

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – FISCAL YEAR 2007-08

DATE: May 15, 2007
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. 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 2007-08 is proposed to increase by \$147,484, or 1.7% over fiscal year 2006-07 (less than the 5.2% increase in expenditures last year), for a total expense budget of \$8,722,899. Of this, \$957,874 is dedicated to debt and interest charges.

GOLF ENTERPRISE FUND PROPOSED BUDGET				
	Adopted 2006-07	Proposed 2007-08	Difference	Percent Change
Revenue & other sources				
Green fees	\$ 4,912,236	\$ 4,959,000	\$ 46,764	1.0%
Cart rental	1,787,600	1,857,650	70,050	3.9%
Driving range fees	316,000	339,000	23,000	7.3%
Concessions	145,050	162,100	17,050	11.8%
Retail Sales	731,100	775,600	44,500	6.1%
Other Golf Fees	71,250	81,335	10,085	14.2%
Advertising fees	40,000	20,000	(20,000)	-50.0%
Interest income	35,000	40,000	5,000	14.3%
Miscellaneous Leases/Rental Revenue	29,163	29,566	403	1.4%
Season passes	184,800	182,800	(2,000)	-1.1%
Other/Admission Sales	50,100	100	(50,000)	-99.8%
Appropriation of reserves	273,116	275,748	2,632	1.0%
Total revenue & other sources	\$ 8,575,415	\$ 8,722,899	\$ 147,484	1.7%
Expenses & other uses				
Operating & Maintenance				
Personal Services	\$ 3,874,886	\$ 3,911,883	\$ 36,997	1.0%
Materials and Supplies	1,267,850	1,241,537	(26,313)	-2.1%
Other (Charges/Services/Fees, Admin Service Fee, PILOT, Intradepartmental Chgs, Water, Fuel, Utilities)	2,249,130	2,349,801	100,671	4.5%
Capital outlay	218,500	250,000	31,500	14.4%
Transfers Out	12,005	11,804	(201)	-1.7%
Debt Related				
Debt for Facilities and Irrigation	693,795	698,628	4,833	0.7%
Debt for Golf Carts	259,249	259,246	(3)	0.0%
Total expenses & other uses	\$ 8,575,415	\$ 8,722,899	\$ 147,484	1.7%

KEY ELEMENTS

- A. **Additional Positions** – The Administration is not proposing any new positions.
- B. **Elimination of Positions** – The Administration is proposing eliminating an Accountant III (1.0 FTE). The financial accounting responsibilities of the department will be handled by the .40 FTE Financial Reporting Analyst transferred from the Fleet fund.
- C. **Reclassification of positions** – The Administration’s proposed budget reflects the staffing reclassifications that were discussed during the FY 2007 budget discussion.
- The Administration has indicated that the staffing changes made last year have been received well by both customers and employees and the level of maintenance at the golf courses has not suffered.
 - Employees whose positions were eliminated last year and were still interested in working for the City were all successfully placed in full-time positions (5 promoted within the golf division, 3 placed in other departments).
- D. **Revenue** – Revenues are proposed to increase 1.7% (\$147,484) this year, compared to a 5.1% increase budgeted last year. Numbers in rounds have increased 4% since FY05 and are projected to increase 1.3% in FY07, and the

Administration feels that this is a conservative revenue estimate for the coming fiscal year.

- The accounting report for the Golf Fund shows a \$10,000 increase in “Junior Golf” revenue.
 - This is due to a \$10,000 donation from “Youth On Course” and Chevron.
 - The donation will fund youth golf tournaments, clinics and other events aimed at increasing junior golf play.
- Green Fees – The Administration is not proposing any increase in green fees.
- Miscellaneous Fees – The Administration is proposing adding a “Premium Pull Cart Rental” option to the table of miscellaneous fees (in boldfaced italics):

Miscellaneous Fees

	9-holes	18-holes
Golf Car Cover Rental	\$ 5.00	\$ 10.00
Golf Club Rental	\$ 6.50	\$ 13.00
Jordan River Par-3 Golf Club Rental	\$ 3.00	-
Premium Golf Club Rental	\$ 13.50	\$ 27.00
Pull Cart Rental	\$ 2.00	\$ 4.00
<i>Premium Pull Cart Rental</i>	<i>\$ 3.50</i>	<i>\$ 7.00</i>
Jordan River Par-3 Pull Cart Rental	\$ 1.00	-

- **Season Pass Program** – This category includes revenue from both the old season pass program and the new annual passport program. The revenue is budgeted to decline slightly in the old season pass program, as the program shifts to an annual passport program. The Administration does not have a full year of revenue experience with the passport program on which to base any future projections. Current figures (as of April 30, 2007), place annual revenues from the season pass program at \$81,000. However, actual revenues next year may be higher, because FY 2007's figures represent sales since January.
- E. **Capital Outlay** – The Administration is proposing \$250,000 for Capital Outlay in FY 2008, an increase of \$31,500 from FY 2007. FY 2008 is the last year remaining for debt service on Golf bonds. Additional monies will be available in fiscal year 2009, as debt service payments for the Golf bonds will expire. This will free approximately \$698,000 in funds previously dedicated to debt service.
- F. **New proposed debt** – The Golf fund is proposing an additional \$200,000 in debt for equipment purchases to replace old and outdated equipment.
- G. **Water** – The budget for water is proposed to increase by \$104,050, or 11.6% in the proposed budget.

POTENTIAL MATTERS AT ISSUE

1. **Rounds** – Locally, the increase in golf courses has been greater than the increase in population to play the courses. 28 new golf courses have been built since 1990 that are in Salt Lake City's extended market. Salt Lake City's golf rounds for fiscal year 2006 of 463,997 represents an increase of 4.0% over 2005 (an improvement over the 4.9% decrease seen between 2004 and 2005). The number of courses in the greater Salt Lake region continues to present an issue in terms of rounds played. Over the past few years supply has exceeded demand. It is likely that this trend will continue.
2. **Marketing Plan** – The Golf Division's strategic plan has over 200 initiatives relating to marketing, promotion, customer service, and player development. The Administration finalized this plan last year after the annual budget process.
3. **Resident discounts** – Council staff has inquired with the Administration as to the justification for or arguments against discount pricing for City residents. The Administration has communicated that very few jurisdictions offer this type of service, usually because they are already subsidizing golf courses so heavily that they need every effort to recoup costs. Park City offers this discount pricing. However, their costs are most likely recouped with the large tourist base, and higher prices for non-resident play. St. George has recently ended their residential discount program, specifically because it was not financially beneficial to the courses.
4. **Audit** – In the past the Audit subcommittee has discussed the potential of initiating a Golf audit, and has reviewed a preliminary scope of inquiry. The Council may wish to discuss this further, and decide whether or not to recommend an audit be performed.

LEGISLATIVE INTENT STATEMENTS

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.

SIX YEAR BUSINESS PLAN

The following has been identified as specific and likely future changes to budget and/or staffing of the Golf Division, as outlined in the Six Year Business Plan (Note: The Department's Six Year Business Plan was written in fiscal year 2004):

- Fees are scheduled to increase by 5% in FY 2007-08, in order to keep pace with projected growth in expenses, relatively flat demand, and over-supplied market.
- Personal services expenses are projected to increase an average of 4% per year over the next six years.
- Water expenses are expected to increase as City water rates increase (9% in FY 2005).
- Other expenses are anticipated to increase 2.5% annually.
- Retirement of debt service obligation in FY 2008 will free up \$694,000 per year for other large capital improvement projects.