

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2004-05

DATE: May 14, 2004

SUBJECT: **GOLF ENTERPRISE FUND**

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The City has provided golf facilities for over 80 years. The main policies that guide the division are to offer an accessible, reasonably priced, recreational opportunity to all sections of the golfing public and to preserve open spaces in an urban setting. Golf participants pay fees that underwrite the cost of providing these services. The Council traditionally sets golf fees at a level necessary to ensure the long-term financial stability of the Golf Fund while maintaining the golf program's competitiveness within the market.

The budget for fiscal year 2004-05 is proposed to increase by \$127,479 or 1.5% over fiscal year 2003-04.

GOLF ENTERPRISE FUND PROPOSED BUDGET				
	Adopted 2003-04	Proposed 2004-05	Difference	Percent Change
Revenue & other sources				
Green fees	\$5,240,089	\$5,429,100	\$189,011	3.6%
Cart rental	1,946,753	1,926,967	(19,786)	(1.0%)
Retail sales	709,500	725,000	15,500	2.2%
Driving range fees	425,827	400,287	(25,540)	(6.0%)
Season passes	30,000	22,000	(8,000)	(26.7%)
Concessions	115,930	145,988	30,058	25.9%
Advertising fees	110,000	73,600	(36,400)	(33.1%)
Interest income	41,200	50,000	8,800	21.4%
Miscellaneous	109,694	83,530	(26,164)	(23.9%)
Total revenue & other sources	\$8,728,993	\$8,856,472	\$127,479	1.5%
Expenses & other uses				
Operating & maintenance	\$7,114,072	\$7,227,848	\$113,776	1.6%
Debt and interest	1,211,180	1,211,180	0	0.0%
Capital outlay	399,999	408,950	8,951	2.2%
Increase to reserves	3,742	8,494	4,752	127.0%
Total expenses & other uses	\$8,728,993	\$8,856,472	\$127,479	1.5%

POTENTIAL MATTERS AT ISSUE

User fees – The Golf Enterprise Fund operates without assistance from the General Fund. All operating and capital expenditures are funded by user fees. User fees increased an average of 8% on January 1, 2004. The Golf Division currently projects that rate increases may be needed in fiscal year 2005-06 and in 2007-08 to continue providing the same level of golf services. Season passes continue to be phased out, but no new ordinance changes to season passes are proposed. Juniors and seniors that had passes for the 1997 season and renewed their passes each year are the only individuals eligible for passes. The cost for a season pass is \$400 and a surcharge of \$3 per 9 holes is imposed for residents and \$4 per 9 holes for non-residents.

Rounds – Locally, the increase in golf courses has been greater than the increase in population to play the courses. Salt Lake City's golf rounds for calendar year 2003 of 491,569 represents a decrease of 3.8% over calendar year 2002.

Operating expenses – There are two significant factors that are contributing to increased operating expenses for the Golf Enterprise Fund; higher water rates and increased personnel costs (no addition of positions, increases due to rising pension and health insurance costs, etc.).

Marketing Plan – The Golf Division is continuing the implementation of the Golf Marketing Plan and is following the advertising, marketing, and discount programs identified in the plan.

NEW MARKETING INITIATIVES

Participation in the National Golf Foundation's Customer Loyalty And Satisfaction Program (CLASP) - CLASP customer surveys were conducted at City courses in 2003 and are scheduled for 2004. These surveys allow the Golf Division to benchmark certain customer satisfaction factors with comparable golf operations nationwide. The Golf Division scored above the national index in 11 of 13 business driver sections with an 86% overall customer satisfaction rating. Mountain Dell Golf Course received a national award for having the second highest rating nationally in overall customer satisfaction.

The following programs are currently under review and development:

Welcome Packet – Send course information packet to new homeowners in areas that surround City courses. Packet includes course and program information and a voucher for a free 9-hole round of golf at any SLC course.

Golfer Affinity Program – Program rewards customers for dollars spent or rounds played. Rewards may be discounts on rounds or merchandise.

Direct E-mail Marketing Program – Actively market off-peak times, leagues, clinics and merchandise via opt-in email subscriber database.

MARKETING PLAN

In 2002, the Golf Fund prepared a marketing plan with the following goals and objectives:

1. Establish a Frequent Player Discount Card program that rewards golfers that play Salt Lake City courses on a regular basis.

Results/steps taken:

Nearly 2,400 new Frequent Player Discount cards were sold in calendar year 2002. More than 2,900 Frequent Player Discount cards were sold in calendar year 2003.

More than 75,000 9-hole equivalent rounds were played by FPD cardholders in 2002. This equated to 16% of all paid rounds that were played on City courses. In 2003, FPD cardholders played more than 88,000 9-hole equivalent rounds, or 19% of all paid rounds.

Response from FPD card holders has been extremely positive.

2. Develop a marketing program targeted at Salt Lake area businesses that do a significant amount of corporate entertaining and “business golf.”

Results/steps taken:

A Corporate Voucher program has been fully developed and is being released to the public beginning June 2003. The program provides local businesses with a means to save up to 30 percent on business-related golf. The goal of this program is to provide incentives to local businesses to direct their business golf activities to City courses. Due to limited customer response in 2003 the program was retailored for the 2004 season. The revised program is newly implemented and interest is growing.

3. Follow up after corporate golf tournaments to attempt to reserve return bookings in the following season.

Results/steps taken:

Each course is in the process of creating an accessible database of current and past corporate tournament participants to employ for this purpose. In addition, the Golf Division is currently working with its interested food concessionaires to coordinate a joint marketing effort to solicit and capture additional corporate tournaments.

4. Establish a hotel voucher program to provide a discount incentive to visitors staying in area hotels.

Results/steps taken:

The program is ongoing. A brochure was designed that highlights all nine City courses with a locator map and reservation instructions. These brochures are distributed to hotels and the Salt Lake City Visitors and Convention Bureau as well as several other visitor information kiosks.

5. Development of four introductory programs targeting juniors, young women, women, and minorities. Provide beginning young women golfers in the City's junior program a comfortable learning environment by placing them with members of their own peer group under the guidance of a female golf instructor. Partner with the Sorenson Multi-Cultural Center, the University of Utah, and other organizations to develop a youth outreach program involving golf. Participate in The First Tee program. Partner with the Utah High School Activities Association to develop a program designed to introduce young women (ages 14-18) to golf.

Results/steps taken:

The City completely revised its Junior Golf program in 2003. The total number of juniors participating in City sponsored events was 1,136, a 181% increase over 2002 numbers. The total for 2002 was 403. The total for 2001 was 347.

During the 2003 golf season there were 963 female participants in women-only clinics and leagues. A total of 132 participated in instruction clinics, which were previously not offered, and 831 participated in women's leagues.

6. Develop and refine a full sponsorship package. Evaluate, submit bid proposal, purchase and install necessary sponsorship items by spring of 2003. Fill 40% of program offering by January 2003. Fill 90% of program offering by January 2004.

Results/steps taken:

The City Attorney's office raised legal concerns regarding free speech issues related to advertising on golf courses. The Golf Division has worked cooperatively with the attorney's office to resolve these concerns. Final approval to move forward with this program was provided in March 2004. The program has now been implemented and is underway.

7. Create a new Internet site devoted to marketing the Division's golf program.

Results/steps taken:

New additions to the web site in 2004 include the addition of an email subscriber program that provides subscribers with frequent information regarding Golf Division programs as well as discount offers on golf, lessons and merchandise. There was also the addition of the Pepsi Junior Tour page which will post junior tournament information and results from City/County sponsored tournaments. In its 18 months of operation, the new Golf website has seen a 450% average increase in unique daily visitors when compared to the previous site.

8. Develop on-course advertising opportunities.

Results/steps taken:

Promotion of these opportunities is ongoing in tandem with the steps indicated in item number 6 related to the sponsorship package development.

AUDIT REPORT

The Council's contract auditor issued an audit report on the Golf Program. The observations and recommendations are summarized as follows:

- a. Although the Golf Program has cash handling policies and procedures, there were some inconsistencies in shift closing procedures, opening balances and investigations of overages and shortages. The City should train employees so that they understand cash-management closing procedures at the close of a shift. Additionally, the City should consider revisiting written policies and procedures to ensure that they accurately reflect management's required procedures. Management reported that it will update the policies and procedures.
- b. The auditors noted that golf pros both order and receive inventory. The City should segregate ordering and receiving duties to ensure that inventory at the shops is properly received and recorded. Management agreed to institute a centralized order-placing process.
- c. The City may want to consider charging an annual fee for the purchase of a reservation card. Management stated that it may well be time to reexamine whether a minimal annual user fee to assist in supporting the expense of offering reservation service would be well received by the golfing public.
- d. At the time the audit was conducted, there were several concessionaire contracts with which there were some disputes relating to interpretation of the agreements. Management reports that the disputes have now been resolved.
- e. The City may want to consider providing a free golf lesson or other free services to youth consistent with other comparable governments (Denver, Phoenix, St. George, Salt Lake County). This may introduce a

greater number of youth to the game of golf and to the City's courses as well as educate youth on the rules and etiquette of the game. Management indicated that it has recently expanded junior golf programs that will more than double the amount of participation by junior golfers. Many of the clinics and events for juniors are held at the Jordan River Par-3 golf course.

- f. The City may want to consider performing an in-depth study to better articulate the benefits and costs of privatization.

LEGISLATIVE INTENT STATEMENTS

No legislative intent statements are outstanding for the Golf Course Fund.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Golf Division of the Public Services Department.