

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2011-12

DATE: May 3, 2011

SUBJECT: **GOLF ENTERPRISE FUND**

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The City has provided golf facilities for over 80 years. The City owns and operates eight golf facilities (nine golf courses -Mountain Dell has two 18-hole golf courses) as an Enterprise Fund. The main policies that guide the division are to offer an accessible, reasonably priced recreational opportunity to all sections of the golfing public; to preserve open spaces in an urban setting; and to promote tourism and economic development. Golf participants pay fees that underwrite the cost of providing these services. The Council traditionally balances golf fees at a level necessary to ensure the long-term financial stability of the Golf Enterprise Fund while maintaining the golf program's competitiveness within the market. By policy, the General Fund does not subsidize the Golf Fund. However, during last fiscal year (FY 2011) the City's general fund provided \$691,195 in order to purchase 2.64 acres of property which allows the Rose Park golf course to expand the driving range.

According to the Administration, a fee increase is not proposed until Fiscal Year (FY) 2014. The last fee increase became effective on January 1, 2010. This was the first across-the-board golf fee increase since 2004.

(NOTE: In paperwork submitted for the Golf Capital Improvement Project (CIP) proposal, the Administration is recommending that a portion of the FY 2014 fee increase (up to \$0.50/nine-hole round) be allocated to a "Golf CIP Dedicated Fund" for future capital improvements at the City's golf courses. This item will be presented to the Council at a later date.

- ▶ *Does the Council wish to discuss the benefits and challenges of implementing a CIP fee prior to FY 2014?*
- ▶ *The City does not directly subsidize the Golf Fund, but as noted in this report it is very difficult to stretch resources to properly maintain and improve facilities. The Council may wish to discuss raising fees to more realistically meet the needs of the courses. A fee comparison chart will be available at the briefing.*

The fiscal year 2011-12 revenue budget of \$8,431,088 is estimated to decrease by \$183,459, or 2.1% below the revenue budget for fiscal year 2010-11. The proposed FY 2011-12 expenditure budget of \$8,843,771 is projected to be \$413,726 more than the prior year. Of this amount, \$422,782 is the expense budget for the Rose Park driving range expansion. Revenue for this Rose Park driving range expansion was received from a property sale in FY 2011. Total Capital Improvement Projects (CIP) of \$639,230 are included in the expenditures of the Golf Fund – 1) Cash Capital Outlay of \$135,000 for equipment, facilities, and infrastructure, 2) Debt Service for maintenance equipment and carts of \$246,056, and 3) Debt Service (ends FY2014) for golf carts (Pro shop) of \$258,174.

BUDGET SUMMARY – GOLF FUND

- The Golf Fund switched to a new point of sale and tee time reservation system called EZLinks. Advantages of this system include:
 - Ability to make reservations 24 hours per day.
 - Attention to customer service. Calls to reserve tee times will be handled by live reservation call center and on-line booking system.
 - Collection of information to help meet the needs of golfers who use the City's courses. Examples, include emailing/texting reserved tee times, thank you notes, and customer satisfaction surveys.
 - Zero out-of-pocket annual cost for software, hardware, technical service/support, and live reservation call center services.
- No golf fee increases have been proposed for FY2012.
- Estimated golf revenues are expected to decrease by \$183,459 as compared to the FY 2010-11 budget.
- Estimated golf expenditures, excluding the Rose Park driving range expansion, are expected to have an overall decrease of \$9,056 from the prior year.
- Cash Capital outlay is budgeted at \$25,000 more than the prior year. This allows a net operating income or operating contingency of \$10,099 should revenue projections not be met due to inclement weather or continued effects of the recent economy.
- The Golf Division is currently replacing maintenance equipment by financing purchases over a three year period. The debt service (FY 2011 thru FY 2013) for the current purchase is \$246,056. The next planned debt service payment for maintenance equipment purchase (FY 2014 to FY 2016) is \$290,000. One additional purchase is expected to be financed (FY 17 to FY 19) for \$280,000.
 - ▶ *Does the Council wish to ask the Administration if Golf Fund Management plans to work with Fleet Management Services in planning the financing and purchasing of equipment needed to care for the City's golf courses.*
- The Rose Park golf property sale has been completed and additional properties have been purchased. The expansion of the Rose Park driving range has begun and is expected to be completed by November 2011.
- The Administration will present its recommendation to fund and address deferred maintenance and improvement projects for the City's golf courses. The identified projects are estimated to cost \$22 million. According to the Administration, \$23 million could potentially be generated with any excess to be allocated to operating revenue as an offset to lost revenue during construction of major capital improvement projects.
- The Administration indicates that a budget of \$250,000 in Cash Capital is needed annually through FY 2018 to fund smaller and emergency capital projects (not included in the \$22 million CIP proposal).
- The Administration states that it needs to budget a net income of at least \$200,000 annually to rebuild Cash Reserves and prepare for revenue shortfalls due to inclement spring weather conditions in some years.

The following is the FY 2011-12 proposed budget for the Golf Enterprise Fund:

GOLF ENTERPRISE FUND					
PROPOSED BUDGET					
	Adopted 2010-11	Proposed 2011-12	Revenue & Expense Percentage of Total	Difference	Percent Change
Revenue & Other Sources					
Green Fees	\$ 4,939,804	\$ 4,789,000	56.8%	\$ (150,804)	-3.1%
Cart Rental	2,019,200	1,969,200	23.4%	(50,000)	-2.5%
Driving Range Fees	345,013	343,000	4.1%	(2,013)	-0.6%
Concessions	121,200	117,200	1.4%	(4,000)	-3.3%
Retail Sales	809,000	800,500	9.5%	(8,500)	-1.1%
Other Golf Fees	83,002	137,260	1.6%	54,258	65.4%
Advertising Fees	23,000	9,000	0.1%	(14,000)	-60.9%
Interest Income	20,000	10,000	0.1%	(10,000)	-50.0%
Miscellaneous Leases/Rental Revenue	30,428	31,928	0.4%	1,500	4.9%
Season Passes	223,900	224,000	2.7%	100	0.0%
Other/Admission Sales	0	0	0.0%	-	
Total Revenue & Other Sources	\$ 8,614,547	\$ 8,431,088	100.0%	\$ (183,459)	-2.1%
Expenses & Other Uses					
<u>Operating & Maintenance</u>					
Personal Services	\$ 3,778,867	\$ 3,918,394	44.3%	\$ 139,527	3.7%
Materials and Supplies	1,159,857	1,265,982	14.3%	106,125	9.1%
Other (Charges/Services/Fees, Admin Service Fee, PILOT, Intradepartmental Chgs, Water, Fuel, Utilities)	2,592,465	2,572,703	29.1%	(19,762)	-0.8%
Transfers Out	21,310	24,680	0.3%	3,370	15.8%
<u>Capital Projects: Capital Outlay and Debt Service</u>			0.0%		
Capital Outlay	110,000	557,782	6.3%	447,782	407.1%
Debt for Facilities and Irrigation	0	0	0.0%	-	
Debt for Maintenance Equipment and Golf Carts	767,546	504,230	5.7%	(263,316)	-34.3%
Total Expenses & Other Uses	\$ 8,430,045	\$ 8,843,771	100.0%	\$ 413,726	4.9%
Change in Net Assets	\$ 184,502	\$ (412,683)		\$ (597,185)	-7.0%

BUDGET ITEMS AND POTENTIAL MATTERS AT ISSUE Some of the proposed revenue and expenditure changes to the budget are highlighted below. The “►” symbol indicates questions that Council may wish to address or request additional follow-up information.

REVENUES

1. Total Revenue and Other Sources – Overall decrease – (\$183,459)

- a. Decrease - Green Fees and Cart Rental Fees – (\$200,804)** Cool and wet springtime weather, highway construction projects, a competitive golf market, and challenging economic conditions over the past couple of years have impacted the City’s golf fund

revenues. As a result, the FY 2012 green fee revenues of \$4,789,000 are budgeted at \$150,804 less than they were for fiscal year 2011. The revenue budget of \$1,969,200 for cart rental has been decreased by \$50,000 from the prior year. The FY 2012 projection for rounds of golf is expected to be 468,000, which is 18,000 more rounds than projected for FY 2011. Additionally, driving range fees, advertising, and season pass revenue budgets are expected to decrease by \$15,913 over the prior year's budget.

According to the Administration, the City's prices, quality product, and pass programs are better or comparable to other golf courses in the community.

- b. Decrease – Concessions, Merchandise Sales, Other Fees, and Interest Income – (\$33,358)** Budget revenue for concessions is down by \$4,000 and retail sales are also budgeted at \$8,500 less than the prior year. Other golf fees show an increase of \$54,258 because merchandise certificates are now handled differently after a policy change which allows a certificate to expire if not used by the expiration date. In addition, the budget for interest income has been reduced by \$10,000 for fiscal year 2012.

The following chart is the golf customer fee-related actual revenues - green fees, cart rentals, driving range, and retail sales - for the past nine years. The current and proposed fiscal year budgets are also provided for your information.

Year	Green Fees	Cart Rental	Driving Range	Retail Sales	Total	% Increase Over Prior Year
2002	\$ 4,610,868	\$ 1,751,798	\$ 357,797	\$ 682,942	\$ 7,403,405	
2003	\$ 4,816,308	\$ 1,761,090	\$ 328,325	\$ 741,442	\$ 7,647,165	3.3%
2004	\$ 4,592,025	\$ 1,711,052	\$ 309,484	\$ 707,037	\$ 7,319,598	-4.3%
2005	\$ 4,543,923	\$ 1,624,874	\$ 309,807	\$ 710,631	\$ 7,189,235	-1.8%
2006	\$ 4,710,943	\$ 1,763,267	\$ 321,525	\$ 781,093	\$ 7,576,828	5.4%
2007	\$ 4,763,272	\$ 1,951,157	\$ 334,510	\$ 827,788	\$ 7,876,727	4.0%
2008	\$ 4,483,569	\$ 1,912,527	\$ 328,519	\$ 807,905	\$ 7,532,520	-4.4%
2009	\$ 4,519,334	\$ 1,882,413	\$ 330,452	\$ 772,120	\$ 7,504,319	-0.4%
2010	\$ 4,398,695	\$ 1,793,780	\$ 327,872	\$ 738,057	\$ 7,258,404	-3.3%
Budgeted 2011	\$ 4,939,804	\$ 2,019,200	\$ 345,013	\$ 809,000	\$ 8,113,017	11.8%
Proposed 2012	\$ 4,789,000	\$ 1,969,200	\$ 343,000	\$ 800,500	\$ 7,901,700	-2.6%

Note: Green Fees in all years prior to 2009 included the sales of Frequent Player Discount cards.

Marketing, Advertising, and Promotion Efforts

The Salt Lake City Golf Division plans to host over 100 state-level annual tournaments, corporate and group outings, which are held daily throughout the summer, are also held at the City's golf courses. In addition, the Golf Division plans to market and target their services, courses, and promotions to various groups including, youth, parent/junior, men's and women's clubs, and frequent players.

- 2. Fiscal Years 2010 and 2011 – Projected Revenue and Expenditure Budgets and FY 2008 and 2009 Actuals by Golf Course** The following table presents the actual and projected revenue and expense activity for each of the City's golf courses. The expense line includes advertising, cash capital budget, General Fund administrative fees, debt service and Golf Division administrative overhead costs. Golf Division administrative overhead costs include golf fund management and office expenses, including supplies, accounting, information technology, insurance, and other costs of operating the Golf Division.

► A detailed explanation of how the Golf Division plans to fund and address the operational and capital needs of each course will be further addressed in the Capital Improvements Projects briefing which will be scheduled at a later date.

	FY 2008	FY 2009	FY 2010	FY 2011 Budget	FY 2012 Proposed Budget	Total
Information Only - Administration - Costs Allocated to Golf Courses						
Revenue	\$ 279,005	\$ 227,634	\$ 288,244	\$ 275,400	\$ 292,000	\$ 1,362,283
Expense (ODA - Operations, Debt & Admin Costs)	\$ 797,440	\$ 862,138	\$ 968,371	\$ 1,296,726	\$ 1,003,793	\$ 4,928,468
Net Income after ODA	\$ (518,435)	\$ (634,504)	\$ (680,127)	\$ (1,021,326)	\$ (711,793)	\$ (3,566,185)
Bonneville						
Revenue	\$ 1,381,978	\$ 1,310,394	\$ 1,273,033	\$ 1,463,198	\$ 1,418,900	\$ 6,847,503
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,113,862	\$ 1,125,593	\$ 1,079,759	\$ 1,249,258	\$ 1,281,409	\$ 5,849,881
Net Income after ODA	\$ 268,116	\$ 184,801	\$ 193,274	\$ 213,940	\$ 137,491	\$ 997,622
Glendale						
Revenue	\$ 1,120,146	\$ 1,130,708	\$ 1,161,649	\$ 1,213,450	\$ 1,208,350	\$ 5,834,303
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,268,304	\$ 1,091,763	\$ 1,074,709	\$ 1,195,400	\$ 1,169,277	\$ 5,799,453
Net Income after ODA	\$ (148,158)	\$ 38,945	\$ 86,940	\$ 18,050	\$ 39,073	\$ 34,850
Forest Dale						
Revenue	\$ 677,073	\$ 637,635	\$ 605,816	\$ 658,145	\$ 633,276	\$ 3,211,945
Expense (ODA - Operations, Debt & Admin Costs)	\$ 524,777	\$ 579,622	\$ 579,384	\$ 631,825	\$ 647,055	\$ 2,962,663
Net Income after ODA	\$ 152,296	\$ 58,013	\$ 26,432	\$ 26,320	\$ (13,779)	\$ 249,282
Mountain Dell						
Revenue	\$ 1,954,402	\$ 1,895,441	\$ 1,807,935	\$ 2,062,100	\$ 2,039,400	\$ 9,759,278
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,706,598	\$ 1,579,782	\$ 1,629,612	\$ 1,789,129	\$ 1,832,506	\$ 8,537,627
Net Income after ODA	\$ 247,804	\$ 315,659	\$ 178,323	\$ 272,971	\$ 206,894	\$ 1,221,651
Nibley Park						
Revenue	\$ 585,252	\$ 560,271	\$ 511,856	\$ 572,984	\$ 603,662	\$ 2,834,025
Expense (ODA - Operations, Debt & Admin Costs)	\$ 693,052	\$ 628,697	\$ 646,920	\$ 663,302	\$ 648,840	\$ 3,280,811
Net Income after ODA	\$ (107,800)	\$ (68,426)	\$ (135,064)	\$ (90,318)	\$ (45,178)	\$ (446,786)
Rose Park						
Revenue	\$ 869,941	\$ 923,373	\$ 915,998	\$ 962,400	\$ 920,400	\$ 4,592,112
Expense (ODA - Operations, Debt & Admin Costs)	\$ 967,810	\$ 1,051,369	\$ 1,003,542	\$ 1,153,314	\$ 1,552,827	\$ 5,728,862
Net Income after ODA	\$ (97,869)	\$ (127,996)	\$ (87,544)	\$ (190,914)	\$ (632,427)	\$ (1,136,750)
Wingpointe						
Revenue	\$ 1,153,898	\$ 1,211,091	\$ 1,134,014	\$ 1,316,370	\$ 1,228,000	\$ 6,043,373
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,352,294	\$ 1,158,491	\$ 1,192,695	\$ 1,250,807	\$ 1,226,885	\$ 6,181,172
Net Income after ODA	\$ (198,396)	\$ 52,600	\$ (58,681)	\$ 65,563	\$ 1,115	\$ (137,799)
Jordan River						
Revenue	\$ 65,694	\$ 86,324	\$ 92,712	\$ 90,500	\$ 87,100	\$ 422,330
Expense (ODA - Operations, Debt & Admin Costs)	\$ 187,642	\$ 204,714	\$ 198,697	\$ 221,609	\$ 192,971	\$ 1,005,633
Net Income after ODA	\$ (121,948)	\$ (118,390)	\$ (105,985)	\$ (131,109)	\$ (105,871)	\$ (583,303)
Total Golf Fund						
Revenue	\$ 7,808,384	\$ 7,755,237	\$ 7,503,013	\$ 8,339,147	\$ 8,139,088	\$ 39,544,869
Expense (ODA - Operations, Debt & Admin Costs)	\$ 8,032,386	\$ 7,420,031	\$ 7,405,318	\$ 8,154,644	\$ 8,551,770	\$ 39,346,102
Net Income after ODA	\$ (224,002)	\$ 335,206	\$ 97,695	\$ 184,503	\$ (412,682)	\$ 198,767

EXPENDITURES

- Staffing Changes** – Full Time FTEs will remain at 40.4. Part-time seasonal positions are 48.61 FTEs.
- Increase - Personal Services – \$139,527** The FY 2012 personnel costs are proposed to be \$3,918,394.

3. Increase – Retail Merchandise Purchases – \$3,400 Retail sales are expected to slightly decrease in FY 2012. The budget amount for merchandise purchased for resale will increase slightly.

4. Increase – Materials and Supplies, excluding retail merchandise \$106,125 Other than minor adjustments in certain line items, this is a status quo budget. Some of the budget increases and (decreases) include:

- Parts and accessories - \$109,570 – Golf cart batteries at Mountain Dell and Bonneville need to be replaced.
- Repairs - \$(2,750)
- Athletic supplies - \$5,000
- Chemicals - \$4,500

5. Increase – Water, Fuel, Maintenance, and Miscellaneous Operating Costs -\$26,386 The overall net change to the Charges/Services/Fees budget category is relatively small. Some of the larger budgeted increases include:

- Water - \$12,000
- Building & Housing Repair and Maintenance - \$10,000
- Printing Charges - \$4,300
- Advertising – Access Awards - \$4,500
- Fleet fuel and maintenance - \$24,228 – (\$20,500 of the total is an increase in the amount budgeted for Fleet Fuel.)
- Unemployment comp premium - \$13,700 – The estimate is based on FY 2011 actuals.
- Administrative Fees - \$5,800 – The estimate is based on FY 2011 actual.

Some of the larger decreases occurred in the following accounts:

- City engineering and architect fees – (\$15,000)
- Software Maintenance Contracts – (\$26,583) – The City is working with EZLinks point of sale and tee time reservation system. The EZLinks agreement included new computer hardware and live 24/7 tee time reservation call center services. Salt Lake City’s payment for the EZLink system is two tee times per course per day. The previous reservation system was \$40,000 annually.
- Janitorial Service MC – (\$6,654)
- Administrative Service Fee – (\$30,000)
- P.I.L.O.T. (Payment in Lieu of Taxes) - \$4,658
- Intradepartmental charges – (\$13,708)
- Risk management property premium - \$4,708

6. Decrease – Debt Service – Principal and Interest Expense – (\$263,316) A portion of the equipment debt service (Debt Schedule #1) has been completed for a FY 2012 budget savings. Currently there are two active debt service schedules: # 2 for maintenance equipment and #1 for carts. Additional debt service schedules are planned for FY 2014, FY 2016, and FY 2017.

► *The Council may wish to ask about the Administration about the debt service financing terms.*

7. Increase – Cash Capital Outlay – \$557,782 The Golf Division has budgeted \$135,000 in non-financed capital for Equipment and Facilities. Additionally, another \$422,782 has been budgeted for the driving range expansion at the Rose Park golf course. The revenue for this project was from the FY 2011 sale of 3.01 acres of land at the Rose Park Golf Course to the

Guadalupe School. This budget is the amount available to spend on needs of the golf division after considering debt service payments, net income, and an operating contingency. According to the Administration, the budget will be used primarily for emergency golf course maintenance equipment purchases and facility repairs.

CAPITAL IMPROVEMENT PROJECTS - \$22,000,000 - (Note: A separate staff report will be prepared for the Administration's proposal. A Council briefing will be scheduled at a later date.)

In the past, the Golf Fund Manager and Administration have met with Council Members to review various funding options and strategies to fund approximately \$22 million in Capital Improvement Projects. A transmittal proposing how the improvements will be funded has been submitted by the Administration. This proposal, which includes options, such as, transferring surplus golf course property to the General Fund or rezoning and selling surplus golf course property, is scheduled to be briefed to the Council at a later date.

LEGISLATIVE INTENT STATEMENTS

Fiscal Year 2010-11

Golf Capital Improvement Projects – Further discussion of policies related to use or sale of open space to meet Capital Improvement funding needs. The Administration may wish to forward a proposal or options to consider in advance of a Council discussion on the policy issue.

Administration Response - The Public Services Department Director and the Golf Division Manager met with the City Council in September 2010 to discuss the general concept of selling golf property. Five parcels were submitted for discussion, including 10 acres at Bonneville, 13.65 acres and .89 at Glendale, and 17.5 and 3 acres at Rose Park. The majority of the City Council was of the opinion that they would consider the sale of such open space under certain conditions. Those conditions were not determined at this meeting. At that same time, it was suggested that Golf's situation could be used as a case study to help develop a policy for open space sales. City administration plans to forward a proposal in the near future.