



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Energy, Fleet & Facilities Management Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	June 5, 2017
SUBJECT/REPORT NO:	Municipal Golf Course Update (PW15053b) (Wards 1 & 5)
WARD(S) AFFECTED:	Wards 1 & 5
PREPARED BY:	Rob Gatto 905-546-2424, Extension 5448
SUBMITTED BY:	Rom D'Angelo, C.E.T.; CFM Director, Energy, Fleet and Facilities Management Public Works Department
SIGNATURE:	

RECOMMENDATION

- (a) That the Global Golf Advisors 2016 Market Analysis Update attached as Appendix A be received;
- (b) That staff be directed to outsource the Food and Beverage Service at Chedoke Golf Course as a small scale, preliminary pilot starting in the 2017 golf season.

EXECUTIVE SUMMARY

The purpose of this report is to update the 2015 Market Analysis, assess the performance of the 2016 golf season based on the previous recommendations, and to examine the potential impact of repurposing the Martin course in future years. Staff was also directed, as per Council's recommendation in 2016, to entertain a private/public partnership as it pertains to food services and a new clubhouse.

As means to mitigate financial loses at Chedoke Golf Course, staff recommend to outsource the Food and Beverage Services; Facilities Management would enter into a lease agreement, as a pilot project starting in 2017, at Chedoke Golf Course. This will enable City staff to do a broader review of the full clubhouse opportunities using the Expression of Interest process (EOI). In these tough economic times, outsourcing food and beverage services has seen renewed interest in the Golf Industry. One advantage of outsourcing food and beverage services is the ability for City staff to focus more on the golf operations side of the business.

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The previous report found that value-for-money is extremely high at King's Forest (green fee rates and prepaid fees are below market based upon quality of facility) and could be improved at Chedoke by lowering the rates slightly. All three courses have significant capacity to increase rounds played. The report identified an opportunity to increase rounds at all three courses significantly by offering a 'flex' membership. The level of success in selling this membership and increasing overall rounds played would hinge on the ability of the City to embark on a robust communications and marketing plan focused on informing patronage of its new 'Flex' program and dynamic pricing to improve yield management.

Based on the recommendations outlined in report PW15053 dated June 15, 2015, the City adopted Global Golf Advisors (GGA) lower pricing recommendations at the Chedoke courses, but kept prices flat at King's Forest. The 2016 market update revealed that green fee, membership, and cart fee pricing has remained stagnant compared to 2015. Accordingly, GGA recommends the City holds prices flat at Chedoke, and increase the prices at King's Forest (consistent with the recommendation in the 2015 report) to better align with the quality of the course.

Overall rounds played at the three courses in 2016 were up 2,182 from 2015, driven by an increase in public/flex rounds due to the lower rates at Beddoe/Martin. GGA expects paid rounds (and revenue) to continue to increase each year as the flex membership gains popularity. Due to a late start introducing and promoting the flex pass in 2016, the City sold 7 adult and 17 senior flex passes.

In terms of golf-related revenue, green fee/flex revenue increased \$120,898 over 2015, membership revenue decreased (\$43,457) and cart revenue decreased (\$13,416) for an overall increase to direct golf related revenue of \$64,025 (through November 2016). The gap between the revenue increase in 2016 and GGA's targeted projection for revenue increase at the maturity of the flex membership program (\$655,000) lies in the City's ability to sell and promote the flex membership program. The timing of and release of the program this past year was too late into the season to attract a significant audience of potential flex members. Now that the program is underway, 2017 needs to be a year of significant growth in the number of flex memberships sold. Aggressive promotion prior to the season starting is crucial, especially around holiday seasons and early into the spring when golf membership decisions are made.

Total rounds played at each course in 2016, along with GGA's target rounds capacity for each course, and are presented below:

Course	2015 Rounds	2016 Rounds	Change	Target Rounds	% of Target Achieved (2016)
King's Forest	22,961	24,314	1,353	27,000	90%
Martin	14,677	12,232	(2,445)	45,000	67%
Beddoe	14,822	18,096	3,274		
All Courses	52,460	54,642	2,182	72,000	76%

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Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: On average, Chedoke’s Food Services has been losing approximately \$50,000 annually. By outsourcing the Food Services, there would be cost savings associated with seasonal employee wages and expenses operationally.

Staffing: Decreased hiring of seasonal staff (non-union)

Legal: Not applicable

HISTORICAL BACKGROUND

In 2006 Council approved the 10 year business plan by the City’s internal bid team, to own and operate Chedoke and King’s Forest golf courses.

The 2016 golf season marked the final year of the 10-year Golf Business Plan. As part of Report PW15053 dated June 15th, 2015, council approved a five year extension to the golf business plan which has taken effect in 2017, and will expire at the end of the 2021 golf season.

In recent years, King’s Forest Golf Course was ranked the number one municipal golf course in the country, and ranked in the Top 59 Public Golf Courses in Canada. The City’s Municipal Golf Courses still maintain an impeccable reputation and continue to be highly ranked throughout the country.

Staff remains committed to the concept of financial sustainability and are dedicated to maximizing Hamilton’s golf courses ability to meet the needs and expectations of golfers while producing sufficient net revenue to protect and enhance golf infrastructure. In support of this commitment, the City commissioned an update study to re-examine the golf environment and the analysis of the golf unit’s operational and financial performance. The study is submitted as Appendix “A” produced by Global Golf Advisors, March 2017.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not applicable

RELEVANT CONSULTATION

Recreation Division – Community and Emergency Services Department

Global Golf Advisors – George Pinches (lead)

Land Development Task Force

Revenue Generation Division

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The Hamilton golf market has seen little activity or no growth over the past seven years. Rounds played at the majority of facilities have remained relatively unchanged, or even seen a slight decline mainly due to poor weather and economic downswings. The

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stagnation of growth is indicative of a mature competitive market, where price sensitivity will only increase and courses with outdated pricing schemes will lose out on market share.

GGA examined the trend from 2015 to 2016 in terms of green fee changes, membership price changes and supplementary membership discount structures (i.e. Average spousal membership is priced at 80% of the primary member cost). The results of the analysis revealed no material changes to the local market averages; accordingly, the pricing recommendations from the 2015 report remain consistent for the upcoming season.

Based on comparable club benchmarks for rounds played, all three courses have the capacity to significantly increase the number of rounds played without the risk of compaction. GGA believes that 27,000 rounds at King's Forest and 45,000 combined rounds at Chedoke is achievable without running into compaction and pace of play issues. During the 2016 season, King's Forest achieved 24,314 and Chedoke achieved a combined 30,328. The current level of rounds played at Chedoke can be reasonably accommodated on a single course (Beddoe) without too much strain on access to the tee.

ALTERNATIVES FOR CONSIDERATION

Outlined in the Market Analysis update (attached as Appendix "A") if we were to potentially repurpose the Martin Golf Course in future years, there will be a significant cost savings of \$430,000 total in facility expenses. The main area of cost savings would be employee related to wages, and course maintenance, such as water/sewer expenses.

If 40% of the lost rounds played on the Martin Course in 2016 can be recovered at the Beddoe course (which has plenty of capacity to do so), and the Martin course adds a temporary driving range on a trial basis (which will net \$75,000), the overall increase to the bottom line is projected at \$280,827.

Council could exercise its discretion and not approve the recommendations to outsource the Food and Beverage. The risk would be financial performance at the Chedoke golf course, will further erode the financial sustainability model.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.

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Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Culture and Diversity

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix A – Golf Course Market Analysis Update

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