

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2010-11

DATE: May 4, 2010

SUBJECT: **GOLF ENTERPRISE FUND**

STAFF REPORT BY: Karen Halladay, Budget and Public Policy Analyst

CC: David Terry, Bryce Lindeman, Rick Graham, Kevin Bergstrom, Greg Davis, Nancy Sanders, David Everitt, Gordon Hoskins, Gina Chamness, Randy Hillier, Cindy Gust-Jenson, Jennifer Bruno, Sylvia Richards, Lehua Weaver

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. The Administration is not proposing a fee increase in Fiscal Year 2011. Fees were increased during last year's budget process and became effective January 1, 2010. This was the first across-the-board golf fee increase since 2004.

The fiscal year 2010-11 revenue budget of \$8,614,547 is estimated to decrease by \$17,831, or 0.2 % below the revenue budget for fiscal year 2009-10. The proposed FY 2010-11 expenditure budget of \$8,429,345 is projected to be \$92,278 more than the prior year, an increase of 1.1%. The projected change to net assets for fiscal year 2011 (revenues exceeding expenditures) is estimated to be a \$185,202 net increase to the Golf Fund Balance. This is approximately \$110,000 less than FY 2010. Total Capital Improvement Projects (CIP) of \$877,547 are included in the expenditures of the Golf Fund – 1) Cash Capital Outlay of \$110,000 for equipment, facilities, and infrastructure, 2) Debt Service for maintenance equipment and carts of \$509,372, and 3) Debt Service (ends FY2014) for golf carts (Pro shop) of \$258,174.

BUDGET SUMMARY – GOLF FUND

- No golf fee increases have been proposed for FY2011.
- Estimated golf revenues are expected to decrease by \$17,831 as compared to the FY 2009-10 budget.
- Estimated golf expenditures, excluding debt service and capital outlay are expected to have an overall increase of \$26,296.
- Cash Capital outlay is budgeted at \$190,000 less than the prior year. This allows a net operating income or operating contingency of \$185,202 should revenue projections not be met due to inclement weather or continued effects of the recent economy.
- The Golf Division plans to finance additional golf maintenance equipment which is in need of replacement.
- Requests for proposals for the Rose Park golf property sale are due to the City on April 30. If approved, the sale of the property cannot be finalized until six months after the March 2, 2010 public hearing.
- 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.

The following is the FY 2010-11 proposed budget for the Golf Enterprise Fund:

GOLF ENTERPRISE FUND					
PROPOSED BUDGET					
	Adopted 2009-10	Proposed 2010-11	Revenue & Expense Percentage of Total	Difference	Percent Change
Revenue & other sources					
Green fees	\$ 4,839,000	\$ 4,939,804	57.3%	\$ 100,804	2.1%
Cart rental	2,040,200	2,019,200	23.4%	(21,000)	-1.0%
Driving range fees	342,200	345,013	4.0%	2,813	0.8%
Concessions	191,600	121,200	1.4%	(70,400)	-36.7%
Retail Sales	809,200	809,000	9.4%	(200)	0.0%
Other Golf Fees	120,750	83,002	1.0%	(37,748)	-31.3%
Advertising fees	14,000	23,000	0.3%	9,000	64.3%
Interest income	30,000	20,000	0.2%	(10,000)	-33.3%
Miscellaneous Leases/Rental Revenue	30,428	30,428	0.4%	-	0.0%
Season passes	215,000	223,900	2.6%	8,900	4.1%
Other/Admission Sales	0	0	0.0%	-	
Total revenue & other sources	\$ 8,632,378	\$ 8,614,547	100.0%	\$ (17,831)	-0.2%
Expenses & other uses					
Operating & Maintenance					
Personal Services	\$ 3,718,062	\$ 3,778,167	44.8%	\$ 60,105	1.6%
Materials and Supplies	1,267,285	1,159,857	13.8%	(107,428)	-8.5%
Other (Charges/Services/Fees, Admin Service Fee, PILOT, Intradepartmental Chgs, Water, Fuel, Utilities)	2,518,846	2,592,465	30.8%	73,619	2.9%
Capital outlay	300,000	110,000	1.3%	(190,000)	-63.3%
Transfers Out	16,176	21,310	0.3%	5,134	31.7%
Debt Related					
Debt for Facilities and Irrigation	-	-	0.0%	-	
Debt for Maintenance Equipment and Golf Carts	516,698	767,546	9.1%	250,848	48.5%
Total expenses & other uses	\$ 8,337,067	\$ 8,429,345	100.0%	\$ 92,278	1.1%
Change in net assets	\$ 295,311	\$ 185,202		\$ (110,109)	-1.3%

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 – (\$17,831)

- a. Increase - Green Fees and Cart Rental Fees – \$79,804** Fee increases approved for fiscal year 2010 became effective January 1, 2010. As a result, the green fee revenues of \$4,939,804 are budgeted \$100,804 higher for fiscal year 2011. The revenue budget of \$2,019,200 for cart rental has been decreased by \$21,000 from the prior year. Rounds of golf are expected to remain at roughly 477,000 rounds, which is similar to the FY 2010 projection. Additionally, driving range fees, advertising, and season pass

revenue budgets are expected to increase by \$20,713 over the prior year. Economic conditions and unfavorable weather are factors that impact revenues and rounds of golf played during the year.

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 – (\$118,148)** Budget revenue for concessions is down by \$70,400, largely due to outsourcing the café operations at Nibley Park. Other golf fees show a decrease of \$37,748 because merchandise certificates of \$40,000 are now being reflected in the budget. This budget change more accurately reflects how the merchandise certificates were being accounted for on the financial statements. In addition, the budget for interest income has been reduced by \$10,000 for fiscal year 2011.

The following chart is the golf customer fee-related actual revenues - green fees, cart rentals, driving range, and concessions - for the past eight 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%
Budgeted 2010	\$ 4,839,000	\$ 2,040,200	\$ 342,200	\$ 809,200	\$ 8,030,600	7.0%
Proposed 2011	\$ 4,939,804	\$ 2,019,200	\$ 345,013	\$ 809,000	\$ 8,113,017	1.0%

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

Marketing, Advertising, and Promotion Efforts

The Salt Lake City Golf Division plans to host over 30 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 Department 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 debt service and administrative overhead costs. 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.

	FY 2008	FY 2009	FY 2010 Budget	FY 2011 Proposed Budget	Total
Information Only - Administration - Costs Allocated to Golf Courses					
Revenue	\$ 279,005	\$ 227,634	\$ 299,000	\$ 275,400	\$ 1,081,039
Expense (ODA - Operations, Debt & Admin Costs)	\$ 797,440	\$ 862,138	\$ 1,181,687	\$ 1,296,733	\$ 4,137,998
Net Income after ODA	\$ (518,435)	\$ (634,504)	\$ (882,687)	\$ (1,021,333)	\$ (3,056,959)
Bonneville					
Revenue	\$ 1,381,978	\$ 1,310,394	\$ 1,435,200	\$ 1,463,198	\$ 5,590,770
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,113,862	\$ 1,125,593	\$ 1,223,352	\$ 1,248,650	\$ 4,711,457
Net Income after ODA	\$ 268,116	\$ 184,801	\$ 211,848	\$ 214,548	\$ 879,313
Glendale					
Revenue	\$ 1,120,146	\$ 1,130,708	\$ 1,181,700	\$ 1,213,450	\$ 4,646,004
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,268,304	\$ 1,091,763	\$ 1,172,519	\$ 1,195,813	\$ 4,728,399
Net Income after ODA	\$ (148,158)	\$ 38,945	\$ 9,181	\$ 17,637	\$ (82,395)
Forest Dale					
Revenue	\$ 677,073	\$ 637,635	\$ 697,216	\$ 658,145	\$ 2,670,069
Expense (ODA - Operations, Debt & Admin Costs)	\$ 524,777	\$ 579,622	\$ 600,523	\$ 631,212	\$ 2,336,134
Net Income after ODA	\$ 152,296	\$ 58,013	\$ 96,693	\$ 26,933	\$ 333,935
Mountain Dell					
Revenue	\$ 1,954,402	\$ 1,895,441	\$ 2,114,200	\$ 2,062,100	\$ 8,026,143
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,706,598	\$ 1,579,782	\$ 1,702,770	\$ 1,780,541	\$ 6,769,691
Net Income after ODA	\$ 247,804	\$ 315,659	\$ 411,430	\$ 281,559	\$ 1,256,452
Nibley Park					
Revenue	\$ 585,252	\$ 560,271	\$ 601,812	\$ 572,984	\$ 2,320,319
Expense (ODA - Operations, Debt & Admin Costs)	\$ 693,052	\$ 628,697	\$ 723,698	\$ 663,403	\$ 2,708,850
Net Income after ODA	\$ (107,800)	\$ (68,426)	\$ (121,886)	\$ (90,419)	\$ (388,531)
Rose Park					
Revenue	\$ 869,941	\$ 923,373	\$ 946,550	\$ 962,400	\$ 3,702,264
Expense (ODA - Operations, Debt & Admin Costs)	\$ 967,810	\$ 1,051,369	\$ 1,093,187	\$ 1,156,776	\$ 4,269,142
Net Income after ODA	\$ (97,869)	\$ (127,996)	\$ (146,637)	\$ (194,376)	\$ (566,878)
Wingpointe					
Revenue	\$ 1,153,898	\$ 1,211,091	\$ 1,279,700	\$ 1,316,370	\$ 4,961,059
Expense (ODA - Operations, Debt & Admin Costs)	\$ 1,352,294	\$ 1,158,491	\$ 1,320,147	\$ 1,254,299	\$ 5,085,231
Net Income after ODA	\$ (198,396)	\$ 52,600	\$ (40,447)	\$ 62,071	\$ (124,172)
Jordan River					
Revenue	\$ 65,694	\$ 86,324	\$ 77,000	\$ 90,500	\$ 319,518
Expense (ODA - Operations, Debt & Admin Costs)	\$ 187,642	\$ 204,714	\$ 201,873	\$ 223,252	\$ 817,481
Net Income after ODA	\$ (121,948)	\$ (118,390)	\$ (124,873)	\$ (132,752)	\$ (497,963)
Total Golf Fund					
Revenue	\$ 7,808,384	\$ 7,755,237	\$ 8,333,378	\$ 8,339,147	\$ 32,236,146
Expense (ODA - Operations, Debt & Admin Costs)	\$ 8,032,386	\$ 7,420,031	\$ 8,038,069	\$ 8,153,946	\$ 31,426,385
Net Income after ODA	\$ (224,002)	\$ 335,206	\$ 295,309	\$ 185,201	\$ 809,761

EXPENDITURES

- 1. Staffing Changes** – Full Time FTEs will remain at 40.4. Part-time positions are 48.61 FTEs.
- 2. Increase - Personal Services – \$60,105** The FY 2011 personnel costs are proposed to be \$3,778,167. Most of the increase in this budget item is due to the elimination of the FY 2010 City-wide salary suspension program of 1.5% of salaries.
- 3. Decrease – Retail Merchandise Purchases – (\$24,800)** The Administration estimates that the rounds of golf will not increase in FY 2011 because of the current economy and the recent fee increase. Retail sales are expected to remain flat in FY 2011. As a result the budget amount for merchandise purchased for resale will decrease.

4. Decrease – Materials and Supplies, excluding retail merchandise (\$107,428) The Administration proposes to decrease many of the materials and supplies expenditure budget. Some of the larger budget decreases include

- Concession expenses related to operation of the café at Nibley Park - \$38,000
- Parts and accessories - \$14,000
- Repairs - \$8,750
- Junior golf supplies - \$8,000
- Chemicals - \$5,000
- Retail merchandise sales - \$24,800 - mentioned above
- Miscellaneous accounts - \$8,878

5. Increase – Water, Fuel, Maintenance, and Miscellaneous Operating Costs -\$33,619 The overall net change to the Charges/Services/Fees budget category is relatively small. However, increases of approximately \$103,000 were absorbed by other budgeted line item decreases in this category. Some of the larger budgeted increases include:

- Water - \$23,000
- Fleet fuel and maintenance - \$25,500
- Unemployment comp premium - \$5,300
- P.I.L.O.T. (Payment in Lieu of Taxes) - \$33,689
- IMS (Information Management Systems) interdepartmental charge for accounting software - \$10,000

Expenditure budgets were decreased to offset the increases. Larger decreases occurred in the following accounts:

- City engineering and architect fees - \$15,000
- Other professional and technical fees - \$6,500
- Electrical and natural gas - \$10,154
- Educational training and travel - \$10,350
- Risk management property premium - \$22,048
- Employee bus pass allocation - \$5,286

6. Increase – Debt Service Expense - \$250,848 The Golf Division plans to finance the purchase of golf course maintenance equipment. The increase to the budget is for the first of the three annual payments.

7. Decrease – Cash Capital Outlay – (\$190,000) The Golf Division has budgeted \$110,000 in Equipment and Facilities. Last year, the capital outlay budget was \$300,000. This budget is the amount available to spend on larger needs of the golf division after debt service payments and a net income on operations of just under \$200,000. 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 has been prepared for the Administration's proposal. The Council briefing is scheduled for May 4, 2010.)

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 on May 4th.

LEGISLATIVE INTENT STATEMENTS

Fiscal Year 2009-10

2008-13: Golf Update

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

Administrative Response

The Golf Division has met with Administration, the City Council Budget & Finance Subcommittee, and individual City Council Members with golf courses in their districts to discuss a funding proposal to complete golf course irrigation improvements and other long deferred capital projects totaling \$20M. In April 2009, the Administration directed the Golf Manager to complete the due diligence process necessary to develop recommendations relative to each of the potential funding sources, and then report back to the Administration and City Council in September 2009. Golf staff has finalized its report but still needs to present it to the Administration and City Council. That briefing will take place during the first quarter of calendar year 2010. Potential funding sources that will be investigated include the transfer of surplus real estate to the General Fund, the disposition of surplus real estate, a partnership with the University of Utah, a partnership with the Utah Golf Association and the Utah PGA, partnerships with our existing clubhouse food and beverage concessionaires, a private and corporate donor program, the Energy Performance Contract program for irrigation projects, and bonding.