIS AND RATIONALE FOR RECOMMENDATION

All evidence suggests that the golf sector will experience ongoing challenges for the foreseeable future. Consequently, we recommend that the City undertake an opportunities analysis to explore any potential changes to its existing physical and/or operating circumstance that might assist in alleviating some of the financial pressures associated with the delivery of golf services.

The purpose of the recommendations presented in this report is to frame the City's efforts to capture a larger portion of the available golf market - both seasons pass sales and greens fee play. We have strategically focused recommended improvement initiatives on revenue generation rather than cost containment because the City has already implemented expense controls and further cost reductions could negatively affect course condition or customer service - both of which would be counterproductive to improving golf's financial performance. To reach a satisfactory financial result, golf services will be required to sell a sufficient number of rounds while maintaining an acceptable revenue yield per round so that net income can return the levels sufficient to support annual contributions to the capital reserve account. We anticipate that this targeted outcome is very attainable at the King's Forest facility - an improvement of less than 15% over historical performances would be sufficient to achieve the desired result. While the targeted revenue improvements are also possible at the Chedoke facility, a more significant recovery in the sale of greens fee and season passes would be necessary - an upturn of more than 32% above 2013 revenue levels would be required to achieve to an acceptable level of financial sustainability.

ALTERNATIVES FOR CONSIDERATION

Council could exercise its discretion and not approve the five year extension to the existing ten year Golf Business Plan, due to expire at the end of the 2016 Golf Season. This will require staff to start planning immediately in preparation of the expiry date.

ALIGNMENT TO THE 2012 - 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.4 Improve the City's transportation system to support multi-modal mobility and encourage inter-regional connections.

- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.
- 2.3 Enhance customer service satisfaction.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.
- 3.2 Build organizational capacity to ensure the City has a skilled workforce that is capable and enabled to deliver its business objectives.
- 3.3 Improve employee engagement.
- 3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

- Appendix A Golf Course Performance Analysis Follow-Up Study
- Appendix B Golf Financial Summary from 2007 - 2014
- Appendix C Golf - Approved Capital Budget
- Appendix D Golf - Deferred Capital Budget