

DATE: December 19, 1996

**SUBJECT: GOLF COURSE PROFESSIONALS**

**RECOMMENDATION:**

- A. THAT Earl Francis be awarded a contract at McCleery Golf Course from July 1, 1996 to June 30, 1998.
- B. THAT the Board approve the compensation formula as outlined in this report for Earl Francis from January 1, 1996 - December 1, 1996 at Fraserview and from July 1, 1996 - June 30, 1998 at McCleery and for Muncie Booth from January 1, 1996 - December 31, 1998 at Langara.
- C. THAT Earl Francis receive 38% of gross revenues for operating the new driving range at McCleery up until June 30, 1998.
- D. THAT no legal rights shall arise hereby and none shall arise thereafter until the execution of the contemplated documents.

**BOARD POLICY**

Since 1976 the Board has retained golf professionals on contract at the three public courses.

**BACKGROUND**

In 1976 the Board decided to seek applications for the position of Golf Professional at Fraserview, Langara and McCleery Golf Courses. Three professionals were awarded contracts for a five year term ending December 31, 1981; Earl Francis at Fraserview, Ray McInnally at Langara and Alvie Thompson at McCleery.

Following the retirement of the professional at Langara, on February 3, 1992 the Board approved the appointment of Muncie Booth as the new professional and he commenced his duties on April 1, 1992.

On September 13, 1993 the Board awarded new contracts and compensation packages to the three professionals. Earl Francis was awarded a new contract at Fraserview up until such time that the course closes for renovations (December 1, 1996). The Board also resolved that Mr Francis be retained after Fraserview reopens, subject to continued good performance and acceptance of a new contract.

Muncie Booth was awarded a new contract from the time that Langara reopened (July 1, 1994) until December 31, 1998.

It was also agreed to review the annual compensation package effective January 1, 1996.

The Professional at McCleery, Alvie Thompson, decided not to return to the course following the closure for redevelopment. McCleery reopened for play on June 28, 1996. Earl Francis agreed to assume the Professional responsibilities at McCleery and operate both courses up until Fraserview closes on December 1, 1996.

In 1993 a consultant was retained to review the Golf Professionals' remuneration package. A study was undertaken to determine if the compensation paid by the Board at that time was appropriate and fair in relation to the services provided and in comparison to contracts with other similar golf professionals.

The consultant believed that the general contractual arrangements with the professionals were appropriate. The nature of their contract, which includes the operation of the pro shop, places most of the risk with the golf professionals and encourages them to provide good service in order to be successful. This contractual entrepreneurial arrangement is also preferred by the professionals.

The consultant stated that although there is a trend for a number of new privately owned courses to hire their professionals directly, this might not be in the Board's best interest. This type of arrangement places all the business risk on the employer while at the same time paying salaries and benefits that are commensurate with other courses.

## **DISCUSSION**

As a condition of their contract the professionals provide the Board with annual financial statements covering all the pro shop operations and all other activities on or associated with the golf course. These financial statements are classified as review engagement reports and acceptable with the City's Internal Auditor. Review engagement reports do not constitute an audit but are financial statements that are reviewed by chartered accountants to ensure they are prepared in accordance with generally accepted accounting principles. The Board at all times has the right to carry out an audit at its own expense.

### **Pro Shop Rent**

The City's Real Estate Services Division was requested to carry out a rental review of Langara and McCleery pro shops for the purpose of determining an opinion as to fair market rent. Since Fraserview is still operating out of the old premises it was decided not to include this facility in the review.

The report was conducted in September, 1996, and stated that the pro shops

were unique in terms of rental accommodation. They are primarily retail outlets, but include a portion of the premises related to administrative use. As retail stores the pro shops do not have the same exposure as similar space in a commercial corridor and therefore are not considered destination shopping areas. The pro shops, however, do have a captive audience for other services such as cart rentals (pull carts and power carts) and club rentals.

The Board, apart from providing space for the operation of the pro shop, also provides heat, light and telephone facilities. The professional is responsible for equipping and furnishing the pro shop.

In establishing a rental value which is fair to both the landlord and the tenant alike, it is assumed that the premises are utilized for their highest and best use.

After considering the two alternatives of a fixed rental rate or a percentage of gross pro shop sales it is recommended that the Board maintains the existing building rental rate method for the pro shop rental and a % of gross sales for the rental of golf carts. The building rental rate gives the Board a guaranteed rental at market rates and does not require the costly audit controls of verifying gross sales.

The golf cart rental fee is based on a percentage of actual sales and fluctuates accordingly. Estimated sales have been based on past experience.

The following are the recommended rates after taking into account the evaluation from the Real Estate Services Division:

Langara:		
Pro Shop	1355 sq. ft. x \$13.50*	\$18,292
Golf Cart rental	\$65,000 x 15%	9,750
		\$28,042

In 1993 the rent was set at \$9.00 per sq. ft.

McCleery:		
Pro Shop	1253 sq.ft. x \$13.50*	\$16,915
Golf Cart rental	\$65,000 x 15%	9,750
		\$26,665

\*In 1993 the rent was set at \$8.00 per sq. ft for the old pro shop.

Fraserview:		
Pro Shop	1148.5 sq.ft. x \$10.00*	\$11,485
Golf Cart rental	\$65,000 x 15%	9,750

\$21,235

\* The rent for Fraserview is based on a reduced sq. ft. rate to take into account no improvements were carried out to the interior space.(Fraserview closed for renovations on December 1, 1996). In 1993 the rent was set at \$7.00 per sq. ft.

The Professional' s total compensation (retainer) is based on an amount for supervising and staffing the reservation/starting of golfers and giving out information to the general public either by telephone or in person at the course. The rental rates are deducted from this amount.

In his review, our consultant in 1993 reported that the 1992 average income with benefits for head pros in all of British Columbia was \$67,400. He reviewed the risk, complexity and general scope of work undertaken by our professionals and recommended gross retainers in 1993 of \$67,000. It is believed that the conclusions of that review are still valid and after taking into account the consumer price index of 2.0% in 1994 and 2.1% in 1995 the retainer for 1996 would increase to \$69,775. The following calculations show the net retainers that are recommended at the three courses:

Langara

Gross Retainer \$69,775

less Pro Shop Rent 18,292

Net Retainer \$51,483

less 15% Cart Rentals 9,750

\$45,895

This represents a decrease of \$2,512 over the 1993 net retainer of \$53,995.

McCleery

Gross retainer \$69,775

less Pro Shop Rent 16,915

Net Retainer \$52,860

less Cart Rentals 9,750

\$43,110

This represents a decrease of \$5,564 over the 1993 net retainer of \$58,424.

Fraserview Jan 1 - Dec 1 1996 (11 months)

Gross retainer \$63,960

less Pro Shop Rent 11,485

Net Retainer \$52,475

less Cart Rentals 9,750

\$42,725

This represents a decrease of \$1,572 over the 1993 net retainer of \$54,047.  
(11 months)

### McCleery Driving Range

In the contract for Fraserview Driving Range, the Professional, Earl Francis, received 50% of the gross revenues. He was responsible for all equipment, balls, mats and labour to operate the range. The Board's only responsibilities were to maintain the structure and range area.

At the new McCleery Driving Range Mr Francis has expressed interest to operate the facility up until Fraserview reopens in July 1998. At this time it is not known who will assume the Professional duties or operate the range at McCleery after this date. Staff will evaluate all options and report back to the Board nearer that time.

Since Mr Francis is only operating the range for a year and a half the Board is providing the ball dispenser/washer, balls and mats. Mr Francis will utilize his ball picker and vehicle from Fraserview during this period.

Staff have reviewed Mr Francis pro forma financial statements for 1997 and based on projected revenue of \$228,400 have estimated his operating costs at \$86,684. This includes a management fee of \$22,000. As a percentage of total revenue this amounts to 38%. It is therefore recommended that Mr Francis receives 38% of gross driving range revenues up until June 30, 1998.

### JUSTIFICATION

The new retainers for McCleery and Langara are based on market conditions in the industry and it is believed the revised compensation levels are both fair and reasonable. Administration & Revenue Services P.J.