



REPORT FOR ACTION

Future Options for City Operated Golf Courses

Date: December 22, 2017

To: Government Management Committee

From: General Manager, Parks Forestry and Recreation and Chief Purchasing Officer

Wards: Wards 2,10,11,16,23,25,39

SUMMARY

Parks, Forestry and Recreation ("PFR") operates five golf courses and leases out two golf courses. In the current service delivery model for the five City operated golf courses, golf course assets and turf are maintained by the City; green fees are set by City Council, while ticket sales, golf cart rentals, pro shops, lessons and programs as well as food and beverage operations are contracted out under two separate agreements that were awarded through a Request for Proposal (RFP) process, a model that has been in place since 1993. The two agreements for golf management and food and beverage operations expired on November 30, 2017. PFR is currently conducting a review of golf course operations to determine a model that will achieve optimal management and quality play for the general public. The results of the review will be reported back in early 2019 with a view to launching an RFP based on the findings of the review.

This report seeks authority to extend the current Golf Course Management and Food Services contracts for an additional two years with an option for a further one year term at the City's discretion to allow time to complete the above process.

RECOMMENDATIONS

The General Manager of Parks, Forestry and Recreation and the Chief Purchasing Officer recommend that:

1. City Council approve an extension and amendment of the Professional Services Agreement with Golf Plus Marketing Incorporated ("GPMI") (Blanket Contract No. 47020512) respecting the operation and management of the Dentonia Park Golf Course, Don Valley Golf Course, Humber Valley Golf Course, Scarlett Woods Golf Course and the Tam O'Shanter Golf Course for a two year term from December 1, 2017 to November 30, 2019, with an option to extend for a further one year term, on terms and conditions satisfactory to the General Manager, Parks, Forestry and Recreation and the City Solicitor.

2. City Council approve an extension and amendment of the existing food and beverage licence agreement with the Grenadier Group for all five City run golf courses for a two year term from December 1, 2017 to November 30, 2019 with an option to extend for a further one year term, on terms and conditions satisfactory to the General Manager, Parks, Forestry and Recreation and the City Solicitor.

FINANCIAL IMPACT

Funding for the cost of these contracts has been included in the Parks, Forestry and Recreation Council-approved Operating Budget each year and are not new expenditures. The total cost to the City as a result of entering into an extension agreement with GPMI is \$286,535 net of HST (\$291,578 net of HST recoveries), by way of \$411,535 in management fees paid to GPMI offset by an average \$125,000 in golf cart revenue to the City, for the first year, which will be adjusted for inflation for years 2 and 3.

The total rent revenue to the City as a result of entering into an extension agreement with the Grenadier Group is approximately \$60,000 net of HST (\$61,056 net of HST recoveries) for the first year, adjusted for inflation for years 2 and 3. Funding is available in the Preliminary 2018 Operating Budget for PFR.

The Acting Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council at its meeting of February 22 and 23, 2010, adopted report GM28.8 entitled, "Professional Services Contract for Five City-run Golf Courses".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.GM28.8>

The Bid Committee at its meeting of December 14, 2011, adopted BD53.1, "Contract Awards - December 14, 2011 - Composite Report", recommending, pursuant to RFP No. 9155-11-7227, the award of the contract to Golf Plus Marketing Inc. to manage the Play and Pro Shops at the City Run Golf Courses and collect Green Fees on behalf of the City.

<http://www.toronto.ca/legdocs/mmis/2011/bd/bgrd/backgroundfile-43083.pdf>

COMMENTS

City of Toronto, Parks, Forestry and Recreation Division operates five golf courses and leases out two golf courses, situated in designated ravine lands. Of the City operated golf courses, Scarlett Woods and Tam O'Shanter are on land owned by the Toronto and

Region Conservation Authority (the "TRCA") and managed by the City under a long-term management agreement. The remaining three courses are on land primarily owned by the City with some portions owned by TRCA. These courses vary from a par three facility to full length regulation golf courses. All five courses are designated as parkland and are governed by the City of Toronto Ravine and Natural Feature Protection by-law and TRCA regulations. The courses include:

Don Valley Golf Course
Dentonia Park Golf Course
Humber Valley Golf Course
Scarlett Woods Golf Course
Tam O'Shanter Golf Course

In addition to the five City operated golf courses, Centennial Park Golf Course and Royal Woodbine Golf Course are leased out.

In the current service delivery model for City operated golf courses, golf course assets and turf are maintained by the City, while the ticket sales, golf cart rentals, pro shops and food and beverage operations are contracted out under two separate agreements that were awarded through an RFP process, a model that has been in place since 1993.

There are a number of trends in the golf industry as well as in City's golf operations that need to be reviewed to determine the service delivery model for golf operations for the next 20 years.

The participation for golf is declining across North America as well as in the City's golf operations. This is largely attributed to the volume and increase in the number of golf courses in the Greater Toronto Area (GTA). There are over 100 public and semi-private golf courses, 30 executive par three courses and a number of private clubs in the GTA. The number of rounds in the City's golf courses has decreased from approximately 187,000 in 2007 to 157,965 in 2016, a decrease of 15.5%.

For this reason, to remain financially viable, golf courses must be competitive in regards to quality of play, fee and membership structures, food and beverage and ancillary services. It is anticipated that without significant investment in City-run golf courses, this downward trend in rounds is expected to continue.

The City's golf courses revenues have been declining over the years. Although golf operations generate around \$5 million in revenues in a regular season, rainy summers such as 2017 have seen the revenues go down to \$4.5 million.

Golf course operations direct revenues offset the direct expenditures. In the four years between 2014 to 2017, the net contributions from golf operations have been as high as \$0.234 million in 2014 to a loss of \$0.074 million in 2016. Including overhead expenses, the golf operations incur a net loss on an annual basis.

Golf courses require significant capital investment over the next 20 year period. In the same four years ending 2017, PFR addressed health and safety related priorities in the golf courses for \$2.5 million. The 2018-2026 Capital Plan includes another \$9.7 million

of service improvements for the aging golf infrastructure, which includes clubhouse improvements for roof, windows, sanitary fixtures and millwork, mechanical, electrical and cooling improvements, paving of yard surfaces and replacing irrigation systems. These are basic infrastructure state of good repair requirements and do not address any service enhancements that may be required to remain competitive.

The Parks and Recreation Facilities Master Plan outlines a 2017 State of Good Repair backlog of \$454.5 million for all divisional capital assets, which is expected to double to nearly \$850 million in the next 20 years. The backlog is prioritized for health and safety projects, therefore a number of capital needs are not addressed.

A preliminary review of short and long term needs include:

- Updated and digital/mobile booking systems and customer-facing technology to compete with current industry standards which now use on-line tee time booking systems and instant communication connectivity, and data for tailored marketing approaches.
- Flexible fee structures that allow for demand-based pricing to ensure full utilization.
- Updated and expanded facilities suitable for events and tournaments.
- Updated food and beverage facilities and options. Significant investment is required for improved food and restaurant facilities.
- Updated and expanded Pro shop facilities.

Over the past years, many Canadian municipalities have been exploring alternate service delivery and alternate use options for their golf operations as a result of similar pressures around operating municipal golf courses. PFR has met with Local 416 and Local 79 to provide an update of the next steps.

A decision for the long term options for the golf operations requires an analysis of golf industry trends and analysis of the strengths, weaknesses, opportunities and threats for the City's golf operations in the next 20 years. As a result, PFR will engage an external consultant to review industry trends as well as the City of Toronto golf operations from a customer experience, capital investment needs and financial perspective and recommend an approach that will allow the City to determine the best model for golf service delivery for the next 20 year period.

The General Manager, Parks, Forestry and Recreation will report back to City Council, through the appropriate Committee, with the recommendations from the external review in early 2019 and seek Council authority for the recommended approach. As a result, this report seeks amendments of the current sales and food services agreements (GPMI Blanket Contract No. 47020512) and Grenadier Group for an additional two years, with the option to extend for another one year at the discretion of the GM to complete the process.

The Fair Wage Office has reported that the recommended firms have indicated that they have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

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SIGNATURE

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