

City of Ann Arbor

DEFICIT ELIMINATION PLAN FOR GOLF COURSE ENTERPRISE FUND

In order to eliminate the deficit in the City's Golf Enterprise Fund, Ann Arbor's City Council is taking the following actions:

- Approve a new golf fee structure and marketing plan as recommended by Golf Convergence, Inc. to increase the number of rounds played.
- Recommend to State of Michigan that the existing available Class C Liquor License be issued to the City of Ann Arbor for the Leslie Golf Course to increase the amount of food and beverage sales as well as the number of rounds played.
- Direct City Staff to prepare additional recommendations to address the longer-term financial issues surrounding the Golf Course which Council can consider for inclusion in the FY 2009 Budget.

Below is a summary of the effects on the State's three fiscal assessment criteria that are projected to occur based on a liquor license, reduced fees and a revised marketing plan.

| | Actual <u>6/30/2007</u> | Projected | | |
|---|----------------------------|-----------------------|-----------------------|---------------------|
| | | <u>6/30/2008</u> | <u>6/30/2009</u> | <u>6/30/2010</u> |
| Number of Rounds Played | 35,856 | 38,503 | 43,475 | 48,956 |
| TEST ONE-Unrestricted net deficit | | | | |
| Invested in Capital Assets, net of related debt | \$ 1,732,990 | \$ 1,740,256 | \$ 1,744,522 | \$ 1,748,788 |
| Unrestricted net assets (deficit) | <u>(1,132,340)</u> | <u>(1,311,257)</u> | <u>(1,342,486)</u> | <u>(1,238,141)</u> |
| TOTAL NET ASSETS | <u>\$ 600,650</u> | <u>\$ 428,999</u> | <u>\$ 402,036</u> | <u>\$ 510,647</u> |
| TEST TWO- Negative working capital | | | | |
| Current assets | \$ 48,431 | \$ 114,000 | \$ 261,000 | \$ 397,000 |
| Current liabilities | <u>1,274,754</u> | <u>1,314,754</u> | <u>1,354,754</u> | <u>1,394,754</u> |
| TOTAL WORKING CAPITAL | <u>\$ (1,226,323)</u> | <u>\$ (1,200,754)</u> | <u>\$ (1,093,754)</u> | <u>\$ (997,754)</u> |
| TEST THREE-Loss without depreciation | | | | |
| Change in Net Assets | \$ (243,576) | \$ (178,917) | \$ (31,229) | \$ 104,345 |
| Addback: Depreciation expense | 115,734 | 115,734 | 115,734 | 115,734 |
| Deduct: Current portion of debt | <u>(129,471)</u> | <u>(123,000)</u> | <u>(120,000)</u> | <u>(120,000)</u> |
| NET INCOME (LOSS) | <u>\$ (257,313)</u> | <u>\$ (186,183)</u> | <u>\$ (35,495)</u> | <u>\$ 100,079</u> |

Assumes 25% increase in weekend play due to more competitive rates.

Utilizes national standards to assume that 16% of Leslie Park golfers will purchase two (2) drinks during a round of golf.