

## SALT LAKE CITY COUNCIL STAFF REPORT

### BUDGET ANALYSIS – FISCAL YEAR 2008-09

**DATE:** May 20, 2008  
**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.) 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 fiscal year 2008-09 revenue budget of \$8,649,878 is estimated to increase by \$202,727, or 2.4 % over fiscal year 2007-08. The proposed 2008-09 expenditure budget of \$8,451,396 is projected to be \$271,503 less than the prior year, a decrease of 3.0%. The change to net assets (revenues exceeding expenditures) is estimated to be a \$198,482 net increase to the Golf Fund Balance. A Capital Outlay of \$275,000 and the first two of six lease payments for maintenance equipment totaling \$250,000 are included in the expenditures for the Golf Fund.

<b>GOLF ENTERPRISE FUND PROPOSED BUDGET – 2008-09</b>				
	Adopted 2007-08	Proposed 2008-09	Difference	Percent Change
<b>Revenue and Other Sources</b>				
Green Fees	4,959,000	4,804,000	(155,000)	-3%
Cart Rental	1,857,650	2,036,450	178,800	10%
Retail Sales	775,600	848,500	72,900	9%
Driving Range Fees	339,000	348,000	9,000	3%
Concessions	162,100	173,700	11,600	7%
Other Golf Fees – Early reservation fees, Pass Surcharge Fee, Lesson Revenue, Junior Golf Program Fees, Rain Checks, Adult Golf Clinic Fees, and Golf Club Rental Fees, PGA Passbook sales, Tourn. fees	81,435	113,800	28,765	40%
Advertising Fees – Revenues generated from an advertising contract, which sells advertising on tee signs, benches, and golf carts.	20,000	23,000	3,000	15%
Interest Income	40,000	46,000	6,000	15%
Miscellaneous Leases	29,566	30,428	862	3%
Golf Pass Sales	182,800	226,000	43,200	24%
<b>Total Revenue &amp; Other Sources</b>	<b>8,447,151</b>	<b>8,649,878</b>	<b>202,727</b>	<b>2%</b>
<b>Expenses &amp; Other Uses</b>				
Operating expenses				
Personal Services	3,911,883	3,786,165	(125,718)	-3%
Material and Supplies	1,241,537	1,319,675	78,138	6%
Other Operating Expenses (Charges/Services/Fees, Admin Service Fee, PILOT, Intradepartmental Charges)	2,349,801	2,807,689	457,888	19%
Capital Outlay	250,000	275,000	25,000	10%
Transfers Out	11,804	12,867	1,063	9%
Debt Service - courses, irrigation	698,628	-	(698,628)	-100%
Debt Service - equipment	259,246	250,000	(9,246)	-4%
<b>Total Expenses &amp; Other Uses</b>	<b>8,722,899</b>	<b>8,451,396</b>	<b>(271,503)</b>	<b>-3%</b>
<b>Change in Net Assets</b>	<b>(275,748)</b>	<b>198,482</b>	<b>474,230</b>	

**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**

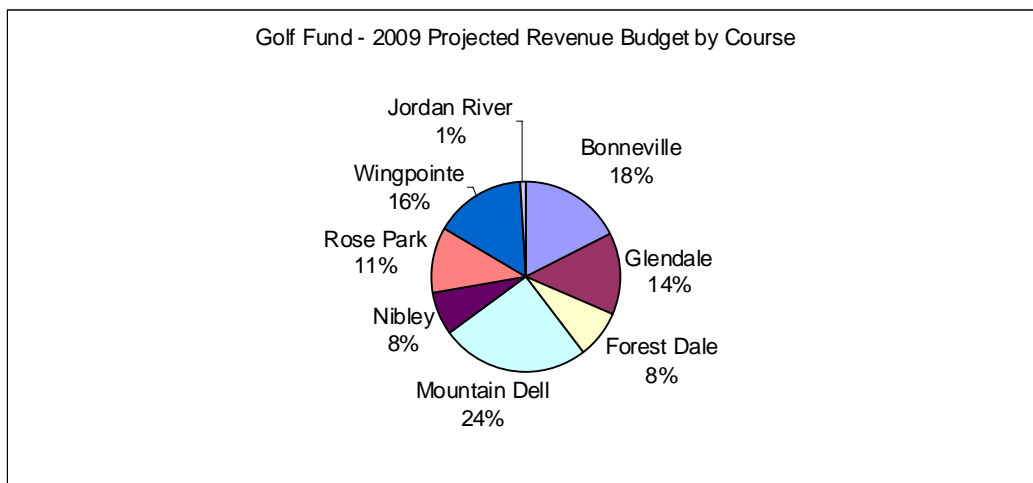
**1. Total Revenue and Other Sources – Overall Increase - \$202,727 – No Green Fee Increases are Proposed** - In the above information provided by the Administration, revenue projections are up in all revenue accounts, including green fees. Green fees appear to be decreasing because of a shift in moving Frequent Player Discount Card revenues (\$75 Annual Fee) of \$120,000 to Season Pass revenue. However, if the Frequent Player Discount Cards are added to the 2009 projected revenues, the increase would be 2.6% over the 2008 projection. The Salt Lake City Golf Department is host to over 30 state-level tournaments, which are held annually. In addition, corporate and group outings are held daily throughout the summer. Mountain Dell is the most popular course for these golf outings. The following chart is the golf fee customer-related revenues - green fees, cart rentals, driving range, and concessions - for the past seven years.

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	4,710,919	1,763,267	321,525	781,093	7,576,804	5.4%
2007	4,797,608	1,951,157	334,510	827,788	7,911,063	4.4%
Budgeted 2008	4,959,000	1,857,650	339,000	775,600	7,931,250	.25%
Proposed 2009	4,804,000	2,036,450	348,000	848,500	8,036,950	1.33%

Note – Green Fees in all years prior to 2009 included the sales of Frequent Player Discount cards. In 2009 the amount budgeted separately for the FPD card sales is \$120,000.

► *The Council may wish to ask about the adequacy of the Salt Lake City Golf Course banquet facilities.*

## 2. Fiscal Year 2008-09 – Projected Revenue Budget by Golf Course



### **EXPENDITURES**

- 1. Staffing Changes** – Fiscal Year 2008 included 42.40 full-time positions and seasonal/part-time hours equal to 51.94 full-time equivalents. For FY2009 the full-time positions were reduced by 3.00 from the transfer of three mechanics to the Fleet Division as part of the small equipment repair program consolidation. (See next item. The Parks Division also transferred 2.0 positions to Fleet for the same purpose.) For FY2009 the seasonal/part-time hours are reduced by 2.33 full-time equivalents and a full-time office technician position is added.
- 2. Transfer of Positions - 3 FTEs - \$141,832** – The Administration is proposing transferring 3 FTEs from the Golf Repair Shop to the Fleet Division. The transfer of the positions should improve: 1) mechanic supervision, 2) inventory tracking, and 3) service and repair turnaround times, since the Small Equipment Repair Staff is all within the Fleet Division. In addition, savings of \$74,810 is projected with the transfer of the Golf Repair Shop employees.
- 3. Decrease of \$125,718 - Personal Services** – Fiscal Year 2009 personnel costs are proposed to be \$3,786,165. Included in the total are cost-of-living, insurance, and pension increases, a decrease from the small equipment repair consolidation, a decrease in seasonal costs, and an increase from the office technician position. During the past couple of years, full-time and seasonal/part-time employee salaries and wages have been adjusted to remain competitive in the labor market.
- 4. Increase - \$257,150 - Golf Course Maintenance Costs** The following golf course maintenance costs are proposed for FY2009: 1) \$27,000 for sand for bunkers, 2) \$44,200 for fertilizers, herbicides, fungicides, and pesticides, and 3) \$185,950 for the increase in the water rate and usage. According to the Administration, the majority of the chemical budget is for fertilizers, which given the acreage and budget amount would amount to a minimal amount. The remaining items are used on the golf courses as needed. The Mountain Dell golf course, located in a watershed area, has particular requirements and is closely monitored by the Public Utilities department.
- 5. Increase - \$18,180 – Golf Cart Maintenance** The contract with an outside vendor for maintaining and servicing the golf carts is projected to increase.

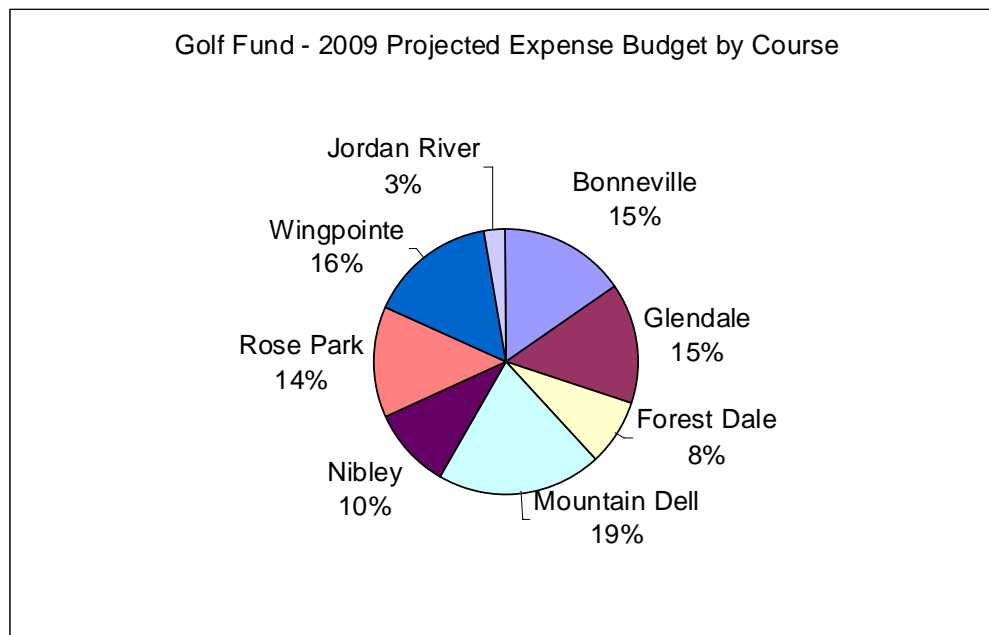
**6. Increase - \$200,538 – Fleet Management** – The Golf Repair Shop is now in the Fleet Division. Fleet will bill the Golf Fund for repair and maintenance services provided by Fleet. There is a corresponding decrease in personal services costs of \$141,832.

**7. Increase - \$25,000 - Capital Outlay** – The increased amount reflects a continuation of a small base amount necessary to address emergency needs.

► *The Golf Fund Manager and Administration have prepared a Council briefing on strategies to fund \$17 Million to \$19 Million in Capital Improvement Projects. The Council may wish to assign the initial review of the briefing to a sub-committee before scheduling a full Council briefing.*

**8. Decrease - \$9,246 – Debt Service Equipment** – The Administration proposes financing a \$700,000 Maintenance equipment purchase. The Debt Service payment of \$250,000 is the 1<sup>st</sup> of 3 annual payments. The last payment in FY2008 for prior debt totaled \$259,246.

**9. Fiscal Year 2008-09 – Projected Expense Budget by Golf Course**



**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 2007 of 471,454 represents an increase of 1.3% over 2006. This is the second consecutive year of increases. The number of courses in the greater Salt Lake region continues to present an issue in terms of rounds played. In recent years the increase in supply has exceeded the increase in demand. This is demonstrated by the fact that the increase in the supply of public golf holes in Salt Lake City’s extended market has increased by 95% since 1990.

**2. Marketing Plan** – The Golf Division’s strategic plan has initiatives relating to marketing, promotion, customer service, and player development.

**3. CIP Funding Proposal and Project Priorities** - balancing the long-term needs of the golf program with establishing fees and charges consistent with the market is particularly difficult at this time. The need to keep fees in line with the fees of other courses is having a long-term impact on the City's ability to address facility needs. The County has made the decision to subsidize the golf program with other funding. The City has not made that decision. In short, the City's golf program is charging rates to compete with the County but does not have the benefit of a general fund subsidy. It is absorbed, or it will be felt, in the long-term viability of the fund and the ability for the City to address capital needs.

### **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.*

- 1. It is the intent of the City Council that the Golf Fund director provide a mid-year update on the status of deferred capital project needs.**

Administrative Response: The Golf Division submitted its Capital Improvement Project Priorities and Funding in a Council Transmittal dated December 4, 2007. The Department will brief the Mayor in mid-February and will request a briefing with the Council in the first half of 2008.

### **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):

- o 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.
- o Personal services expenses are projected to increase an average of 4% per year over the next six years.
- o Water expenses are expected to increase as City water rates increase (9% in FY 2005).
- o Other expenses are anticipated to increase 2.5% annually.
- o Retirement of debt service obligation in FY 2008 will free up \$694,000 per year for other large capital improvement projects.