

APPENDIX 1

Parks, Forestry and Recreation Division

**Review of The Management of the
City's Golf Courses**

August 24, 2012



Auditor General's Office

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EXECUTIVE SUMMARY

The Auditor General's Audit Work Plan included a review of the management of the City's golf course operations.

Net revenue has been declining

Over the past number of years, net income at each of the City's five golf courses has been declining generally due to a reduction in golfer participation. For example, from January 2007 to December 2011 the number of rounds played at City courses has decreased by approximately 16.5 per cent. As a result, net revenue has likewise decreased from an amount of \$1,255,000 in 2007 to \$521,000 in 2011. Net revenue for 2012 is projected to be \$1,360,000.

The revenue generated by the golf courses has, up to now, been used to offset the costs of other divisional programs. This will not continue in the longer term unless the decline in golfer participation is addressed.

Five city operated golf courses

The City of Toronto operates the following five golf courses:

- Dentonia Park
- Don Valley
- Humber Valley
- Scarlett Woods
- Tam O'Shanter

A map showing the location of each of the golf courses is provided in Exhibit 1.

Lease revenue from two golf courses

In addition, the City leases certain of its property to the following golf facilities:

- Centennial Park Golf Centre
- The Royal Woodbine Golf Club

Golf business extremely competitive

The golf business over the last number of years has become extremely competitive which is the major reason why the participation rate at City golf courses has been declining. In the Greater Toronto Area there are over 100 public and semi-private golf courses with a further 30 executive par 3 courses. In addition, there are a number of private golf courses throughout the area.

Need to address declining participation

The need to address the declining golfer participation rate requires immediate and ongoing attention. Carrying on business in the same manner as in prior years is not an option. We appreciate that there are no easy solutions to the problem particularly since over 130 golf courses in the Greater Toronto Area are facing the same predicament.

“Our Common Grounds” is a strategic plan for the Division

The Parks, Forestry and Recreation Division has developed a strategic plan “Our Common Grounds” that sets the direction of its programs. The Division, over the years, has also undertaken various other internal studies and reviews many of which relate to the Division’s recreation facilities.

Core Services Review conducted

More recently, a Core Services Review was completed by KPMG LLP in order to determine which services the City should be delivering and to ensure that specific City services are delivered in the most efficient and cost-effective way. Our review of the KPMG report indicated that minimal information was provided on the City’s golf course operations.

Five Year “Recreation Service Plan”

In 2011, a five-year plan known as the “Recreation Service Plan” was initiated, the purpose of which was to guide the City’s Parks, Forestry and Recreation Division in planning and setting priorities for service delivery and investment. This plan is currently in progress.

Need for long term planning

The common denominator in each of these reviews is the absence of any specific and detailed information relating to the City’s golf courses. To the best of our knowledge and based on information provided to us by senior management, a long term business and marketing plan has never been prepared which relates to the City’s golf operations.

Golf courses not a priority

The absence of any long term business and marketing plan likely relates to the fact that the golf courses over the past number of years have generated a net profit for the City and, as a result, have for the most part not been a priority.

Nevertheless, the preparation of a long term business and marketing plan is important in the context of the future of the golf courses.

***Independent
Service Efficiency
Study completed in
March 2012***

While there has been no long term plan relating to the golf courses a separate external independent study was recently completed entitled “Service Efficiency Study, Toronto Parks, Forestry and Recreation Division, Final Report – Golf Courses Review Section” dated March 2012. We understand that this report has not yet been issued. The report which contained seven recommendations was conducted at a fairly high level. A summary of the recommendations is as follows:

***Recommendations
of Study***

1. “The City should consider running golf courses more like a business as opposed to a service.”
2. “The City could consider consolidating one or two of the courses that are of lower caliber and under-utilized in order to reduce costs.”
3. “Given the high number of rounds played (compared to privately run courses) which can impact maintenance costs, it is recommended that fewer tee times be offered and that Golf Operations have the flexibility to offer market rates for golf.”
4. “Recommend that all courses offer players the option to play either 9 holes or 18 holes or varied pricing for time of day.”
5. “The City should establish greater incentives in agreements with the pro shop and catering.”
6. “Recommend that Council set a range of fees that Parks, Forestry and Recreation could adjust which would provide Parks, Forestry and Recreation staff the flexibility (in consultation with the pro shop contractor) to reflect market trends in price schemes as required.”
7. “Recommendation that a proportion (e.g., 50 per cent of net golf revenue – which is similar to other jurisdictions) be reinvested back into capital infrastructure of the courses (club houses, horticulture, etc.) so as to improve the assets and customer satisfaction and experience.”

Implementation of certain recommendations not possible

While we agree in concept with the recommendations, they are a simplification of problems which are more complex. For example, the consolidation of “one or two” of the golf courses, and increasing green fees to be more reflective of the market, are options which are contrary to operational principles and guidelines approved by Council over a number of years particularly in the context of “equitable access” and “inclusion”. Further, certain recommendations may not be possible due to the long term nature of a number of the agreements currently in place. Finally, while we agree that the setting aside of a certain amount of net revenue to finance capital improvements is prudent the Division is constantly faced with competing capital expenditure challenges which are a higher priority.

Major theme of report is the need for a long term strategic plan

The major theme of this report focuses on the need for a long term strategic business and marketing plan to address declining golf course participation. The plan needs to address a range of issues which are outlined in the balance of the report. While the development of a long term plan is important, the Division also needs to address a range of secondary issues. These issues taken individually are not likely to have a significant impact on increasing revenues or reducing expenses but, taken as a whole, are important and include the need to:

Other issues need to be addressed

- Review ongoing maintenance costs in order to ensure that they are reasonable particularly in the context of industry benchmarks. In addition maintenance costs for each course should be analyzed to ensure that on a comparative basis they are reasonable.
- Review analytically the ongoing financial results of each golf course including those that are subject to a lease agreement and obtain explanations for unusual variances. Where appropriate, actions should be taken to address the variances. At the present, little financial analysis is being done and explanations for unusual financial results are not available.
- Improve and increase the use of technology both from a golf course management perspective as well as internal administrative control perspective. For instance, there is a need to integrate the point of sale system with the reservation system as well as the City’s financial information system.

- Improve the administration of lease agreements and other management contracts in order to ensure that there is compliance with the various provisions in the agreements and management contracts. There are certain provisions which are not being complied with.
- Improve the management reporting system.

Golf participation in 2012 has increased

We understand that as of July 31, 2012, participation at the majority of golf courses has increased for the first time in a number of years. While this increase is encouraging, it is still important that a long term business and marketing plan be completed. Such a plan is required irrespective of current golfer participation trends.

BACKGROUND

City operates five golf courses

The City of Toronto operates five golf courses which vary from a par 3 facility to full length regulation golf courses.

Details on each of the golf courses are as follows:

- Dentonia Park golf course is a par 3 facility located at 781 Victoria Park in the southeast quadrant of the City. Dentonia Park is the smallest of the courses operating on a property of only 32 acres. Dentonia Park opened in 1967.
- Don Valley golf course is regarded as the City's premium 18 hole course measuring 6,100 yards in length and occupies approximately 158 acres at 4200 Yonge Street just south of Highway 401. The course officially opened in 1956.
- Humber Valley is an 18 hole golf course measuring 4,500 yards in length and is located on approximately 100 acres of land at 40 Beattie Avenue in the northwest quadrant of the City. The course opened in 1957.
- Scarlett Woods golf course is located at 1000 Jane Street in the southwest quadrant of the City. Scarlett Woods golf course is an executive length par 62 golf course measuring 3,750 yards in length. The course opened in 1974.

- Tam O’Shanter golf course is located on approximately 105 acres of land at 2481 Birchmount Road in the northeast quadrant of the City. The course measures 6,100 yards in length and was acquired by the former Municipality of Metropolitan Toronto in 1973.

Total net revenue for 2011 was \$520,700

Net revenue earned from the golf courses was \$520,700 in 2011 (2010 - \$956,600). As can be seen from Table 1 below, four of the five golf courses are in a positive financial position while Dentonia Park operates in a deficit.

**Table 1:
Net Revenue (Expenses)
Year Ended December 31, 2011
(with 2010 comparatives)**

	2011	2010
Dentonia Park	(\$242,300)	(\$160,100)
Don Valley	\$317,100	\$461,500
Humber Valley	\$288,000	\$156,300
Scarlett Woods	\$22,900	\$166,900
Tam O’Shanter	\$135,000	\$332,000
Total	\$520,700	\$956,600

Allocation of costs should be reviewed

We have not conducted detailed audit work on the financial results of each of the golf courses. However, based on the information we have received, the allocation of certain expenses to each golf course may not be accurate. For example, a certain amount of labour costs have been allocated to Dentonia Park when in fact they should be allocated to a number of the other courses. While the total net revenue of \$520,700 is accurate, the allocation of this amount over the five courses is not. We have not been able to determine the extent of the misstatements.

A mixed service delivery model

The golf courses operate under “a mixed service delivery model” where the golf courses are maintained by City staff, while both the pro shops and food and beverage services are contracted out to private entities.

Day-to-day operations managed by Golf Plus

Professional golf services, including the day-to-day operations of the pro shop are provided by Golf Plus Marketing Inc. (Golf Plus) under a three-year contract expiring February 2015.

Golf Plus operates the Pro Shop at each course and as part of the agreement is allowed to retain all revenue from the sale and rental of golf equipment. Green fees collected at the Pro Shop are retained by the City. The City is also entitled to 20 per cent of the gross revenue derived from the rental of golf carts.

Management fees for Golf Plus

The total management fees for each of the next three years are approximately:

Year 1	\$330,000
Year 2	\$340,000
Year 3	\$350,000

The above costs are included in the net revenue amounts in Table 1 and are allocated to each golf course equally even though the extent of management services for each of the courses is not the same.

All staff required for the Pro Shop, including starters and marshals necessary to operate the golf course are hired by Golf Plus and paid for by Golf Plus. The City's Supervisor of Golf Courses manages the agreement through ongoing contact with the Director of Golf retained by Golf Plus.

Food and beverage operations contracted out

Food and beverage services have also been contracted out to a company called 505707 Ontario Inc. under a licence agreement dated March 1, 2012. The agreement is for a three year term. The operator of the concession facilities pays the City an annual fee of \$85,000. All concession related revenues are retained by the vendor.

Golf facilities on two properties leased by City

Finally, the City also administers two long term lease agreements where golf courses have been built on property owned by the City. The lease agreements are with Centennial Park Golf Centre and Royal Woodbine Golf Club and date back to pre-amalgamation. The original lease agreements were with the former City of Etobicoke.

Annual rental amounts are:

Centennial Park Golf Centre	\$ 50,000
Royal Woodbine Golf Club	\$ 80,000

***Revenue Sharing
agreement***

In addition to an annual rent, both agreements provide for a share of revenue earned by each of the golf clubs. The additional rent based on percentage of revenues for the most recent years were \$69,000 for Centennial Park Golf and \$54,000 for Royal Woodbine Golf Club. The share of revenue according to the agreements is based on audited financial statements to be provided by each of the lessors.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

Audit Work Plan

The Auditor General's Audit Work Plan included a review of the operations of the five City golf courses managed by the Parks, Forestry and Recreation Division.

Our review included a high level analysis of the revenue and expenses of each of the golf courses in order to determine whether or not there were opportunities to increase revenues or reduce expenses.

***Objective of the
review***

The objective of this review was to assess the adequacy of management controls in place to ensure:

- Golf courses operate according to business and operating plans
- Accountability and control over revenue and expenses is appropriate
- Maintenance activity is carried out in a cost effective manner
- Compliance with contracts and/or lease agreements

The scope of this review included an analysis of revenue and expenses for the calendar years 2007 to 2011. Transactions selected for detailed review are from June 1, 2011 to May 31, 2012.

Review methodology

Our methodology included the following:

- Review of City Council minutes and reports
- Review of documents, management reports, lease agreements, policies and procedures and related records
- Interviews with City staff
- Evaluation of management controls and practices
- Discussions with management at three of the five golf courses

Reviewed other reports

- Review of various golf course related audit reports including those prepared by:
 - The City of Winnipeg
 - The City of Ottawa
 - The City of Blythe, California
 - The City of Grand Rapids, Michigan
 - The City of Arlington, Texas
- Review of the March 2012 report entitled “Service Efficiency Study, Toronto Parks, Forestry and Recreation Division, Final Report – Golf Courses Review Section” prepared by DPRA Canada Inc. for the City
- Review of the Core Services Report prepared by KPMG
- Review of various publications prepared by the U.S. based National Golf Foundation an organization that provides golf-business research and consulting services. Canadian Golf Consumer Behaviour Study conducted by the National Allied Golf Association

Information obtained from other municipal golf courses

We also obtained information from golf courses operated by the following municipalities:

- City of Brantford
- City of Burlington
- City of Hamilton
- City of Kitchener
- City of London
- City of Mississauga
- City of Ottawa

Information from private courses – difficult to obtain

Information available from privately operated golf courses was difficult to obtain due to the confidential nature of the information. However, we did review general information contained on the web site of a number of non-municipal golf courses.

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Business Planning - Declining Net Revenues Need to Be Addressed

Operating golf courses is highly competitive

City golf courses operate in an environment where there is intense competition, declining demand for golf and an economy in which discretionary funds continue to shrink.

The National Golf Foundation, an organization that provides golf business research and consulting services in the U.S., indicates that rounds per course in the U.S. have dropped by 20 per cent over the past two decades. While not to the same extent, similar declines have occurred in Canada and more specifically Toronto.

The number of rounds and net profit has decreased since 2007

In the case of the City's golf courses, the number of rounds has decreased from approximately 187,000 in 2007 to 156,000 in 2011, a decrease of 16.5 per cent (Table 2). In the same five years net profit has fallen by almost 58 per cent from \$1,255,000 to \$521,000 (Table 3).

*2009 amounts
impacted by 39
day labour
disruption*

**Table 2:
Number of Golf Rounds
From Years 2007 to 2011**

2007	187,000
2008	182,000
2009	134,500
2010	169,000
2011	156,000

**Table 3:
Net Revenue from Golf Courses
From Years 2007 to 2011**

2007	\$1,255,000
2008	\$1,216,000
2009	\$ 365,000
2010	\$ 957,000
2011	\$ 521,000

(Note: the 2009 results were impacted by the 39 day labour disruption)

While there may be a number of external reasons (including the weather) for the decrease in net revenue, the decline in golfer participation is a risk to the ongoing profitability of the golf courses.

*Exhibits contain
additional
information*

A summary of revenue and expenses and net profit for 2007 to 2011 is itemized in Exhibit 2.

A summary of net profit (loss) by individual golf course is also provided in Exhibit 3.

*Net revenue
contributes to the
City's operating
budget*

Net revenue from golf courses at the present time contributes to the City's operating budget. However, if the current trend continues, the golf courses over the next number of years will operate in a deficit position and as a result will require taxpayer funding.

*No Long Term
Planning*

The City's golf courses operate on a year-to-year basis with little emphasis on long term planning and with no defined strategic or marketing business plan to address the declining golfer participation and net revenue.

Dentonia has been losing money since 2007

For example, every year since 2007 Dentonia Park has been in a deficit position. Since that time, Dentonia Park's accumulated deficit has been in the range of \$ 822,000. We have not seen any long term business plan to address the ongoing deficits presumably because the other four golf courses have generated sufficient profits to compensate for the deficits incurred at Dentonia Park. Any business plan should take into account the ongoing financial results of Dentonia Park. Avenues need to be explored in terms of the long term viability of Dentonia Park. While we appreciate that there may be valid reasons to continue to operate Dentonia Park, the reasons for doing so should be reviewed, articulated, documented and specifically approved.

National Golf Foundation prepared a publication "The Future of Public Golf in America"

The National Golf Foundation in the U.S. in a recent report entitled "The Future of Public Golf in America" reported that:

"Operators need an honest and objective analysis of their business outlook. They need to determine their return on equity and consider how best to invest in the course and the customer experience. They must work on properly positioning themselves in the marketplace through strategic planning and customer targeting. Finally, they will need to market and sell themselves like never before, especially through increased use of technology (e.g., sophisticated customer targeting, e-mail, yield management tools and other Internet applications) and dedicated sales."

Comments applicable to Canada

While these comments pertain to the U.S. golf market they are equally valid in Canada including Toronto. Of particular relevance to Toronto is the suggestion that golf courses need to "sell and market themselves like never before especially through increased use of technology."

Agreement with Golf Plus requires a marketing plan

The marketing of the golf courses should be done in consultation with Golf Plus and the requirement to do so is already provided for in the agreement with Golf Plus. The agreement with Golf Plus requires Golf Plus to "Work with the City's Supervisor, Golf Courses to develop and implement a plan for marketing of the golf courses including promotion, program and product development." The Supervisor, Golf Courses has indicated that, while general discussions have taken place with Golf Plus, a formal marketing plan has not yet been developed.

***Marketing Plan
needs to be
developed***

The development of a marketing plan should receive priority and the Parks, Forestry and Recreation Division should give consideration to the following in developing its plan:

- Increasing promotion of the golf courses within the City in consultation with other City operated facilities.
- Maintaining customer databases, engaging in email marketing and publishing newsletters.
- Introducing discounted green fees where appropriate particularly during periods where the courses are not busy.
- Promoting events such as “Nine and Dines” which are popular throughout the Greater Toronto Area. While the City’s facilities may not be in a position to offer anything more than a basic menu this issue needs to be looked at in order to increase participation.
- Developing an advertising/sponsorship plan for each of the golf courses.

***Promotion of golf
courses not
integrated with
other economic
initiatives***

Further, City golf courses are not integrated with other economic initiatives such as tourism or golf in the Greater Toronto Area. The City’s low key approach to promoting City golf courses is evident by the fact the Toronto Visitor Maps on the City’s Web site make no mention or highlight the location of City golf courses.

***No incentive to
improve***

Further, the current agreement with Golf Plus does not provide them with any incentive to increase profitability as their management fees will remain constant irrespective of any marketing effort and the operating results of the golf courses. While the current contract does not expire until 2015, future contracts should consider incentive provisions.

***National Golf
Foundation a
good resource***

Finally, there appears to be little involvement with external organizations in terms of education, training and general networking. For example, the National Golf Foundation, in consultation with the National Recreation and Parks Association, recently organized its inaugural Municipal Golf Institute Conference.

Education Sessions particularly relevant

Educational sessions at the conference included:

- Municipal Golf: Public Service or Public Burden?
- The State of Municipal Golf
- Growth Opportunity: Latent Demand
- Public Golf Operational Overview: Increasing Rounds and Revenues
- Public Golf Operational Overview: Controlling Golf Course Expenses
- Public Golf Operational Overview: Capital Improvements – Prioritizing Your Capital Dollars

Each one of these topics has significant relevance to the City Golf Courses and would have been beneficial in the development of a long term business plan.

Cost of \$2,000 recovered many times over

Attending the conference for one individual would have required a cost of approximately \$2,000. Opportunities to share information related to various marketing opportunities, expenditure reductions and revenue increases would likely have recovered the \$2,000 investment many times over.

In order to halt the decline in both golf rounds and net revenue a “thinking outside the box” approach needs to be taken. The “old way” of doing business will result in increasing declines in net revenues. The City’s golf courses are significant assets and the returns on these assets needs to be maximized within the context of the City’s overall strategic plan.

Recommendation:

- 1. City Council direct the General Manager, Parks, Forestry and Recreation Division to develop a long term business and marketing plan for the City’s golf courses. The plan should address the following:**
 - a. the development of a marketing plan in consultation with Golf Plus which includes a “promotion program and product development” as required by the agreement between the City and Golf Plus;**
 - b. strategies and performance targets to stimulate participation at each golf course and increase revenue over the next number of years;**

- c. strategies and performance targets to reduce expenditures at each golf course over the next number of years;**
- d. a review of the current operating model in detail particularly as it relates to the core golf business as well as ongoing maintenance costs;**
- e. a review of the operating results of underperforming golf courses and determine whether or not such golf courses are financially viable in the long run;**
- f. “cross marketing” with other City facilities including the potential to allow golf rounds to be purchased at various recreation centres and arenas;**
- g. coordinate the marketing of the golf courses with the promotion of the City as a whole. Such a process be addressed in consultation with the City’s Economic Development and Culture Division;**
- h. review or implement communication strategies such as an eNewsletter or social media tools to fill last minute golf rounds;**
- i. consult and coordinate business planning efforts with other golf facilities throughout North America as well as the National Golf Foundation. The Division should consider membership in the National Golf Foundation; and**
- j. include incentive provisions in the long term agreement with Golf Plus or any successor contract.**

Finally, and of significant importance is the need for the long term business and marketing plan to address the issues raised in the balance of this report.

Maintenance Costs Need to Be Reviewed

Maintenance costs Maintenance costs for 2011 for each of the golf courses were as follows:

Dentonia Park	\$524,500
Don Valley	\$892,500
Humber Valley	\$671,500
Scarlett Woods	\$576,000
Tam O'Shanter	\$728,000

93% of total maintenance costs are salaries The majority of maintenance costs (approximately 93 per cent) pertain to salaries and benefits with the balance of costs for fuel, fertilizers and other supplies.

National Golf Foundation benchmarks maintenance costs The reasonableness of the above costs is difficult to determine although we were able to obtain certain information provided by the National Golf Foundation in regard to maintenance costs for golf courses in the U.S.

The National Golf Foundation provides significant information on a wide range of golf related statistics including benchmarks for maintenance costs. Much of the information is U.S. related but it does differentiate maintenance costs in different parts of the U.S. including what it categorizes as "Public Premium Frostbelt" golf courses. While we have not analyzed this particular information nor have we had discussions with the National Golf Foundation further analysis and comparisons by City management should be conducted. Such an analysis should determine whether or not the City's maintenance cost are reasonable.

Comparisons of maintenance costs should be conducted While for the most part each golf course is different, Humber Valley and Tam O'Shanter for example are the most similar in terms of overall acreage. Consequently, comparisons between both golf courses likely has merit. Our review of maintenance cost between both courses indicate that maintenance costs are inordinately higher for Tam O'Shanter than they are for Humber Valley. The reasons for this difference are not readily apparent nor have we been able to obtain an explanation for the difference.

Maintenance costs for Dentonia Park are high

Further, the maintenance costs of Dentonia Park appear to be high compared with the costs of the other golf courses. The acreage of Dentonia Park is approximately one third of the acreage of both Humber Valley and Tam O'Shanter yet the maintenance costs of Dentonia Park are 78 per cent of the costs at Humber Valley and 72 per cent of the costs at Tam O'Shanter. In this context, the allocation of labour costs to each course should be reviewed and adjusted if appropriate.

Rounds played should be reviewed

During the review of maintenance costs the extent of the number of rounds played at the golf courses should be considered. The more rounds played the higher maintenance costs will be.

The Service Efficiency Study notes that *“private golf courses typically run approximately 20,000 rounds per year compared to a range of 23,000 – 45,000 rounds for City run courses. There is merit in considering a reduction in the number of rounds but increasing green fees more comparable to market rates which would maintain revenue and reduce maintenance costs (i.e. ability to increase quality without impact to revenue)”*.

While the number of golf rounds at each course has now declined to below 40,000 there is merit in reviewing the correlation between maintenance costs, the number of rounds and green fees charged. There needs to be a balancing of maintenance costs, the number of rounds played and the level of green fees charges. This balance however, also needs to take into account “equitable access” and “inclusion”.

Green fees are reasonable

Exhibit 5 is an analysis of green fees for both Ontario municipally operated golf courses and a number of non municipal golf courses in the Greater Toronto area. The level of green fees charged for City operated golf courses is not unreasonable in comparison to the other golf courses included in Exhibit 5.

The review of maintenance costs, rounds and green fees should be conducted during the development of a long term business plan.

Recommendation:

- 2. City Council request the General Manager, Parks Forestry and Recreation Division to review in detail maintenance requirements at each of the City's Golf Courses. Such a review to include consultation with the National Golf Foundation, other municipal golf courses and where possible, operators of other public golf courses throughout the Greater Toronto Area. In addition, the review to include an analysis of the costs of each of the city's golf courses to ensure that where appropriate costs of each course are comparable and reasonable. Further, such analysis include a review of the correlation between maintenance costs, number of rounds played and green fees.**

Financial Results Need to Be Analyzed and Action Taken Where Appropriate

Certain revenue and expenditures unusual

While each golf course is different there is significant merit in comparing financial and statistical information between the golf courses. Our review identified instances where certain revenues and expenditures did not appear reasonable and for the most part, City staff were not able to provide information explaining the differences. There is no point in collecting financial information unless it is analyzed to help improve operations.

For example:

- Except for Humber Valley, which increased its profit, the profit of each of the other golf courses decreased between 2012 and 2011. In the case of Dentonia, the loss increased from \$160,200 to \$242,300.
- The number of rounds at Humber Valley in 2011 remained almost the same as in 2010 yet profits increased by 85 per cent.
- Between 2010 and 2011, the number of rounds at Don Valley and Tam O'Shanter decreased by eight per cent and seven per cent respectively yet profits decreased by 31 per cent and 59 per cent.

- Between 2007 and 2008, the net profit at Tam O’Shanter increased by 26 per cent while profits at both Don Valley and Humber Valley decreased by 13 per cent and 20 per cent respectively.

Information and explanations for each of the above should be readily available and used for future decision making and planning.

Golf cart rentals should be analyzed

A further example where financial information should be analyzed relates to golf cart rentals. In the case of the following three golf courses in 2011, total green fees and cart rental revenue was as follows:

	Don Valley	Humber Valley	Tam O’Shanter
Green Fees	\$ 1,439,000	\$ 1,100,000	\$ 1,037,000
City’s Share of Cart Rental	\$ 39,700	\$ 29,800	\$ 23,600
City’s Share of Cart Rental as a % of green fees	2.75	2.71	2.27

While the amounts are not significant explanations for the low amount reported at Tam O’Shanter should be questioned.

Scarlett Woods is a relatively short course and the use of golf carts would not be comparable. Dentonia Park has no golf carts.

Recommendation:

- 3. City Council request the General Manager, Parks, Forestry and Recreation Division to initiate a formal review and reporting process in connection with both monthly and annual financial results of each of the City’s golf courses. In situations where financial results appear to be unusual, explanations should be obtained, investigated and documented and acted upon.**

Increasing Golf Participation Difficult With Existing Facilities

Golf courses have an aging infrastructure

The City of Toronto like most cities throughout North America is struggling to maintain an aging infrastructure. Most golf course facilities were built over 30 years ago and the club house facilities require refurbishment.

2009 Audit report highlighted state of good repair backlog

In 2009, the Auditor General reported on a range of issues in connection with the capital program of Parks, Forestry and Recreation Division. One of the concerns highlighted was that the Parks, Forestry and Recreation Division's capital program does not adequately address the state of good repair backlog. Current golf facilities are in need of significant investment.

\$500,000 available for small state of good repair projects

Parks, Forestry and Recreation Division Capital Program includes an annual budget amount of \$500,000 for golf course maintenance which is used specifically for the repair of greens, tees, sand traps and other golf course related items.

Facilities not able to accommodate tournaments or other functions

Over the years golf course facilities have not received funding approval for any major renovations. As a result, most facilities are old and have restricted use. For example, certain golf course facilities are only able to accommodate small scale tournaments. Corporate golf tournaments are held at many non City golf courses and presumably are relatively profitable. The City is not able to access this market.

In order to operate in a highly competitive marketplace, it will be important to reinvest in the facilities. The recent Service Efficiency Study very clearly identified the poorly maintained buildings as an issue requiring attention. The longer these buildings operate without significant upgrades the more expensive any future refurbishments will be.

While appreciating the competition for funding dollars throughout the City including the Toronto Transit Commission and the Toronto Community Housing Corporation, there is a need to determine the capital requirements for each of the City's golf courses particularly in the context of the various pro shops and dining facilities.

Recommendation:

- 4. City Council request the General Manager, Parks, Forestry and Recreation Division to include in its long term business plan a capital requirements analysis and funding model for each of its golf courses. Such a funding model take into account the competing funding demands throughout the City.**

Opportunities to Improve Use of Technology

Opportunities to improve customer service and efficiencies

There are opportunities to improve customer service, enhance internal controls and operate more efficiently. For example:

- The web site for City golf courses provides minimal information, is not up to date, and is not interactive. The web site for example currently includes green fee amounts for 2012 even though the web site indicates that these are 2011 fees. In terms of customer service, this does not provide an impression of a professionally run operation.
- There is a need to create a customer database and capture golfers email addresses. There is no means to communicate with regular golfers in terms of potential special events, discounted green fees, etc.
- The process for issuing green fees, reconciling and recording transactions and controlling unsold green fee tickets is labor intensive. There is a lack of integration of the point of sale cash collection system with other City information systems.
- A consolidated financial and information reporting system should be developed.

Recommendation:

5. City Council request the General Manager, Parks, Forestry and Recreation Division review opportunities to make more effective use of information technology in the following areas:

- a. the updating of the City's website including the need to develop an online tee time registration system; and**
- b. the development of a point of sale cash system which is integrated with the City's financial information system.**

The review be conducted in consultation with the City's Information Technology Division, other Canadian golf courses, both municipal and non municipal and the National Golf Foundation.

Reconciliations Should Be More Timely

Cash deposited daily

Cash collected at the golf courses is deposited daily by Golf Plus and information pertaining to the revenue amounts in support of the cash is forwarded to Parks, Forestry and Recreation Division's Management Services Branch.

The Division summarizes the information for internal analysis purposes and at the same time prepares the accounting entries in support of the cash deposit.

Accounting entries need to be processed on a timely basis

Summarized financial information is provided to the Accounting Services Unit in Corporate Finance for final input to the SAP financial information system. The information contained in SAP is the basis for monthly bank reconciliations.

Our review identified differences between information contained in SAP and the deposit information provided by the bank.

Generally, the differences were attributed to delays in the recording of information in the City's SAP financial system. Other differences could be due to data input errors, or errors in the counting of cash.

Recommendations:

- 6. City Council request the General Manager, Parks, Forestry and Recreation Division in consultation with the Treasurer take immediate action to resolve all unreconciled amounts in the SAP Financial Information System. The Treasurer ensure that all accounting transactions are recorded on a timely basis.**

Third-party staff handle cash transactions

The agreement with Golf Plus requires Golf Plus to collect on behalf of the City green fees and all other fees associated with the operation of City owned golf courses. In doing so Golf Plus is required to make bank deposits at least once daily unless otherwise directed by the General Manager.

In addition, Golf Plus is required to report daily on all aspects of revenue and attendance at each of the golf courses.

Three site visits conducted

We attended three of the five golf courses to review how daily transactions are processed, recorded and reconciled. During our review we identified the following control weaknesses that need to be addressed:

- only one golf course operated with written procedures; and
- process for handling the issue and reconciliation of rain check tickets.

No reviews conducted by PF&R

The Finance Manager who conducts cash handling audits at Parks, Forestry and Recreation Community Centres should include Golf Course cash handling audits in his scope of future work.

Recommendation:

- 7. City Council request the General Manager, Parks, Forestry and Recreation Division to develop cash handling and internal control procedures. Such policies and procedures be introduced at each golf course and on a surprise basis internal audits be conducted by the Division in order to ensure that policies and procedures are being followed.**

Management of Leases and Agreements

PF&R manages two long term lease agreements for property with golf courses

The Parks, Forestry and Recreation Division administers two property lease agreements involving the operation of two golf courses. These agreements were arranged prior to amalgamation with the former City of Etobicoke and are long term. One agreement is with Centennial Park Golf Centre and the other with Royal Woodbine Golf Club Limited.

Both leases provide for a monthly rental amount plus a percentage of revenue. There is a requirement that the revenue amounts be attested to by a third-party public accountant on an annual basis.

In addition, both leases stipulate certain levels of general public participation and, in the case of Centennial Park, the City is required to give consent to the amount of green fees charged.

We identified instances of non-compliance with both lease agreements as follows:

Agreements not complied with

- In the case of Centennial Park, a financial statement attested to by a third-party public accountant has not been provided. In these circumstances, the City has no independent verification that it is receiving the revenue to which it is entitled. There has been no follow up to obtain these third party financial reports.
- Audited financial statements are provided by Royal Woodbine. However, they are not provided within 60 days of the year end as required by the agreement. Consequently, the City may not be receiving the revenue to which it is entitled on a timely basis.
- The City does not approve green fees charged by Centennial Park. This is a requirement of the agreement.
- There is no verification conducted by the City to determine whether or not public participation at each of the courses is in compliance with the lease agreements.

- In a report to Council dated May 17, 2004 from the then Commissioner, Economic Development, Culture and Tourism, it was indicated that the lease agreement with the Royal Woodbine Golf Course allows “for the free use of the golf course for an “an annual tournament to be sponsored by the Landlord”; the second provides for the free use of the golf course “for an annual tournament for high schools located within the City of Etobicoke.” In the past, the free date used by the Landlord has been offered as a fundraiser to the Etobicoke Sports Hall and this has been included for 2004. The second has not been used by the City. The Department proposes using the second date to foster youth golf opportunities through various charitable organizations.” It is our understanding that subsequent to 2004, the Etobicoke Sports Hall of Fame has been the annual beneficiary of the free use of the golf course. We understand that the free use of the course has not formally been approved in writing by the City. We also understand that the free use of the course for an annual high school tournament has not occurred.
- There are a number of other provisions in the agreement with Royal Woodbine that require further review in order to ensure that the provisions are complied with. For example, the use of facilities by high schools and the conduct of golf clinics.

Audited financial statements not reviewed

An annual audited financial statement of gross revenues is provided to the City by the Royal Woodbine Golf Club to support the amount of rent payable to the City. Even though these financial statements have been audited there should be a review process in place to ensure that the monthly amounts are appropriate and reasonable. There is no documentation in support of transactions which appear unusual.

For example, in three high volume months in 2011, the following information was provided to the City.

Gross Revenue

June	\$447,000
July	\$333,000
August	\$409,000

Gross revenues in July seems unusual and inconsistent with June and August. There is no evidence to suggest that the reason for the unusual amounts were questioned. While there may be valid reasons for the differences we have not been provided information in support of the differences.

Recommendation:

- 8. City Council request the General Manager, Parks, Forestry and Recreation Division review the two agreements with Centennial Park Golf Centre and Royal Woodbine Golf Club. The review include an analysis of all important provisions in the agreement and a process to ensure compliance with all provisions in the agreements. In particular audited statements in support of revenue amounts should be provided on a timely basis. Further, all amounts which appear unusual should be reviewed and explanations obtained.**

Vendor Performance Should Be Monitored and Documented

Agreement requires vendor to provide a certain level of customer service

The agreement with Golf Plus includes a section titled Customer Service. The section requires Golf Plus to:

- create and maintain a high quality golfing experience
- provide excellent customer service and deal promptly and courteously with all customer inquiries and complaints
- develop and promote community engagement with youth, women and seniors.

Formal evaluation of vendors performance is not being conducted

There is no process in place to ensure compliance with the above requirements. One of the obvious methods of measuring customer satisfaction is through a customer survey. Such a survey would identify concerns and consequently allow Golf Plus and the City to remedy such concerns.

According to the City's procurement process, divisions should maintain records of vendor performance. Vendor performance records can be used in addressing problems with vendors during the agreement and at its conclusion to ensure future contracts are not awarded to vendors with poor performance records.

Recommendation:

- 9. City Council direct the General Manager, Parks, Forestry and Recreation Division to develop a process for the ongoing evaluation of vendors in the golf courses. Consideration be given to the development of a customer survey.**

CONCLUSION

More emphasis on marketing

Golf courses operate in a competitive market. As indicated in this report, the current method of conducting business needs to be reevaluated and more emphasis placed on the marketing of the golf courses. The ongoing decline in the profitability of the golf courses needs to be immediately addressed. Historically, the golf course program has always contributed to the City's operating budget. If the decline in net revenue is not arrested the golf course operations will become a burden on the taxpayer.

Addressing the recommendations in this report will help Parks, Forestry and Recreation Division to more effectively respond to these challenges.

LOCATION OF CITY OPERATED GOLF COURSES



EXHIBIT 2**CITY GOLF COURSES
REVENUE, EXPENSES AND NET PROFIT
2007 TO 2011**

	Revenue	Expenses	Net Profit
2007	\$5,962,000	\$4,707,000	\$1,255,000
2008	\$5,903,000	\$4,687,000	\$1,216,000
2009	\$4,372,000	\$4,007,000	\$365,000
2010	\$5,476,000	\$4,519,000	\$957,000
2011	\$4,858,000	\$4,337,000	\$521,000

EXHIBIT 3

**CITY GOLF COURSES
NET PROFIT (LOSS) BY INDIVIDUAL GOLF COURSES
2007 TO 2011**

	2007	2008	2009	2010	2011
Dentonia	(\$137,000)	(\$132,000)	(\$151,000)	(\$160,000)	(\$242,000)
Don Valley	\$664,000	\$577,000	\$291,000	\$462,000	\$317,000
Humber Valley	\$313,000	\$251,000	\$48,000	\$156,000	\$288,000
Scarlett Woods	\$99,000	\$122,000	(\$6,000)	\$167,000	\$23,000
Tam O'Shanter	\$316,000	\$398,000	\$183,000	\$332,000	\$135,000
Totals	\$1,255,000	\$1,216,000	\$365,000	\$957,000	\$521,000

EXHIBIT 4

**CITY GOLF COURSES
NUMBER OF ROUNDS BY GOLF COURSE
2007 TO 2011**

	2007	2008	2009	2010	2011
Dentonia	30,000	28,700	21,200	25,000	23,000
Don Valley	45,800	42,500	32,800	41,600	38,300
Humber Valley	38,400	36,200	27,000	34,700	33,600
Scarlett Woods	34,600	33,600	25,850	33,500	29,500
Tam O'Shanter	38,200	41,000	27,650	34,200	31,600
Totals	187,000	182,000	134,500	169,000	156,000

EXHIBIT 5

**COMPARISON OF 2012 GREEN FEES
FOR MUNICIPAL GOLF COURSES**

Municipality	Golf Course	Weekday \$	Friday \$	Weekend \$	Twilight Weekday \$	Twilight Weekend \$
Brantford	Northridge	34	34	36	27	27
Burlington	Tyandaga	51	51	51	34	34
Hamilton	Chedoke Golf Club - Beddoe	50	55	55	33	39
	Chedoke Golf Club - Martin	34	40	40	25	30
	Kings Forest	60	68	68	39	43
Kitchener	Doon Valley	32	32	42	20	20
	Rockway	32	32	42	20	20
London	Fanshawe Traditional	41	41	41	22	22
	Thames Valley Classic	41	41	41	22	22
	Fanshawe Quarry	32	32	32	20	20
	River Road	32	32	32	20	20
Mississauga	BraeBen	55	65	65	47	47
	Lakeview	65	75	75	50	50
Ottawa	Pine View	40	40	40	30	30
Toronto	Dentonia Park	24	24	27	19	20
	Don Valley	56	63	63	37	40
	Humber Valley	45	52	52	33	36
	Scarlett Woods	32	39	39	25	27
	Tam O'Shanter	45	52	52	33	36

**COMPARISON OF 2012 GREEN FEES
FOR NON MUNICIPAL GOLF COURSES**

Area	Golf Course	Weekday \$	Friday \$	Weekend \$	Twilight Weekday \$	Twilight Weekend \$
Ajax	Lake Breeze	53	53	62	23	23
Pickering	Glen Cedars	57	60	65	38	38
Claremont	4 Seasons Country Club	47	47	55	30	30
Stouffville	Maples of Ballentrae	63	63	75	40	42
East Gwillimbury	Pheasant Run	84	95	95	45	45
Pickering	Watson's Glen	67	67	76	44	50
Milton	Piper's Heath	102	102	102	79	79