



Date: May 18, 2001

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: Golf Course Financial Sustainability Plan

RECOMMENDATIONS

- A. THAT the Park Board approve the attached fee schedule for Golf Courses in 2001, for implementation on June 4, 2001 and future increases to 2009 as outlined in the attached report.
- B. THAT the Board approve the attached repayment schedule for the Golf Course Redevelopment Loan.
- C. THAT the Board approve additional maintenance expenditures of \$148,500 in 2001 and recommend that the preparation of the 2002 annual operating budget of Golf Operations include an increase to the maintenance budget of \$297,000, both to be funded by increased revenues.
- D. THAT the Board approve the establishment of a Capital Reserve Fund for future Golf Course improvements and major repairs, with an annual contribution of \$271,000 to be funded by increased revenues

POLICY

It is the Board's policy to consider staff recommendations for any changes in policies related to fees and charges.

BACKGROUND

In 1992, the Park Board began the process of redeveloping Langara, McCleery and Fraserview Golf Courses. The project involved completely rebuilding each golf course, clubhouse and maintenance facility. McCleery Golf Course also received a new driving range. All courses are fully irrigated with new greens, tees and fairways. The project was completed in 1998 with the re-opening of Fraserview Golf Course, which is now considered one of the finest public golf courses in the Lower Mainland.

The final cost of the project was in excess of \$28 million, financed by the City of Vancouver through a loan from the Property Endowment Fund. The Park Board has a financial obligation to repay the loan by the year 2010.

In June 1999 the Park Board began developing a management plan for Golf Operations for focusing on improving, maintaining and sustaining our golf courses

During the development of the plan, three outstanding financial issues were identified:

1. The Park Board has a financial obligation to the City of Vancouver to repay the outstanding golf course loan in 10 years.
2. The operating budget is insufficient to adequately maintain the newly renovated and expanded facilities.
3. A capital reserve account is necessary to fund projects and major repairs.

On June 12, 2000 the Board approved a report from staff with the recommendation:

“THAT staff initiate a public consultation process to discuss outstanding issues related to the Golf Operations Management Plan and report back to the Board with recommendations for action”.

DISCUSSION

What is the Golf Course Financial Sustainability Plan?

From 1992 to 1998, the Park Board invested over \$28 million in the redevelopment of Langara, McCleery and Fraserview Golf Courses. The Golf Course Sustainability Plan is a planned approach to managing these facilities that will:

- meet our financial obligation to repay the golf course redevelopment loan by 2010
- ensure our courses and buildings are well maintained
- allow ongoing course improvements, enhancing the quality of play

Maintaining, improving and sustaining our courses is vital so they can continue to provide benefits for golfers and non-golfers alike. They not only provide an excellent leisure activity for people of all ages, but also generate revenues that help support Parks and Recreation activities for all residents.

Three Outstanding Financial Issues

Golf Course Loan Repayment

The balance of the loan as of December 31, 2000 was \$21,367,260. It is estimated if payments continue at the present rate, the loan will be repaid by the year 2020, In order to meet our obligation to the City of Vancouver, to pay off the loan by 2010, additional revenue is required to increase the loan payment.

It is proposed to gradually increase green fees over the repayment period of the loan, applying additional revenue to the loan payment as outlined in Appendix 1.

(See Appendix 1 - Golf Course Loan Repayment)

Maintenance Budget

Except for the addition of some equipment, maintenance funding for the golf courses was not increased after the courses were redeveloped. In order to protect our investment and reduce the need for costly future redevelopment, an effective maintenance program must be adopted. Larger greens and tees, more bunkers and water features, paved cart paths and irrigation systems are some of the changes that require expanded maintenance. Additional maintenance funding of \$297,000 per year is required to properly maintain our courses. This amount will be subject to inflationary increases.

(See Appendix 2 - Golf Course Maintenance Requirements)

Capital Reserve Fund

Although an effective maintenance program will greatly reduce the need for future redevelopment, ongoing capital improvements are required to meet the needs of the golfer and to ensure the golf course infrastructure is not deteriorating. The establishment of a self funding capital reserve account is necessary to protect our investment. The total annual contribution required for the Capital Reserve Fund is \$271,000. This will go toward building and structural maintenance, course improvements to facilitate play and clubhouse improvements to enhance customer service. This amount will be subject to inflationary increases.

(See Appendix 3 - Golf Course Long Term Capital Projects and Improvements)

Implementation

Because the Sustainability Plan is based on assumptions related to the average number of rounds played and current user patterns, there will be years when the financial

performance of the golf courses either exceeds or falls short of projections. It is recommended that these principles be followed:

The increase in maintenance funding be applied to the base annual operating budget. In years that revenue falls short of expectation:

- the golf loan repayment will take priority over the Capital Reserve Fund.
- capital reserve contributions go toward loan repayment, provided the loan repayment schedule is not being met.
- if the loan repayment is ahead of schedule, funds will be directed toward the Capital Reserve Fund.

In years that revenue exceeds expectation:

- additional funds be applied to the golf course loan, provided the Capital Reserve Fund contributions have been made.

Public Consultation Process

In June 2000, the Park Board approved that staff initiate a public consultation process to discuss the outstanding issues. A comprehensive process was carried out that involved:

- meeting with stakeholders
- Customer Profiling Survey was carried out by Canadian Facts
- Open Houses and Focus groups were facilitated by Praxis Pacific
- ongoing dialogue with users and stakeholders

(See Appendix 4 - Customer Profiling Survey, Executive Summary and Appendix 5 - Public Consultation Process on Green Fee Increases, Executive Summary)

Customer Profiling Survey

In August 2000, the Park Board commissioned Canadian Facts to do a customer profiling survey at Fraserview, Langara and McCleery Golf Courses. The survey took place in the second and third weeks of August 2000. A total of 1,750 surveys were completed by golfers, a 39% response rate. The objectives of the survey were to:

- profile current customers
- measure customer satisfaction
- assess price sensitivity

The results of this survey were used to develop green fee pricing options that would achieve the financial goals set out in “B. Three Outstanding Financial Issues”.

Meetings with Golf Clubs

Each golf course has three clubs - Men's Club, Tuesday Ladies Club and Business Ladies Club. Total club membership is approximately 1,200. Representatives from all 9 Clubs attended meetings with staff during the month of January. Staff gave a presentation that described the Golf Management Plan, outstanding financial issues and some proposals for generating additional revenue. There was an opportunity for the clubs to suggest ideas for making improvements to the courses and alternate ways to increase revenues. The Langara Clubs expressed concerns over the condition of Langara Golf Course during rainy periods. There was general support for the management plan from the Clubs, but some concern over green fee increases.

(See Appendix 6 - Letter from McCleery Men's Club)

Open Houses

In February, the public was invited to three open houses, one at each golf course. The open houses were advertised in the Vancouver Sun and Vancouver Courier newspapers and on Rogers cable. Posters were placed at the golf courses and at all community centres. In addition, over 500 survey participants, who indicated interest when filling out the customer profiling survey form, were phoned.

At the open houses, participants were presented with four options for increasing green fees. The options included a gradual fee increase, different green fees for each of the three courses, an advanced booking premium and a non-resident rate. Some constants formed the basis of all four options: a gradual reduction in the seniors discount from 75% to 50%; continued 50% discount for juniors; twilight and sunset fees standardized at 75% and 50% of the rates and winter green fees continued at the twilight and sunset rates. Participants were asked to fill out survey forms to show their level of support for each option. A total of 206 forms were returned.

(See Appendix 7 - Open House Display Panels and Appendix 8 - Survey Form)

A petition protesting the increase in green fees and the use of excess revenue to fund other Parks and Recreation programs was circulated. It was signed by 38 people and sent to the Park Board Commissioners

(See Appendix 9 - Memo to Commissioners)

Focus Groups

Two focus groups were held at Kensington Community Centre on March 26 and 27. Ten golfers were invited to each session. Participants were chosen from those who attended

the Open Houses and were randomly selected based on age, residency, gender, Club membership and course most frequently played.

The two most popular options from Open Houses were discussed, Option 1 - Graduated increase and Option 4 - Non-resident rate. The Non-resident rate was discussed, but rejected by both Focus Groups, as it was seen as unfair to GVRD residents and charging out-of-province more would not increase revenues enough to warrant the effort.

A new option (Option 5) was presented in the focus groups as a modified version of Option 1, this time with a more gradual fee increase. Focus group participants unanimously supported Option 5 as the basis of fee increases. They also supported the idea of exploring other methods of generating revenue so that those found to be most effective could be added to Option 5 to reduce the fee increase.

Option 5 - Recommended Option for Green Fee Increases

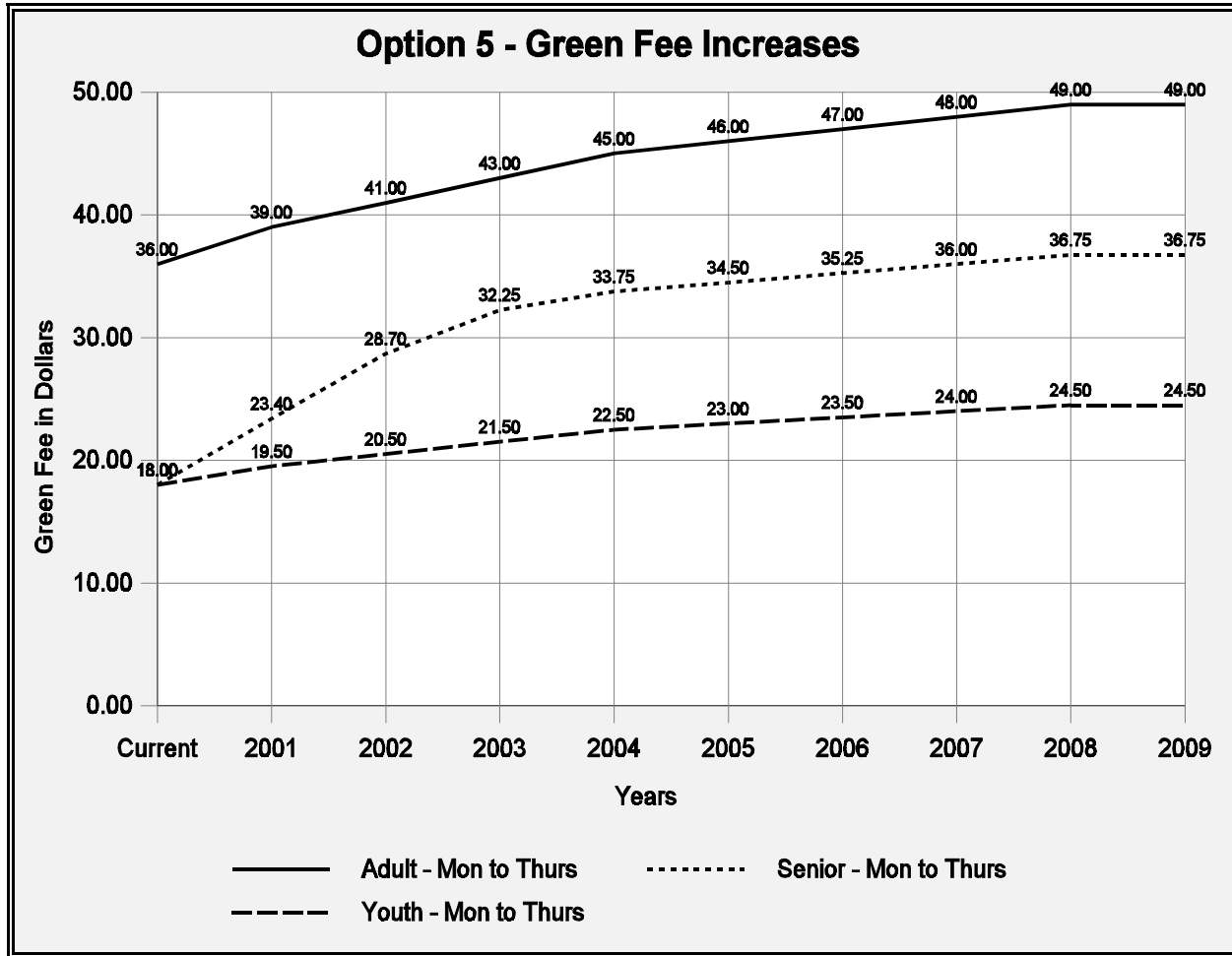
Option 5 offers a more gradual increase in green fees than the other options presented at the Open Houses. This option includes the following components:

- Adult green fee increases of \$3.00 in 2001
\$2.00 increases in 2002 - 2004
\$1.00 increases in 2005 - 2008
- Senior green fees discounts 40% in 2001
30% in 2002
25% in 2003
- Youth green fee discount stays at 50%
- Twilight & Winter rate at 75% of regular rate; Sunset rate at 50% of regular rate
- Friday, Saturday, Sunday and Holiday premium remains at \$3.00
- The \$3.00 charge per green fee paid by the Golf Clubs is retained
- All three courses continue to have the same green fee pricing schedule

(See Appendix 10 - Option 5 Green Fee Table for detailed projected rate increases)

The graph below represents projected green fee increases for Monday to Thursday green fees for the years 2001 to 2009. These green fee projections do not include inflation.

Inflationary Increases



It is important to note that the options presented for increasing green fees do not include inflation after 2001. Actual green fee increases may be slightly more than indicated in the schedule of projected green fees. Inflationary increases are required to address increases in operating costs, such as wage increases and increases in the cost of supplies.

Affordable Alternatives for Seniors

It is recommended the Senior rate change from 50% to 75% of the Adult rate, phased in

over 3 years: 60% in 2001, 70% in 2002 and 75% in 2003. This would be consistent with the Park Board Fees and Charges Policy that was approved January 18, 2001. Vancouver is currently the only municipality that offers a 50% discount for seniors. No other comparable public courses in the lower mainland offer a 50% discount. Seniors will continue to benefit from reduced rates that are competitively priced.

(See Appendix 11 - Senior Discounts at other Golf Courses and in other Municipalities)

Recognizing that providing affordable golf for low income seniors is important, the Park Board will offer some affordable alternatives for seniors:

- The Park Board will continue to offer seniors early morning play on the back nine holes at all three 18 hole courses at the Twilight rate in the summer and Sunset rate in the winter.
- A Seniors Early Bird Special will be introduced at Langara Golf Course that will provide seniors with additional savings. The first 2 to 3 hours of tee times at Langara will be offered to seniors at the Twilight rate.
- Pitch and Putt golf courses continue to offer senior rates of \$4.00 to \$5.50.

Youth Discount

Recognizing that youth represent the future of golf, the Park Board is committed to providing affordable opportunities and programs to encourage junior golf. It is recommended to retain the present 50% discount for youth. The Park Board will continue to partner with the Vancouver Secondary Schools' Athletic Association and the Independent Schools Golf League in providing tee times for students at reduced rates. In addition, there are a wide variety of junior programs are offered by the Golf Professionals that benefit junior players of all ages and skill levels. These include after school programs, parent/child programs, weekend/weekday camps, beginner camps and elite player training.

Driving Ranges

The driving ranges at Fraserview and McCleery Golf Courses are valuable assets, generating significant revenue that helps pay down the golf course loan. The pricing at both driving ranges has historically been the same. Because the ranges compete in different markets, it is recommended to adopt differential pricing, in order to maximize profits. It is also recommended that prices be adjusted, as necessary, in slow periods to remain competitive. (See Appendix 12 - Driving Range Comparisons)

Tournaments

The Park Board currently allows two tournaments per week at each golf course, Monday

to Friday, during non-prime times. Up to 64 players are allowed per tournament, under most circumstances. Tournaments have proven to be viable, generating additional net revenue of approximately \$50,000 in 2000. Tournaments will continue to be marketed and promoted.

Golf Course Fee Schedule

The 2001 Green Fees are based on Option 5, as discussed at the Focus Group sessions. All green fees have been rounded to the nearest \$0.25. Driving range rates have been adjusted at McCleery Golf Course to reflect market value. The fee schedule also shows a range of tournament package rates. A list of tournament packages is included in Appendix 14.

(See Appendix 13 - 2001 Green Fee Comparisons, Appendix 14 - Golf Course Fee Schedule and Appendix 15 - Tournament Packages)

Although Option 5 will remain the basis for future green fee increases, it is recommended that the green fee structure be reviewed annually to respond to changes in the market or in user patterns.

CONCLUSION

In 1992, the Vancouver Park Board decided to invest in one its most valuable assets, the golf courses. The Golf Course Sustainability Plan will ensure the golf courses are well maintained, protecting that investment. The Park Board's golf courses will be continue to be competitively priced, providing a range of affordable golf opportunities for people of all ages. In addition, parks and recreation programs will continue to be supported, benefiting all citizens of Vancouver, golfers and non-golfers alike.

Prepared by:

Vancouver East District
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RC