

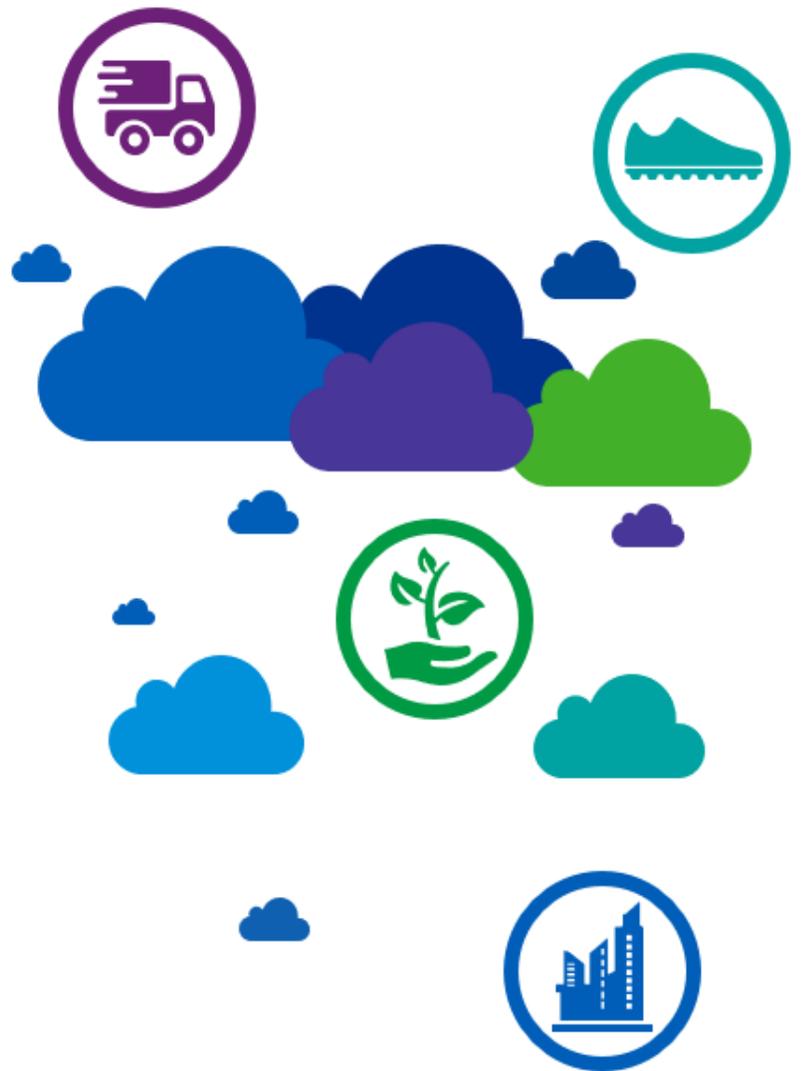


# Reimagine Services

Business Case: Outsourcing  
of Golf Courses

CITY OF EDMONTON

MAY, 2021



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# Opportunity Summary

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There is an opportunity to outsource the City's operations of its three public golf courses: Riverside, Rundle Park and Victoria. Throughout this opportunity, reference to the Victoria Golf Course is inclusive of both the course and driving range as its golf operations.

While the City continually strives to offer a wide range of affordable recreation activities, it is noted that residents do not rely upon the City to be the sole provider of golf experiences and this service is not explicitly required to support the City's outcomes around the advancement of quality active living, active recreation and sport experiences for all Edmontonians.<sup>1</sup> Other Canadian jurisdictions have recently explored similar golf course privatizations.

This opportunity is based on the potential benefit that could be realized from engaging a single third party to operate all of these courses as a straightforward lease arrangement for the City. Factors driving this opportunity include:

- Industry-wide steady decline in demand for golf experiences in recent years.
- Consistent challenges recovering all operating and capital costs associated with these municipal amenities.
- Recognition that the City strives to be highly responsive to community needs, but it risks over-delivering programming to those who can easily access services from the market.
- The extent to which golf courses draw on municipal resources (e.g., Fleet Management, IT, Communications and Engagement, Finance, and Human Resources).

Through this opportunity the courses would continue to operate as public golf courses and the City would retain ownership of the land and facilities, along with responsibility for the ongoing maintenance of these assets. The third-party operator would remit lease payments (inclusive of property taxes) that the City could use to offset ongoing costs such as capital and maintenance. The operator would be responsible for operating the facilities, including custodial services and caretaking of grounds, such as mowing the grass.

Research indicates that a private operator may be able to operate these facilities more efficiently due to potential decreased personnel costs and economies of scale on purchases of equipment and goods. In addition, operators may realize higher revenues attributed to growth in attendance due to investments and capabilities in marketing and sales.

Council has already expressed an interest in exploring outsourcing as an option for the Rundle course (Council motion CS00224), directing Administration to report on the necessary steps to transition management to a new operator. **The analysis of Rundle Park Golf Course suggested that it would be challenging for a private operator to make Rundle Park Golf Course viable on its own.** The analysis assumes that the operation of the Rundle course would need to be bundled with the other two courses in order to attract interest from private operators. For example, for Rundle to have a positive 5% return by Year 5, it is anticipated that revenues would need to increase by approximately \$1.5 million over five years (at an increase of 280% from current revenues). It does not appear that Rundle would be attractive to a third party on a stand-alone basis. The City could explore further conversations with interested third party vendors in

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<sup>1</sup> City of Edmonton. Live Active Strategy 2016-2026.

regards to the operating of just the Victoria and Riverside courses, as this would only increase the attractiveness from the analysis conducted in this case.



### Recommendation: Outsourcing of Golf Courses

Based on the analysis completed, **the City should consider outsourcing the operations of its three golf courses.** The three golf courses identified could be bundled as a single contract, to offset anticipated operating losses from the Rundle Park course. Analysis suggests that this model may be profitable for a third party. For example, a positive 5% margin could be achieved by the third year of operations through new revenue from food and beverage, increases in pricing in line with comparator golf courses, and growth in attendance through marketing. Based on the analysis conducted, it appears that there would be an opportunity to outsource the golf courses to a private operator, while generating rent and property taxes for the City on an ongoing basis.

Estimates suggest that it may be possible to for the City to generate approximately \$0.3 to \$0.5 million per year (total for all three courses) in rent. It is estimated that this opportunity could deliver a potential cumulative financial benefit between \$1.0 to \$1.5 million over five years.

It is anticipated this opportunity would directly affect City personnel as it could result in a reduction of 18 FTEs comprised of 6 permanent full time employees and 20 employees who are either temporary or provisional with the remaining positions being vacant which are held for seasonal employees. Interdepartmental services that complement the operations and maintenance of golf courses could also be impacted, as outsourcing would reduce the need for some support services, such as IT (e.g., reservation system, software and internet servicing, upgrades and maintenance), fleet (equipment procurement and maintenance) and communications and engagement (e.g., marketing material, social media). It is anticipated a new operator would provide these services through their own processes and this would no longer be required by the City.

The existing third-party food and beverage operators as well as the pro shop operators that are currently contracted would also be affected. This analysis assumes, as per the City, that the current contracts would be terminated at no cost with 90-days' notice. The outsourcing contract would include all operations that generate revenue, making this opportunity as attractive as possible to a third party. City-provided discounts, such as the Leisure Access Program and River Valley Junior Club, would also be discontinued and the third-party operator would determine what discounts or special rates to offer. The City may choose to provide a grant to the operators to enable access for Leisure Access Program users – based on 2019 data this could equate to approximately \$45,000 to \$65,000 annually.

# Opportunity Background & Context

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## OPPORTUNITY AND CURRENT SITUATION

The City currently owns and operates three municipal golf courses located in its river valley: Riverside Golf Course, Rundle Park Golf Course, and Victoria Golf Course. The courses offer seasonal amenities such as golf experiences, event sites and access to cross-country skiing trails. In addition to providing all capital and operating maintenance, the City offers programming in the form of group lessons. Ancillary services, such as the pro shop, individual lessons and food services are currently contracted to third parties.

With a 26% reduction in golf attendance from 2016 to 2019,<sup>2</sup> the City faces challenges with recovering the full operating and maintenance costs from these amenities, let alone ongoing capital investments needed to maintain the assets. Rundle Park Golf Course had an average operating cost recovery rate of 44% of expenses from 2015 to 2019, including capital and maintenance costs.<sup>3</sup> By comparison, the Victoria and Riverside courses had an average cost recovery of 83% of total expenses.<sup>4</sup>

There may be an opportunity for third parties to operate these golf courses and reduce the cost to taxpayers. A specialized third party may be better positioned to reduce overall operating costs and to tailor marketing and offerings to generate demand.

## CITY CONTEXT

The City has operated and maintained these municipal golf sites for over 100 years. Since their early inception, the City's recreation program offering has expanded significantly to cater to the needs and interests of a much broader portion of the population. With over 35 golf courses in the Edmonton Metropolitan Region, including public access to at least 29 courses, residents appear to be well served by the market. The City's involvement in operation of golf courses is no longer necessary to provide Edmontonians with golfing options. Further, access to golf experiences is not required as part of the recreation services that citizens solely rely on municipal provision.

In 2020, Council directed Administration to report on the necessary steps to transition operation of Rundle Golf Course to a new operator.<sup>5</sup> This business case builds upon Council's request with an examination of all three courses under a single contract. Other strategic connections are outlined in Table 1.

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<sup>2</sup> Analysis of data provided by the City of Edmonton on attendance by business area 2015-2019.

<sup>3</sup> CR\_8388 City Owned Golf Courses – Attachment 4, City of Edmonton Golf Courses Financial Summary (2019-2020)

<sup>4</sup> CR\_8388 City Owned Golf Courses – Attachment 4, City of Edmonton Golf Courses Financial Summary (2019-2020)

<sup>5</sup> City of Edmonton. Council Motion CS00224.

Table 1: Alignment to City Strategies

Strategic Document	Reference	Relevance to this Opportunity
<b>ConnectEdmonton<sup>6</sup></b>		
<b>Healthy City</b>	Edmonton is a neighbourly city with community and personal wellness that embodies and promotes equity for all Edmontonians.	This opportunity continues to support outdoor recreation activities in Edmonton, regardless of the service provider. The focus on equity could be maintained through contract requirements related to public access.
<b>The City Plan<sup>7</sup></b>		
<b>1.1.1.4</b>	Encourage healthy and active living by supporting community-focused recreational, leisure, social and cultural programs.	Golf experiences will continue to encourage resident activity through a variety of programs, events and services provided by a third party.
<b>1.4.2.1</b>	Protect, restore, maintain and enhance a system of conserved natural areas within a functioning and interconnected ecological network.	Working with a third party to comply with all applicable environmental and ecological policies supports a healthy and attractive river valley.
<b>2.1.1.4</b>	Facilitate access to City activities and programs for people of all ages and abilities.	The golf course will remain a public course that any individual can access without membership requirements.
<b>Branch Strategic Pillars</b>		
<b>Financial Accountability</b>	Stewardship: Accountability for the use of City resources.	By methodically exploring viable cost reductions, the City demonstrates accountability for the use of City resources.
<b>Operational Excellence</b>	Service Delivery: Excellence in service delivery within facilities, open spaces, events and the community.	Selection of an experienced operator will promote continued quality and adaptability to user needs.
<b>Relationships</b>	Partnerships: Engagement of organizations across recreation, sport, attractions and events.	The City may engage third parties to operate and deliver programming at its golf facilities.

Source: Based on information provided by the City.

<sup>6</sup> City of Edmonton. CONNECTEDMONTON - Edmonton's Strategic Plan 2019-2028.

<sup>7</sup> City of Edmonton. The City Plan (2020)

## LEADING AND COMPARATIVE PRACTICES

Large municipalities in Canada have historically provided public golf facilities. There are 61 municipal golf courses currently operated by municipalities in Alberta.<sup>8</sup> However, due to financial challenges, municipalities are increasingly assessing whether golf should continue to be a service provided by a municipality. For example, Calgary, Ottawa, Brandon (Manitoba) and London (Ontario) have all reviewed outsourcing or considered divesting of municipal golf courses due to financial challenges.

In comparison with other major Canadian cities, Edmonton currently provides slightly less than the average on both municipal courses per capita as well as holes per capita, as illustrated in Table 2.

**Table 2: Benchmarking Analysis of Municipal Golf Courses**

City	Courses per 100,000 residents	Holes per 100,000 residents
Calgary	0.56	7.26
Mississauga	0.42	3.74
Toronto	0.18	3.29
Vancouver	0.48	8.55
Winnipeg	0.43	6.38
<b>Edmonton</b>	<b>0.32</b>	<b>5.79</b>
Average	0.40	5.84

*Source: Based on information from various public websites.*

Other municipalities, such as Calgary, have recently reviewed their role as operators of municipal courses. In 2020, Calgary's Council elected not to proceed with outsourcing or divestment at this time citing the current economic downturn, pandemic situation, procurement challenges and labour relations implications. Calgary's Administration will be reporting back to Council in the fourth quarter of 2022 to re-evaluate its role in operating their seven municipally owned golf courses and three driving ranges.

Ottawa no longer manages any public golf courses, having divested its only course in 2014. Full divestment of Ottawa's interest in the golf course was reportedly motivated by its consistent operating deficit, and the significant capital investments in ageing facilities anticipated over the subsequent five years. The sale of Ottawa's municipal course included all revenue generating services, such as the pro shop, event rentals and catering.

Since this sale, the course remains in operation and several capital improvements have been conducted by the new owners. As this was Ottawa's only municipal course, Council voted to get out of the golf business altogether. Their rationale noted that their residents did not rely solely on municipal provision of golf experiences as an explicitly required recreation service and that Ottawa's participation in the market did not appear to impact access or affordability of golf experiences for its residents.

<sup>8</sup> Data provided by the City of Edmonton

## ENVIRONMENTAL CONSIDERATIONS

Notable environmental considerations for this opportunity are described below in Table 3.

Table 3: Environmental Considerations

Factor	Descriptions
<b>Economic Context</b>	<b>Overall decline in the industry:</b> Between 2015 and 2017, the Canadian golf industry noted the closure of 51 facilities and only opened four. <sup>9</sup> Golf courses in Canada experienced an estimated 14% decline in the number of rounds played between 2008 and 2013. <sup>10</sup> However, the COVID-19 pandemic has stimulated a resurgence in demand for golf due to the reduction in alternative recreation activities and golf's advantage as an outdoor sport with fewer participant interactions. Once these pandemic impacts recede, it is unclear whether the renewed enthusiasm for golf will be sustained over the long term.
<b>Recreation Context</b>	<b>COVID-19 has altered how people are using municipal facilities and services:</b> Restrictions have closed access to many recreation facilities, with many people choosing not to use them even when they are allowed, due to concerns about the virus. The demand for open spaces and outdoor recreation such as cross-country skiing and golf have, by contrast, increased. Multiple studies show a global trend away from participation in organized activities (such as football or baseball leagues), in favor of fitness and recreation activities that can be done individually or in small, distanced groups. In Canada, participation in organized sport dropped from 45% to 28% of all adults, while similar proportions reported increasing involvement in informal activities such as walking, yoga and swimming. <sup>11</sup>
<b>Legislative Context</b>	<b>Guiding plans or requirements:</b> Given proximity to the river, the City's environmental practices or targets may influence operations of the courses, including potential influence from Touch the Water (which includes an ecological component), Ribbon of Green (resilient ecosystems), North Saskatchewan River Valley Area Redevelopment Plan Bylaw and relevant zoning considerations.
<b>Environmental Context</b>	<b>Proximity to the North Saskatchewan River:</b> The City would need to work with any third party to ensure compliance with several important policies such as the tree management policy, requirements for an environmental impact assessment prior to significant maintenance or upgrades, contaminated land policy, drainage management policy, Edmonton's environmental management system (Envisio), Climate Resilient Edmonton and the integrated pest management policy.

Source: Based on information provided by the City and other referenced sources.

<sup>9</sup> Golf Facilities in Canada 2017, Golf Canada and The PGA of Canada. Accessed April 2021 at <http://pgaofcanada.uberflip.com/i/834072-golf-facilities-in-canada-2017-report/0>

<sup>10</sup> National Allied Golf Associations. Economic Impact of Golf in Canada Report (2014)

<sup>11</sup> Statistics Canada, 'Who participates in active leisure?' (2009). Accessed January 2021 at <https://www150.statcan.gc.ca/n1/pub/11-008-x/2009001/article/10690-eng.htm#a17>

# Options

This business case focuses on one option: on whether the City should engage a single third party to operate all of three golf courses as a lease arrangement. This option is outlined below in Table 4.

**Table 4: Option Descriptions**

Component	City Responsibilities	Operator Responsibilities
<b>Structure</b>	<ul style="list-style-type: none"> <li>– City retains ownership of facilities, land and infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>– Third party operates as an independent business, leasing facilities from the City</li> </ul>
<b>Programs</b>	<ul style="list-style-type: none"> <li>– N/A</li> </ul>	<ul style="list-style-type: none"> <li>– Operator continues to provide public access</li> <li>– Operator markets and delivers all programming</li> <li>– Operator makes all decisions related to programming, events, and tournaments based on demand</li> </ul>
<b>Financial Structure</b>	<ul style="list-style-type: none"> <li>– City receives lease payments</li> </ul>	<ul style="list-style-type: none"> <li>– Operator has autonomy to determine fees and prices</li> <li>– Operator retains all revenues received through services delivered</li> <li>– Operator remits lease payments to the City</li> </ul>
<b>Other Services / Contracts</b>	<ul style="list-style-type: none"> <li>– N/A</li> </ul>	<ul style="list-style-type: none"> <li>– Partner decides if and how to provide food and beverage services, catering and space rental within the scope of their business license</li> <li>– Partner has responsibility to manage any contracts (or decide to contract out elements of service) including pro shop, food and beverage, etc.</li> </ul>
<b>Maintenance and Capital</b>	<ul style="list-style-type: none"> <li>– City provides envelope / rehabilitative / major maintenance and capital upgrades (e.g., building envelop maintenance, plumbing, electrical, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>– Operator provides ongoing operational management (grounds maintenance, custodial duties, small activities such as changing light bulbs etc.)</li> <li>– Operator provides required fleet and equipment</li> </ul>

Source: Based on information provided by the City and assumptions outlined in Appendix B.

# Impact Assessment

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## SERVICE IMPACT

**This opportunity has the potential to change service levels or access to facilities, but impact is anticipated to be low.**

Although the City would no longer provide golf-related services directly to residents, it is expected that service levels would be maintained or even improved over time as a third party adapts to changes in user needs and preferences. Courses and their amenities would remain accessible to the public.

As part of this opportunity, the City would cease to deliver group programming, with the expectation that a third party would evaluate demand and capacity for such offerings. Under an outsourced model, the Leisure Access Program would no longer apply to golf experiences because these services are not explicitly required to support the City's outcomes nor do residents solely rely on municipal provision. Available data suggests that Leisure Access Program use of golf courses represents only 2.5% of total golf course users (including driving range and golf courses).

Golf-related services such as individual lessons, special events, pro shop services and merchandise, and food and beverage services could be provided by either the third-party operator or through supplementary service contracts with other third parties.

Winter programming would not be assumed to be delivered by a third-party entity. For any program or service required to winter programming or maintenance, the City would compensate the third party for the delivery of that service.

It is anticipated that in order for the courses to recover their operating costs, user fees may need to increase. Analysis from 2018 on price sensitivity suggests that there may be room for increases in the current market environment.<sup>12</sup> There are risks that increased prices may have a negative impact on attendance; additional marketing and communications to increase attendance may be required.

## DELIVERY IMPACT

**This opportunity does not appear to significantly impact the delivery of recreation services.**

While City operations of the golf courses would no longer be required, the City would still need to retain expertise to deliver the facility management over time.

One lesson learned from Ottawa on their transition, was the need to provide adequate staffing (over one full season) to act as liaison in the negotiation for the sale and / or lease transfer of equipment. In addition, it was noted by Ottawa that it is important to provide general oversight and knowledge transfer; dedicated resources from the City should be considered in order to enable a smooth transition through activities such as collecting expressions of interest, evaluating proposals, negotiating contracts, and establishing an appropriate reporting and accountability structure.

City personnel currently employed at each of Edmonton's municipal golf courses would be impacted by the implementation of this opportunity. The City may choose to address this through attrition, lapsed seasonal contracts and redeployment to similar functions. In the case of Ottawa's transition to a private operator, their liaison encouraged the new owner to take on as many of the previous course staff as possible. This was not a stipulation of the agreement, but a

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<sup>12</sup> City of Edmonton Community and Recreation Facilities Report – Fee Benchmarking and Optimum Price Point Research (2018)

commitment to best efforts, as the operator was also motivated to retain some of the historical knowledge and expertise unique to that course.

Winter operations and programming have not been included in the operations for the third-party operator. Requirements for the City to access and use for winter purposes could be incorporated into the lease agreements. Any winter programming or operations would either continue to be delivered by the City or may be an additional fee for service agreement entered into with an operator.

## VIABILITY

### **This opportunity appears to be viable.**

Market sounding completed for this business case suggests that there are third parties in the local golf industry that may be interested in pursuing an arrangement with the City. While those engaged expressed a need to see more detailed information on the current assets and operations of the City courses prior to confirming their interest, they were receptive to the prospect of operating one or more golf courses.

Market sounding participants noted that several businesses already operate multiple locations and are able to leverage economies of scale as well as expertise in effective marketing of golf experiences. Interviewees also expressed some concern about the viability of Rundle as a full golf course. Feedback collected in market sounding interviews indicated that third parties may be more agile to respond to market changes as well as to implement innovative approaches to increase revenue generation through additional lines of business. The City noted that an external third party has approached them previously regarding the Rundle Park Golf Course.

Market sounding participants indicated that they would be flexible and interested in exploring various arrangements with the City. However, they expressed a clear preference for a long-term (five years or greater) lease agreement offering full autonomy in all lines of business. Third parties indicated that they could be interested in undertaking a longer-term lease with the City (e.g., 25 years in length), where partners would undertake the capital and maintenance costs. This is due to the potential efficiencies operators may realize, as well as the ability to make target investments based on their operating knowledge.

Through the market sounding, third parties also expressed a willingness to continue to maintain public access and potentially programming targeted at increasing participation from key user groups, such as women and youth. Comparable public courses in Edmonton currently target certain demographics through individual and group programming, events and discount strategies. For example, Lewis Estates Golf Course currently organizes a variety of women's leagues and provides discounted weekday green fees for seniors (65+) and juniors (up to 16 years of age) representing a 4% and 20% reduction respectively. The Legends Golf and Country Club currently offers seniors a 16% discount on weekday and weekend green fees as well as tournament fees. In addition to its reduced rates for youth and seniors, Dragon's Head Par 3 Golf Course offers women 18 holes for the price of nine every Tuesday.

While Riverside and Victoria Golf Courses already appear to be financially attractive to a partner, Rundle has limitations due to its lower operating recovery. For Rundle to have a positive 5% return by year 5, one scenario would need to see its revenues from admissions and rentals, as well as added food and beverage, and merchandise sales, increase by 15% each year over five years. This equates to an overall cumulative increase in revenues of approximately 60-65%. It does not appear that Rundle would be attractive to a third party on a stand-alone basis. Therefore, a bundled contract for all three courses would allow a third party to offset this less attractive financial opportunity with more attractive opportunities at the other courses.

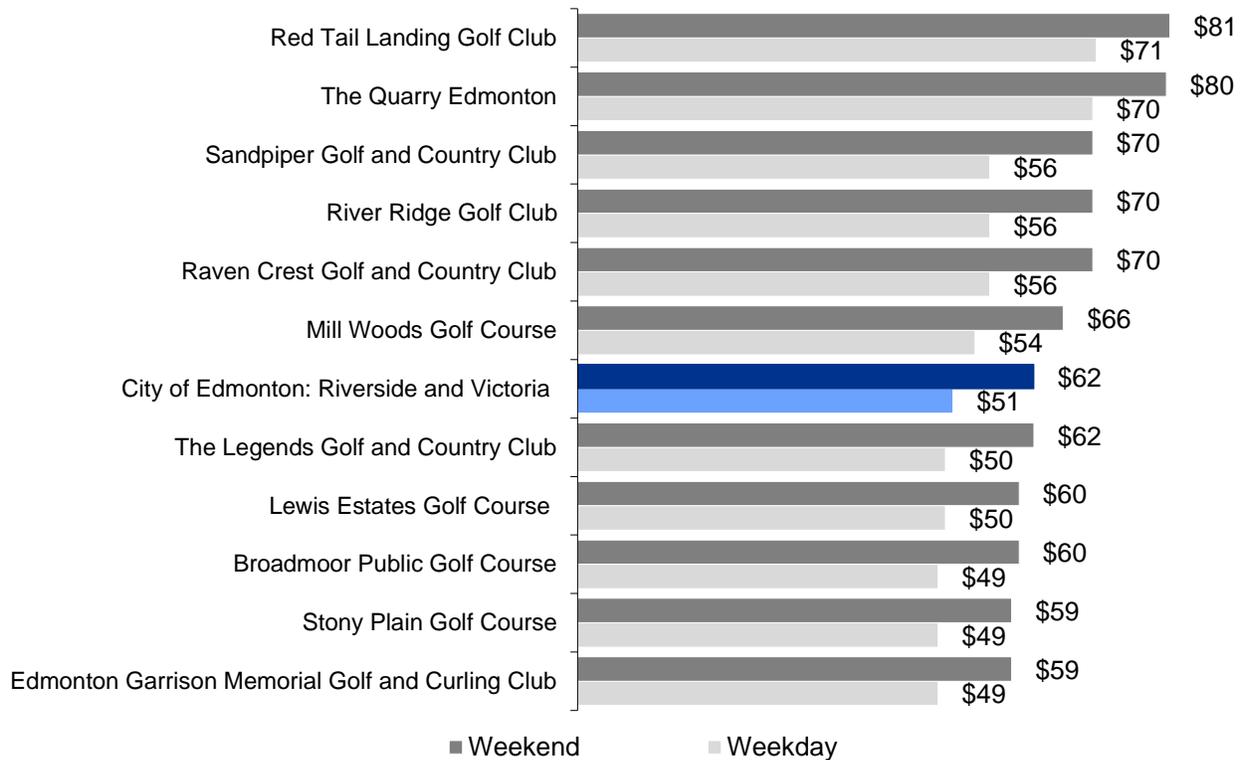
Analysis suggests that this type of model could be profitable for a third party, based on new revenue sources (such as food and beverage, and merchandise sales) and reduced operating costs. For instance, to achieve a positive 5% margin by year 2, revenues would need to increase by approximately 20% per year for the two years. This would include new revenues from food and beverage (estimated at approximately 17% of total revenue), an increase of attendance of approximately 2.5% a year (slightly higher than population growth estimated at 1.5% per year), and increased prices by

approximately 14%. After the first two years, it would be expected that the revenues would grow at a rate closer to population and inflation growth.

Projections estimated that revenues over the first two years would increase by approximately \$1,000,000 in food and beverage, and approximately \$970,000 increase in admission revenues (driven by increased attendance, population growth, and price increases).

There are risks with the use of third parties to operate facilities. The City currently has a contractor operating a City owned Mill Woods course, who previously paid the City a management fee of \$75,000. This operation was no longer financially viable, and the agreement was renegotiated eliminating the fee paid to the City. However, the contract for the operator offered minimal incentive to grow the business, and the food and beverage operations were run by a community league.

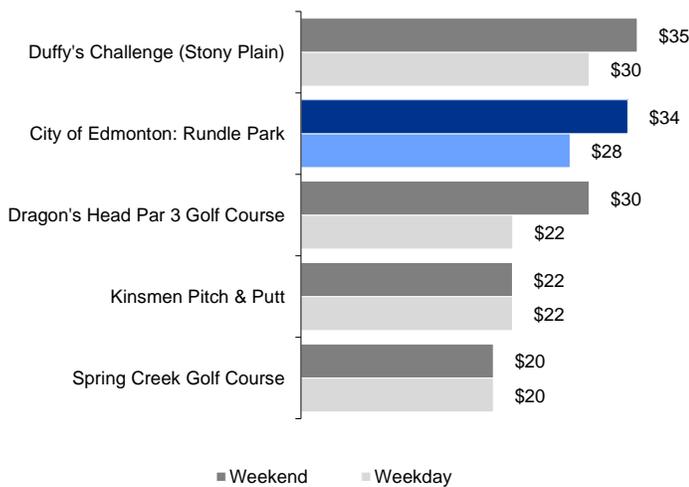
**Figure 1: Sample Comparison of Local Golf Course Fees - Benchmarked Green Fees 2021 (Adult, 18 Holes)**



Source: Based on published golf course rates, normalized to exclude power cart rentals or other offers.

**Figure 2: Comparison of Local Par 3 Golf Course Fees**

**Benchmarked Green Fees 2021 (Par 3, Adult, 18 Holes)**



Source: Based on published golf course rates, normalized to exclude power cart rentals or other offers.

**GBA+ IMPACTS AND MITIGATIONS**

**There appears to be some impact to users and stakeholders involved with golf courses.**

GBA+ considerations for this opportunity primarily include the impacts on existing City staff, on targeted programming, and on affordability and access.

This opportunity would result in a direct reduction of permanent and temporary FTE required at these courses. A full breakdown of the impacted FTEs is included in **Appendix B: Financial Projections**. The majority of the positions at golf courses are seasonal in nature. These FTEs appear to be primarily male, with regular FTEs higher in tenure, on average, than temporary employees. The GBA+ information was provided based on current employees; it is noted there are approximately 6 FTEs that were 'vacant' at the time of analysis. All current FTEs that would be impacted are unionized.

Preliminary market sounding completed for this business case supports the assumption that programming similar to the current City-run group activities could be offered by a third party in alignment with market demand. Participation in City-run programs totaled 1,904 between 2016 and 2019 (1,348 adults and 556 youth) for an average of 476 participants per year.

Demographic information for group lesson participants, described below in Table 5, suggests that changes to programming would have differential gender impacts at different age levels. It is not clear what the future mix of programs might be.

**Table 5: Group Program Participant Types by Age and Gender**

Age Group	Program	Female	Male
Youth (6-14)	Junior Golf Camps	39%	61%
Youth (11-17)	Youth Group Lessons	50%	50%
Adult (18-64)	Adult Group Lessons	59%	41%
Adult (65+)	Adult Group Lessons	71%	29%

Source: Based on data from the City.

A third party would retain control of fees; while Rundle's fees appear to be relatively high compared to similar comparators, the Riverside and Victoria courses are lower compared to others in the market and there may be flexibility for an operator to increase fees.

Estimates suggest that with increases in revenues, the third party could pay rent up to \$501,000 per year (for all the three courses). While every third party would have its own criteria for expected returns and assumptions about revenue growth and efficiencies, it appears possible that the golf courses could be financially viable for a third party and that the City could realize overall benefits in reduced expenditures of up to approximately \$1.7 million over five years (net of any transition and on-going contract management costs).

With respect to affordability, populations with limited incomes, youth and seniors may be disproportionately impacted by a change in pricing. It is also important to consider the role of the Leisure Access Program as the primary tool for enabling affordable access to people experiencing low income. Currently, the City offers discounts on a limited number of rounds of golf and a free bucket of balls daily at the driving range.

This business case assumes that golf would be excluded from the Leisure Access Program going forward, as it does not meet the City's criteria for Priority Based Budgeting (PBB) program attributes related to mandate and reliance on City provision.<sup>13</sup> The City is not obligated to provide subsidized access to golf experiences as an explicitly required service under the Municipal Reference Model, nor do residents rely solely on municipal provision of golf facilities and / or programming. In addition, increases to fees may also create further barriers from a Leisure Access Program perspective. However, this may represent a minimal impact, as Leisure Access Program recipients generally make up a very small proportion of golf course visits, as demonstrated in Table 6 and Table 7. However, the City could potentially mitigate this impact on those users by providing a grant to the operators to enable access for Leisure Access Program users. Based on 2019 data this could equate to approximately \$45,000 to \$65,000 annually.

Additional information and scoring of GBA+ impacts and mitigation are included in **Appendix A: GBA+ Assessment**.

**Table 6: Leisure Access Program Usage - Golf Courses (2015-2019)**

<b>Rounds of Golf</b>	<b>Average Annual Leisure Access Program Usage</b>	<b>Average Annual Rounds Sold</b>	<b>Leisure Access Program as a Percentage of Rounds Sold</b>
<b>Riverside</b>	97	31,259	0.31%
<b>Rundle</b>	77	24,263	0.32%
<b>Victoria</b>	172	37,416	0.46%
<b>Total</b>	<b>346</b>	<b>92,938</b>	<b>0.37%</b>

*Source: Based on data provided by the City.*

**Table 7: Leisure Access Program Usage - Driving Range (2015-2019)**

<b>Buckets of Balls</b>	<b>Average Annual Leisure Access Program Usage</b>	<b>Average Annual Buckets Sold</b>	<b>Leisure Access Program as a Percentage of Buckets Sold</b>
<b>Victoria Driving Range</b>	3,396	60,132	5.67%

*Source: Based on data provided by the City.*

<sup>13</sup> City of Edmonton Priority Based Budgeting (PBB) Process – Program Attributes

## FINANCIAL IMPACTS

This opportunity is estimated to result in positive financial impact for the City.

Financial impact estimates can be seen in **Appendix B: Financial Projections**, which also includes a notice to reader significant assumptions made. High and low scenarios are presented which differ based on the expected rent payments.

Financial analysis, illustrated in Table 8, compares the net loss for the City under the current model against the outsourcing of the three golf courses. This projection is based on a model where the three courses are bundled together for operation by a single third party and assumes improvements to the revenue model.

Projections include both a “high case” where the rent paid by the third party is \$501,000 and the “low case” where the rent is \$375,000. These scenarios have been developed based on approximations of the overall ongoing cost to the City, which is largely capital and maintenance costs. The high case would reflect approximately a third of these costs, and the low would cover approximately one quarter.

**Table 8: Financial Projections (\$000s)**

Comparison of City Cash Flows (based on 2019 data)	City Cash Flow from Golf Courses	Estimated Potential City Proceeds from Third-Party Operated Golf Courses	Estimated Potential City Proceeds from Third-Party Operated Golf Courses
	2019 Actual	2019 Pro Forma	2019 Pro Forma
	Current	Low Case	High Case
<b>Revenues or Rent Payments</b>	\$4,409	\$375	\$501
<b>Less</b>			
Operating Expenditures	\$(4,365)	-	-
Former F&B* Revenues from Partner	-	\$(50)	\$(50)
Ongoing Contract Management	-	\$(21)	\$(21)
Maintenance and Capital Expenditures	\$(1,547)	\$(1,547)	\$(1,547)
<b>Net Cashflow</b>	<b>\$(1,503)</b>	<b>\$(1,243)</b>	<b>\$(1,117)</b>
<b>Estimated Potential Difference from 2019 Actuals</b>	<b>-</b>	<b>\$262</b>	<b>\$388</b>

\* Food and Beverage

Source: Based on information provided by the City and other sources.

Under the outsourced model, the City's overall net losses would be reduced by the receipt of lease payments from the third party. It is estimated the City could potentially generate approximately \$262,000 to \$388,000 per year in additional proceeds.

It also appears that the opportunity for revenue sharing opportunities may be limited, as this would impair the financial feasibility of the opportunity for the third party.

This opportunity could see the City collect a fixed payment for the long-term lease (i.e., at minimum a five-year term for up to 25 years). In 2020, the City estimated that the golf courses would require \$11.5 to \$12.5 million in capital investment expenses over the next ten years.<sup>14</sup> With a fixed lease payment, it is the third party that bears any risk related to operating deficits, which reduces the City's financial exposure.

## RISKS

There are a number of potential risks that may impact the feasibility of this opportunity. Key risks are summarized in Table 9. Further information on the identified risks are presented in **Appendix C: Risk Analysis**.

**Table 9: Key Risks and Mitigations**

Potential Risk	Potential Mitigation
<p><b>Reduced Viability</b></p> <p>There is a risk that a third party may determine the opportunity is not financially viable and are unable to pursue the opportunity or are unable to realize anticipated financial benefits due to declining demand or other economic challenges. This may result in insolvency and require the City to support operational costs.</p>	<p>This risk could be addressed through third-party engagement, including early discussions of financial sustainability given the current financials. A third party may want to renegotiate the lease in the event that financial efficiencies are not realized as anticipated.</p>
<p><b>Maintenance</b></p> <p>There is a risk of possible confusion or duplication around maintenance responsibilities - distinguishing between custodial maintenance and general upkeep versus capital maintenance and improvements to assets such as the clubhouse or irrigation system.</p>	<p>This risk could be mitigated by outlining clear roles and responsibilities for both entities as well as appropriate standards and expectations to be monitored as part of the ongoing contract management process.</p>
<p><b>Labour Relations</b></p> <p>There is a risk that the City's reputation could be negatively impacted by the shift to non-unionized positions as part of the outsourced operations.</p>	<p>This risk could be mitigated through engagement and proactive communication with labour relations groups. Utilize strategies to demonstrate the City's efforts to redeploy impacted human resources to other municipal operations.</p>
<p><b>Public Acceptance of Outsourcing</b></p> <p>There is a risk that the public perceives the outsourcing of golf courses as a shift from public to private may result in concerns about access.</p>	<p>This risk could be addressed through effective communication to explain the proposed arrangement and assurances that the City will retain ownership and continue to promote access in working with the operator.</p>

Source: Prepared by KPMG.

<sup>14</sup> City of Edmonton – CR\_8388 City Owned Golf Courses Q & A Key Messages, 2020

# Opportunity Assessment

## OVERALL ASSESSMENT OF OPPORTUNITY AGAINST CRITERIA

The opportunity assessment of the option against the criteria identified in this business case is summarized in Table 10, where green, grey and red represent a positive, neutral and negative impact respectively.

Table 10: Opportunity Assessment

Options	Impact					Estimated Potential Five-Year Benefit (Millions)	Implementation			
	Service	Delivery	GBA+	Financial	Risk		Time	Cost	Risk	Estimated Potential Implementation Cost (Millions)
Option 1: Outsource City Golf Courses	●	●	●	●	●	\$1.0 – \$1.5	●	●	●	\$0.2

Source: Prepared by KPMG using information provided by the City, other sources and outlined assumptions.

## CONCLUSION AND RECOMMENDATION

**The City should consider proceeding with Option 1 and outsource operations of its three golf courses.** Based on the projected financial benefit and the analysis completed, this represents an improvement opportunity wherein another party absorbs significant financial risk. The recommended actions outlined below would support pursuit of this opportunity.

### Recommended Action 1

**The City should conduct a formal call for expressions of interest in support of Option 1.**

Market sounding interviews completed for this business case provided a foundational assumption that this opportunity will garner interest among local golf course operators. However, potential providers will require greater specificity on the parameters and expectations in order to commit. Key topics likely include the proposed financial model, division of maintenance and lifecycle management responsibilities, the level of vendor autonomy over pricing and programming, and the scope of revenue generating activities associated with operating the golf courses.

Formally engaging potential operators may inform the details needed to develop the subsequent request for proposals. In addition, the City may choose to explore an agreement that also outsources capital and maintenance responsibilities through a long-term lease relationship. Market sounding suggested this may be an opportunity that private operators are interested in exploring further.

## Recommended Action 2

### **The City should extend an open request for proposals in support of Option 1.**

An RFP would specifically describe the standards and key performance measures for a successful partnership, provide access to relevant financial information, as well as facility condition and usage data to inform potential bidders. The RFP could also solicit innovative approaches that would improve the course's profitability and / or quality golf experiences for Edmontonians.

# Appendix A: GBA+ Assessment

## EVALUATION SUMMARY

### What is the overall GBA+ assessment?

GBA+ considerations for this opportunity primarily refer to targeted programming, impacts on affordability and access, and impacts to existing City staff. Preliminary market sounding supports the assumption that programming similar to the current City-run group activities could be offered by the third-party operator in alignment with demand from users. A change in operator could impact staffing, as well as user access. The Leisure Access Program could be discontinued under a third-party operator, but this represents a very small proportion of current course users.

This opportunity requires that the course still remain a public course, meaning general access for most is maintained. However, there may be impacts to overall programming or discounts offered to specific user groups, such as women, young adults, or seniors. This may impact the City's Healthy City – Inclusivity goal; however, third parties may still provide these services if there is demand.

### What are the main groups that could be affected (including those with no vulnerabilities), and what impacts are noted?

Specific demographics such as women, youth and low-income participants could be impacted if their program offerings are reduced or expanded. However, market sounding indicated that operators would be willing to work with the City to identify needed areas of programming or to align with demand. Populations with limited incomes, youth and seniors may be disproportionately impacted by a change in pricing.

A 2016 survey of golfers at City facilities suggest that 82% of golfers support the City providing golf courses<sup>15</sup>. A broader survey of public opinion was not conducted.

### What do we know about the people who would be affected by this change?

-2. Very little known about them or their characteristics	<b>-1. Some general idea of numbers or types of people affected</b>	0. Good idea of overall numbers and some other aspects (e.g., time / nature of needs)	+1. Good information on the numbers of people affected and some key characteristics	+2. Good information on numbers, demographics groups, and contact lists (e.g., email / phone lists)
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### What impact would there be from this change on the staff members of the City or other agencies who may be from these groups?

There is a potential for staff reductions once the City ceases to operate the golf courses and driving range. The staff employed at golf courses are typically in seasonal positions. Staff roles may include populations such as young adults or students, immigrants, individuals without higher education, or older adults.

<sup>15</sup> Current State of Sport and Active Recreation survey, 2016

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There are existing vendor contracts with the City, including the pro shop and food and beverage contracts across the three courses. Ending contracts may impact those businesses and the individuals employed by them. Vendor staff composition is not known.

**What equity measures could we use or implement to improve or positively mitigate impact for one or more of the groups identified?**

Building clauses into the contractor arrangement could ensure the City's objectives of providing public access and targeted programming are maintained by the new operator. Impacted City staff could be redeployed to other areas of municipal operations or the new operator could be encouraged to hire from existing staff to promote continuity of operations. This may depend on factors such as position availability and staff experience / expertise level. For staff who may be laid off, the City could arrange human resource services to provide career transition support.

The improved financial model of the golf courses may support improvements to accessibility through capital upgrades. For example, increased financial position (from net benefits) could be used over time to upgrade accessibility of facilities.

The City may choose to continue the Leisure Access Program and potentially mitigate the impact on those users by providing a grant to the operators. Based on 2019 data of Leisure Access Program usage (rounds of golf and buckets at the driving range) this could equate to approximately \$45,000 to \$65,000 annually.

**How confident we are in the information we are basing our decisions on? What could we do to check or confirm our assumptions?**

In order to check or confirm assumptions, a more detailed analysis of golf operations positions and their suitability for accommodation within other departments would need to be conducted.

## IMPACT OF THIS CHANGE ON PEOPLE BY KEY IDENTIFIED VULNERABILITIES

Consider how you would expect this change to affect people with various types of characteristics that may give rise to vulnerabilities:

Personal Characteristics	-2 Could create new barriers	-1 Could exacerbate existing barriers	0 Limited effect or impact unknown	+1 Could reduce existing barriers	+2 Substantially improved access
People who are not physically strong or confident in their movements			0		
People with vulnerable people with them			0		
People who currently have very limited or no income		-1			
People who may experience fear or distress due to threats or violence			0		
People with additional language or communication needs			0		
People who may find mainstream activities unwelcoming or not appropriate for their needs			0		
<b>Total Score</b>	<b>-2 Little or no specific impact identified</b>				

# Appendix B: Financial Projections

## NOTICE

The financial projections contained in this document provide future-oriented financial information. The projections are based on a set of circumstances and the City's assumptions as of April 2021. Significant assumptions are included in the document and must be read to interpret the information presented. Should events differ from the stated assumptions, actual results will differ from the financial projections and such differences may be material.

The financial information and assumptions contained herein has been prepared to assist readers in deciding whether to proceed with their own in-depth investigation and evaluation of the options presented and does not purport to contain all the information readers may require. Readers should conduct their own investigation and analysis of the options.

KPMG accepts no responsibility or liability for loss or damages to any party as a result of decisions based on the information presented. Parties using this information assume all responsibility for any decisions made based on the information.

## FIVE-YEAR PROJECTIONS

The five-year projections for the facilities are summarized below in Table 11.

Table 11: Five-year Financial Projections

Projections	2022	2023	2024	2025	2026	Total Estimated Potential
<b>Estimated Potential Net Savings from Golf Operations</b>						
Low Case	-	\$262,000	\$311,000	\$319,000	\$329,000	<b>\$1,220,000</b>
High Case	-	\$388,000	\$440,000	\$450,000	\$463,000	<b>\$1,740,000</b>
<b>Estimated Potential Implementation / Ongoing Costs</b>						
FTE Severance	\$139,000	-	-	-	-	\$139,000
Procurement Costs	\$100,000	-	-	-	-	\$100,000
<b>Total</b>	<b>\$239,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$239,000</b>
<b>Estimated Potential Net Financial Benefit</b>						
Net - Low	\$(239,000)	\$262,000	\$311,000	\$319,000	\$329,000	<b>\$982,000</b>
Net - High	\$(239,000)	\$388,000	\$440,000	\$450,000	\$463,000	<b>\$1,502,000</b>

Source: Based on information provided by the City and assumptions outlined.

Note: Figures rounded to the nearest thousand.

## HIGH AND LOW SCENARIOS

The different rent scenarios, illustrated below in Table 12 and Table 13, estimate the City's cashflow over the next five years.

**Table 12: Financial Projections – Potential Low Scenario (\$000s)**

Low Scenario In 000s	2022	2023	2024	2025	2026
Rent	-	\$375	\$382	\$390	\$400
Less Food and Beverage Revenue	-	\$(50)	\$(50)	\$(50)	\$(50)
Less Ongoing Contract Management	-	\$(21)	\$(21)	\$(21)	\$(21)
Less Maintenance / Capital	-	\$(1,547)	\$(1,573)	\$(1,603)	\$(1,637)
<b>Net Cashflow</b>	-	<b>\$(1,243)</b>	<b>\$(1,262)</b>	<b>\$(1,284)</b>	<b>\$(1,308)</b>
<b>Current City Cashflow</b>	-	<b>\$(1,505)</b>	<b>\$(1,573)</b>	<b>\$(1,603)</b>	<b>\$(1,637)</b>
<b>Estimated Potential Net Savings from Golf Operations</b>	-	<b>\$262</b>	<b>\$311</b>	<b>\$319</b>	<b>\$329</b>

Source: Based on information provided by the City and assumptions outlined.

Note: Figures rounded to the nearest thousand.

**Table 13: Financial Projections – Potential High Scenario (\$000s)**

High Scenario In 000s	2022	2023	2024	2025	2026
Rent	-	\$501	\$511	\$521	\$534
Less Food and Beverage Revenue	-	\$(50)	\$(50)	\$(50)	\$(50)
Less Ongoing Contract Management	-	\$(21)	\$(21)	\$(21)	\$(21)
Less Maintenance / Capital	-	\$(1,547)	\$(1,573)	\$(1,603)	\$(1,637)
<b>Net Cashflow</b>	-	<b>\$(1,117)</b>	<b>\$(1,134)</b>	<b>\$(1,153)</b>	<b>\$(1,174)</b>
<b>Current City Cashflow</b>	-	<b>\$(1,505)</b>	<b>\$(1,573)</b>	<b>\$(1,603)</b>	<b>\$(1,637)</b>
<b>Estimated Potential Net Savings from Golf Operations</b>	-	<b>\$388</b>	<b>\$440</b>	<b>\$450</b>	<b>\$463</b>

Source: Based on information provided by the City and assumptions outlined.

Note: Figures rounded to the nearest thousand.

## SIGNIFICANT ASSUMPTIONS

1. The Victoria Cricket Pitch would continue to operate in the same partnership it currently operates under. There would be no changes or impacts to this partnership.
2. Winter operations and programming have not been included in this analysis, and requirements for the City to access and use for winter purposes could be incorporated into the lease agreements. Any winter programming or operations would either continue to be delivered by the City or may be an additional fee-for-service agreement entered into with an operator.
3. The contract length assumed in this case is five years, based on the projected financial viability for the third-party entities. The City may discuss other contract lengths with interested entities.
4. The contract would entail a monthly lease payment to the City, which the City may use to offset capital and maintenance costs. Capital and maintenance costs are assumed to be approximately \$500,000 per course, per year. This is based on historical averages (across three courses), as well as future calculations of anticipated capital and maintenance costs of \$11.0 to \$12.5 million over the next two capital budget cycles.
5. The three golf courses (including Victoria Driving Range) would be bundled as part of a single operating contract to offset the low-cost recovery of Rundle. Rundle appears to require significant differences in partner cost models, or ability to significantly increase attendance rates, for this course to be financially viable to a partner.
6. The operator would provide all aspects of operations, including provision of fleet, fleet maintenance, IT systems, HR and personnel management, etc.
7. The City would pay severance to permanent and temporary City employees who are currently employed by golf courses (18.1 FTE). Severance has been calculated at 8 weeks for permanent employees and 2 weeks for temporary employees. Average salary used for permanent employees was \$93,000 and \$62,000 for temporary employees.
8. It is assumed that a City employee would be required to manage the lease on an ongoing basis. This is assumed to be 1/3 of the time spent by a contract management representative, at a salary (including benefits) of \$70,000.
9. It is assumed partners may be able to realize efficiency gains of 2.5% of personnel and goods and services costs, in their first year of operation.
10. The food and beverage growth assumption is supported by a 40% margin as indicated by Statistics Canada, for full-service restaurants and limited-service eating places.<sup>16</sup>
11. Implementation costs for this opportunity include:
  - One-time procurement costs of \$100,000.
12. Food and beverage services has been included in this calculation and would offset the required growth of attendance to increase overall revenue potential. This means operators would either operate their own food and beverage or manage the contracts (with potential for existing operators to remain) with a revenue sharing agreement. Termination of these contracts would be at no cost given 90-days' notice.
13. The food and beverage growth assumption is supported by a 40% margin as indicated by Statistics Canada, for full-service restaurants and limited-service eating places.<sup>17</sup>
14. It is assumed that a partner would require a 5% profit by Year 2 of operating. The 5% is derived from Statistics Canada as the average anticipated profit required by a small- to medium-sized golf entity.<sup>18</sup>

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<sup>16</sup> Statistics Canada. Financial Performance – Full-Service Restaurants and Limited-Service Eating Places.

<sup>17</sup> Statistics Canada. Financial Performance – Full-Service Restaurants and Limited-Service Eating Places.

<sup>18</sup> Statistics Canada, Financial Performance – Golf Courses & Country Clubs

15. Other assumptions were derived from the Statistics Canada data as well, including interest (2.2% of revenue), and amortization (3.3%, approximately half of the benchmark rate of 6% to account for there being no depreciation of facilities).<sup>19</sup> Income taxes were assumed to be 36%.<sup>20</sup>
16. The various components of required revenue growth are summarized below for high (\$501,000 rent) and low scenarios (\$375,000 rent). This assumes implementation starting in 2023.

**Table 14: Revenue Assumptions – High Case**

High Case	2022	2023	2024	2025	2026
<b>Food and beverage share of revenue</b>	N/A	9.0%	17.0%	17.0%	17.0%
<b>Population growth</b>	N/A	1.5%	1.5%	1.7%	2.0%
<b>Growth from attraction</b>	N/A	2.5%	2.5%	0.0%	0.0%
<b>Admission price increase</b>	N/A	7.0%	7.0%	2.0%	3.0%

Source: Based on information provided by the City and assumptions outlined.

**Table 15: Revenue Assumptions – High Case**

Low Case	2022	2023	2024	2025	2026
<b>Food and beverage share of revenue</b>	N/A	9.0%	17.0%	17.0%	17.0%
<b>Population growth</b>	N/A	1.5%	1.5%	1.7%	2.0%
<b>Growth from attraction</b>	N/A	0.7%	0.7%	0.0%	0.0%
<b>Admission price increase</b>	N/A	7.0%	7.0%	2.0%	3.0%

Source: Based on information provided by the City and assumptions outlined.

<sup>19</sup> Statistics Canada, Financial Performance – Golf Courses & Country Clubs

<sup>20</sup> Canada 2022 Corporate tax rates net of abatement, plus Alberta Corporate Tax Rate (KPMG)

17. Staffing implications are presented in detail in the following tables. **Demographic information is based on average FTE calculations. This information reflects current incumbents of the role; the demographics of the actual people affected may differ in accordance with seniority clauses in the collective agreements.**

**Table 16: Estimated Impact to City of Edmonton Employees**

	Estimated Potential Changes in Regular Employees (FTEs)	Estimated Potential Changes in Temporary Employees (FTEs)	Estimated Potential Reductions in Employees (FTEs)
<b>Estimated Reductions in Existing Employees</b>	<b>6.0</b>	<b>6.7</b>	<b>12.7</b>
<b>Estimated Reductions by Age</b>			
Under 20	0.0	0.0	0.0
20 – 29	0.0	2.2	2.2
30 – 39	1.0	1.0	2.0
40 – 49	2.0	1.0	3.0
50 – 59	2.0	1.9	3.9
60 and over	1.0	0.7	1.7
<b>Estimated Reductions by Sex</b>			
Female	1.0	0.2	1.2
Male	5.0	6.5	11.5
<b>Estimated Reductions by Tenure</b>			
Under 5 years	0.0	6.5	6.5
5 – 10 years	3.0	0.0	3.0
Over 10 years	3.0	0.2	3.2
<b>Estimated Impact on Existing Employees</b>	<b>(6.0)</b>	<b>(6.7)</b>	<b>(12.7)</b>
<b>Estimated Additions</b>	<b>0.3</b>	<b>0.0</b>	<b>0.3</b>
<b>Estimated Reductions in Vacant Positions (identified for seasonal positions)</b>	<b>(2.0)</b>	<b>(3.4)</b>	<b>(5.4)</b>
<b>Estimated Potential Net Impact</b>	<b>(7.7)</b>	<b>(10.1)</b>	<b>(17.8)</b>

*Source: Based on analysis of information and assumptions provided by the City.*

*Note: Analysis is based on data at a point in time.*

It is estimated that up to 18 FTEs could be affected by the FTE reductions noted above. These FTEs are comprised of 6 permanent full time employees and 20 employees who are either temporary or provisional with the remaining positions being vacant which are held for seasonal employees.

**Table 17: Estimated Impacts to City of Edmonton Employees by Union Classification**

	Estimated Potential Changes in Regular Employees (FTEs)	Estimated Potential Changes in Temporary Employees (FTEs)	Estimated Potential Reductions in Employees (FTEs)
<b>Estimated Reductions in Existing Employees</b>	<b>6.0</b>	<b>6.7</b>	<b>12.7</b>
CUPE Local 30	6.0	6.7	12.7

*Note: Analysis is based on data at a point in time. Totals may be affected by rounding.*

*Source: Analysis of information and assumptions provided by the City.*

18. Inflation is adjusted for each year at the following rates:

**Table 18: Inflation Rate Estimates**

	2022	2023	2024	2025	2026
<b>Inflation Rate (%)</b>	1.7%	1.9%	2.1%	2.5%	2.5%

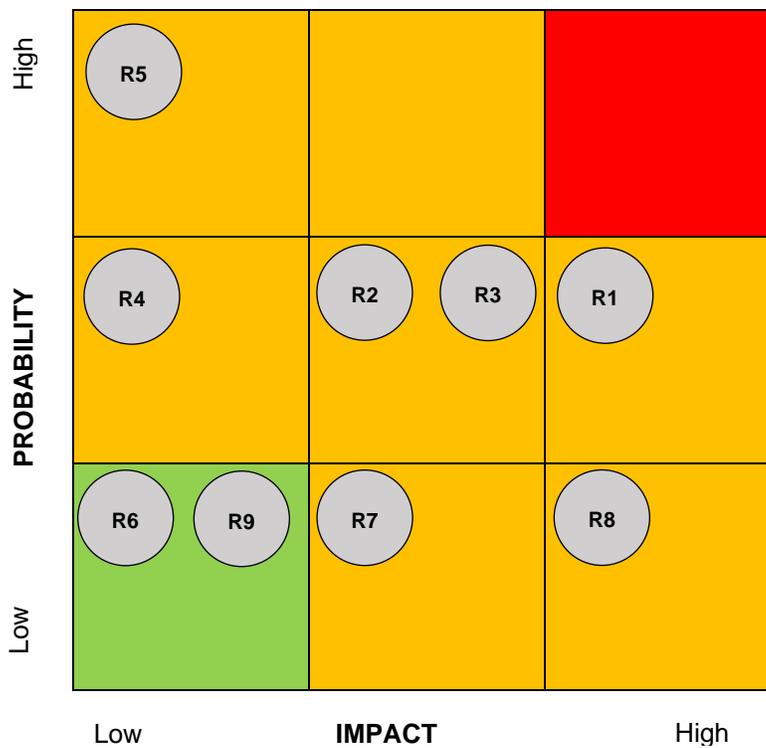
# Appendix C: Risk Analysis

## RISK ASSESSMENT

Engaging a third party to operate City golf courses comes with a medium degree of strategic, reputational, operational and financial risk.

The following matrix summarizes the key risks of this opportunity, measuring probably against impact.

Figure 3: Risk Matrix



## RISK ASSESSMENT AND MITIGATIONS

The risks and mitigation strategies identified for this opportunity are summarized in [Table 19](#).

Table 19: Risk Register

Risk	Relevant Categories	Highest Rating	Mitigation	Residual Risk
<b>R1. Reduced Viability</b>	Financial	<b>Financial</b>	This risk could be addressed through third-party engagement, including early discussions of financial sustainability given the	<b>Operations</b>
There is a risk that a third party may determine the opportunity is not financially viable and	Operations	Impact: High		Impact: High
		Probability: Medium		Probability: Medium
		Overall: High		Overall: High

Risk	Relevant Categories	Highest Rating	Mitigation	Residual Risk
<p>are unable to pursue the opportunity or are unable to realize anticipated financial benefits due to declining demand or other economic challenges. This may result in insolvency and require the City to support operational costs.</p>			<p>current financials. A third party may want to renegotiate the lease in the event that financial efficiencies are not realized as anticipated.</p>	
<p><b>R2. Maintenance</b></p> <p>There is a risk of possible confusion or duplication around maintenance responsibilities - distinguishing between custodial maintenance and general upkeep versus capital maintenance and improvements to assets such as the clubhouse or irrigation system.</p>	<p>Operations</p>	<p><b>Operations</b></p> <p>Impact: Medium</p> <p>Probability: Medium</p> <p>Overall: Medium</p>	<p>This risk could be mitigated by outlining clear roles and responsibilities for both entities as well as appropriate standards and expectations to be monitored as part of the ongoing contract management process.</p>	<p><b>Operations</b></p> <p>Impact: Low</p> <p>Probability: Low</p> <p>Overall: Low</p>
<p><b>R3. Labour Relations</b></p> <p>There is a risk that the City's reputation could be negatively impacted by the shift to non-unionized positions as part of the outsourced operations.</p>	<p>Reputation</p>	<p><b>Reputation</b></p> <p>Impact: Medium</p> <p>Probability: Medium</p> <p>Overall: Medium</p>	<p>This risk could be mitigated through engagement and proactive communication with labour relations groups. Utilize strategies to demonstrate the City's efforts to redeploy impacted human resources to other municipal operations.</p>	<p><b>Reputation</b></p> <p>Impact: Medium</p> <p>Probability: Medium</p> <p>Overall: Medium</p>
<p><b>R4. Public Acceptance of Outsourcing</b></p> <p>There is a risk that the public perceives the outsourcing of golf courses as a shift from public to private may</p>	<p>Reputation</p>	<p><b>Reputation</b></p> <p>Impact: Low</p> <p>Probability: Medium</p> <p>Overall: Medium</p>	<p>This risk could be addressed through effective communication to explain the proposed arrangement and assurances that the City will retain ownership and continue to promote</p>	<p><b>Reputation</b></p> <p>Impact: Low</p> <p>Probability: Low</p> <p>Overall: Low</p>

Risk	Relevant Categories	Highest Rating	Mitigation	Residual Risk
result in concerns about access.			access in working with the operator.	
<b>R5. Capital Investment Required</b>  There is a risk that additional implementation costs could include significant capital investments in order to improve the attractiveness or viability for third parties.	Financial	<b>Financial</b>  Impact: Low  Probability: High  Overall: High	This risk could be mitigated through disclosure of the condition and ongoing issues with the physical infrastructure during the bid process, and this would need to be discussed in contract negotiation and transition planning.	<b>Financial</b>  Impact: Low  Probability: Low  Overall: Low
<b>R6. Effect on Industry Pricing</b>  An increase in fees at the City courses may create a ripple effect increase in fees at other public courses in the region.	Strategy	<b>Strategy</b>  Impact: Low  Probability: Low  Overall: Low	The golf course will remain public and will ensure that access is still available and market forces promote competitive rates. As golf does not meet PBB criteria related to mandate and reliance on City provision, the responsibility of the City to provide an affordable service is tempered. <sup>21</sup>	<b>Strategy</b>  Impact: Low  Probability: Low  Overall: Low
<b>R7. Inadequate Asset Management</b>  Third-party operator's strategies to maximize revenue impact the quality of turf and / or other assets.	Operations	<b>Operations</b>  Impact: Medium  Probability: Low  Overall: Medium	This risk could be mitigated by outlining clear standards and expectations to be monitored as part of the ongoing contract management process.	<b>Operations</b>  Impact: Low  Probability: Low  Overall: Low
<b>R8. Return to City-run Operations</b>  The proposed outsourcing model proves unsustainable and the City must either discontinue the service	Financial  Operations	<b>Financial</b>  Impact: High  Probability: Low  Overall: High	The City would accept risk that the partner may not realize anticipated savings and would either decide to renegotiate lease, discontinue the delivery of services, or operate themselves.	<b>Financial</b>  Impact: High  Probability: Low  Overall: High

<sup>21</sup> City of Edmonton Priority Based Budgeting (PBB) Process – Program Attributes

Risk	Relevant Categories	Highest Rating	Mitigation	Residual Risk
or act as operator once again.				
<b>R9. Termination of Existing Contracts</b>  Early cancellation of food and beverage contracts negatively impacts current partners related to start-up costs incurred with the understanding of a longer-term contract.	Reputation	<b>Reputation</b>  Impact: Low  Probability: Low  Overall: Low	Maintain open communication with contractors and perhaps provide more than the minimum requisite 90-days' notice. Include consideration of existing contracts and investments in equipment as part of third-party operator negotiations.	<b>Reputation</b>  Impact: Low  Probability: Low  Overall: Low

Source: Prepared by KPMG.



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