



TO: Park Advisory Commission
FROM: Colin Smith, Parks & Recreation Services Manager
SUBJECT: GOLF FUND
DATE: December 12, 2012

This memorandum provides PAC a brief history of golf operations at the City, an update on the status of the golf operations, and reasoning behind planning to close the Golf Fund (0047) and move the golf operating budget into the Parks General Fund (0010).

The City owns and operates two golf courses: Leslie Park recently voted the best public course in the State of Michigan by Golf Digest, the most widely read golf publication in the world; and Huron Hills, a beautiful course near the Huron River and ideal for junior and senior play. The golf courses currently operate in an Enterprise Fund (0047).

In July 2007, the City hired a consulting firm, Golf Convergence, to evaluate the City's golf operations and to provide a recommended course of action by December of 2007. City staff and the Park Advisory Commission (PAC) also provided feedback and information in the development of this Golf Convergence Report. **City staff shared the findings of this report with City Council including a 5-year forecast that showed the golf courses improving every year, but never reaching a level of self-support.**

City Council, after reviewing the Golf Convergence report and considering staff and PAC recommendations, decided to make significant capital and operating investments in both golf courses. In addition, the City was required to file a deficit elimination plan with the State because the fund was in a deficit position. The City's plan outlined the recommendations from the Golf Convergence report and showed improvements over the next five years. To begin with, \$1,647,137 was transferred from the General Fund Reserves to forgive the debt that the Golf Enterprise Fund had amassed. Capital investments of \$895,831 were implemented over the duration of the 2008 season. The purpose of the capital improvements was to address issues raised by customers and the Golf Convergence study to make the courses more competitive. City Council also



approved annual recurring expenses of \$219,400 in order to raise operating budgets to an appropriate level. Golf Convergence also reported that the golf courses were both under staffed and did not possess an adequate maintenance budget. By increasing the operating budget, the goal was to enhance customer service and provide better product delivery, resulting in increased participation.

Over the past five seasons, both golf courses have seen remarkable improvement, both in levels of play, and relative to the original financial forecast shared with City Council in 2007. The 2007 golf season represented the nadir for both courses. The rounds played at both courses in the past six seasons are as follows:

Season	Huron Hills	Leslie Park
2007	13,913	21,857
2008	15,558	27,078
2009	21,229	30,973
2010	21,465	32,561
2011	20,031	29,172
2012*	22,915	32,220

*As of November 12, 2012

Huron Hills has experienced attendance rise of 65% over 6 seasons and Leslie Park has seen attendance rise 47%. During the same six year time span, the golf industry in Michigan has seen less than a 1% increase in rounds.



Relative to the original financial forecast, the golf courses' performance improved at an accelerated rate as illustrated below:

	FY2009	FY2010	FY2011	FY2012	FY2013
Original Forecast Loss	(\$689,583)	(\$535,687)	(\$490,955)	(\$433,020)	(\$377,711)
Actual Loss	(\$453,974)	(\$523,530)	(\$495,989)	(\$271,563)	(\$272,220)*
Difference between Actual and Forecast	\$235,609	\$12,157	(\$5,034)	\$161,457	\$105,491*

*FY2013 numbers are mid-year projections, not actual

Although the performance of the golf courses have shown marked improvement over the last six seasons and exceeded all projections, they continue to operate at a deficit. As the golf courses operate in an enterprise fund and are running at a deficit, the General Fund provides an annual subsidy to offset the losses incurred. This is contrary to the definition of an enterprise fund and not a sustainable practice. As such, the City recommended plan to the State will be to close the enterprise fund and move the operations into the General Fund. This is what Council took action on at their December 3rd meeting.

Parks staff is in agreement that the golf courses be placed in the Parks General Fund operating budget. All other recreational facilities, with the exception of the Farmers Market reside in the General Fund. Moving from the Enterprise Fund to the General Fund will reduce the General Fund's subsidy because accounting



standards eliminate certain charges and add others. The net effect results in approximately \$20,000 less expenditure to the General Fund in FY2014 and FY2015. Beginning in FY2016, when the bond payments for improvements at Leslie Park Golf Course are finished, the savings from moving the golf courses out of an Enterprise Fund and into the General Fund become greater – about \$140,000 annually.

Over the last six years there have been numerous conversations about the disposition of the golf course and inquiries as to alternative uses. In January 2011, staff shared with Council other options for Huron Hills Golf Course and the corresponding costs. The alternatives proved to be no more cost effective than continuing to operate the golf courses as golf courses and none of the alternative uses suggested that the parks would see more participation or use.

Over the last six years there have also been questions regarding the cost of operating the golf courses versus other recreational facilities. In order to most accurately compare the true cost of recreational facilities operating in different funds staff developed a matrix that shows a cost per user for each facility that factors in capital improvements, parks millage support, municipal service charges, and operating expenses and revenue. The data shows the golf courses are very much in line with costs to operate the other recreational facilities within the Parks Service Unit.

It is also important to consider that the golf courses are first and foremost parks, and as such the land is strongly protected. A sale of the land would require a vote of the people, and prior to this occurring numerous commissions and Council would have to take multiple actions. Additionally, selling park land while simultaneously acquiring it through a dedicated land acquisition millage is counterproductive.

To conclude, the Administrator's budget for FY2014 will propose that the golf courses be moved to the General Fund Parks.

PAC will review this budget and provide a recommendation prior to Council action in May 2013.

Recreation Facility City Cost/Visitor Operating Budgets with Millage Funds

	FY09 Actuals							FY10 Actuals							FY11 Actuals							FY12 Actuals						
	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	# Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor	Estimated # Visitors	\$ Total Revenue	\$ Total Operating Expenses	\$ Total Millage Expenses	Municipal Service Cost, if charged	\$ Net Cost	City Cost Per Visitor
Leslie Park Golf Course	29,973	811,804	989,614	626,712	Included in Operating	804,522	26.84	32,561	851,570	1,120,530	4,100	Included in Operating	273,060	8.39	30,465	825,794	1,068,906	900	Included in Operating	244,012	8.01	31,500	917,528	1,045,114	9,464	Included in Operating	137,050	4.35
Huron Hills Golf Course	17,469	250,298	526,462	62,659	Included in Operating	338,823	19.40	21,465	313,264	567,834	500	Included in Operating	255,070	11.88	20,488	329,811	559,863	1,100	Included in Operating	231,152	11.28	22,500	369,918	528,455	5,493	Included in Operating	164,030	7.29
Farmers Market	478,000	115,902	132,984	0	Included in Operating	17,082	0.04	512,000	144,591	153,644	6,000	Included in Operating	15,053	0.03	518,000	158,543	156,058	59,180	Included in Operating	56,695	0.11	518,000	169,700	168,977	23,836	Included in Operating	23,113	0.04
Bryant & Northside Community Centers	12,000	0	155,694	23,560	96,219	275,473	22.96	13,000	0	153,978	15,787	93,618	263,383	20.26	13,500	0	105,000	23,319	65,436	193,755	14.35	13,500	0	118,372	9,158	67,646	195,176	14.46
Senior Center	10,034	37,870	195,111	16,893	120,579	294,713	29.37	11,430	72,017	200,853	17,361	122,118	268,315	23.47	11,216	127,201	213,600	55,026	133,115	274,540	24.48	11,500	115,333	192,953	56,921	110,267	244,808	21.29
Veterans Memorial Ice Arena	72,371	465,289	486,690	56,081	300,775	378,257	5.23	77,453	465,495	495,871	552,303	301,487	884,166	11.42	75,824	452,093	453,415	66,999	282,566	350,887	4.63	75,000	437,655	440,318	90,772	251,629	345,064	4.60
Buhr Park Ice Arena	18,124	119,950	148,515	9,365	91,782	129,712	7.16	12,642	76,491	106,151	753,466	64,539	847,665	67.05	25,791	139,248	158,280	122,436	98,639	240,107	9.31	25,000	138,572	172,588	21,186	98,629	153,831	6.15
Veterans Memorial Pool	31,989	119,107	226,446	8,160	139,944	255,443	7.99	35,608	112,607	223,954	55,310	136,163	302,820	8.50	29,606	137,076	283,505	41,754	176,679	364,862	12.32	32,000	162,231	258,366	141,824	147,648	385,607	12.05
Buhr Park Pool	44,765	152,344	253,000	15,452	156,354	272,462	6.09	34,385	150,794	218,017	67,041	132,553	266,817	7.76	35,762	171,068	228,352	46,300	142,308	245,892	6.88	36,000	197,971	228,564	14,992	130,617	176,202	4.89
Fuller Pool	47,211	235,838	227,235	69,819	140,432	201,648	4.27	60,752	226,709	229,908	54,912	139,783	197,894	3.26	50,082	254,410	220,497	33,870	137,413	137,370	2.74	51,000	275,463	231,815	32,092	132,475	120,919	2.37
Mack Pool	20,542	122,364	226,614	18,384	140,048	262,682	12.79	22,955	109,778	202,593	20,259	123,176	236,250	10.29	30,094	115,674	202,230	30,996	126,029	243,581	8.09	30,000	114,251	202,415	19,028	115,674	222,866	7.43
Argo Livery	19,032	211,562	183,886	13,400	113,642	99,366	5.22	18,278	213,968	194,555	29,109	118,289	127,985	7.00	17,124	219,489	180,775	43,823	112,658	117,767	6.88	25,000	219,351	204,528	950,571	116,882	1,052,630	42.11
Gallup Livery	29,096	252,856	190,090	78,400	117,476	133,110	4.57	33,560	223,145	172,200	30,139	104,697	83,891	2.50	31,452	253,526	187,662	37,391	116,950	88,477	2.81	35,000	350,238	283,893	20,472	162,236	116,363	3.32
Cobblestone Farm	33,500	248,675	283,482	144,081	175,192	354,080	10.57	76,777	309,782	310,809	92,858	188,970	282,855	3.68	68,951	309,338	316,692	74,405	197,361	279,120	4.05	70,000	360,071	313,661	31,944	179,248	164,782	2.35

- In FY10 Buhr Rink was only open a half season due to rink sub floor construction
- In FY10 Cobblestone started tracking total number of visitors associated with Park shelter rentals
- In FY06 Leslie expenses are low due to a \$354,621 transfer from Fund 10 to offset prior year expenses incurred by the golf fund for general fund activities

Recreation Facility City Cost/Visitor Operating Budgets with Millage Funds

	FY03-12 Actual/Estimate			
	# Visitors	\$ Net Cost	City Cost Per Visitor	Per Capita Cost
Leslie Park Golf Course	271,065	2,004,424	7.39	17.44
Huron Hills Golf Course	203,889	1,548,830	7.60	13.48
Farmers Market	4,894,000	210,764	0.04	1.83
Bryant & Northside Community Centers	114,168	2,447,867	21.44	21.30
Senior Center	129,850	2,042,630	15.73	17.77
Veterans Memorial Ice Arena	710,037	3,372,830	4.75	29.35
Buhr Park Ice Arena	208,057	1,932,131	9.29	16.81
Veterans Memorial Pool	343,366	2,998,171	8.73	26.09
Buhr Park Pool	366,191	1,783,976	4.87	15.52
Fuller Pool	531,435	1,514,113	2.85	13.17
Mack Pool	304,128	1,951,637	6.42	16.98
Argo Livery	140,887	1,831,680	13.00	15.94
Gallup Livery	279,923	853,471	3.05	7.43
Cobblestone Farm	404,265	1,932,920	4.78	16.82

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 Fund 47
 Fund 46
 Fund 10
Italics Estimate