

# **Golf Course Green Fee Increase**

**Department of Park and Recreation**

December 5, 2017



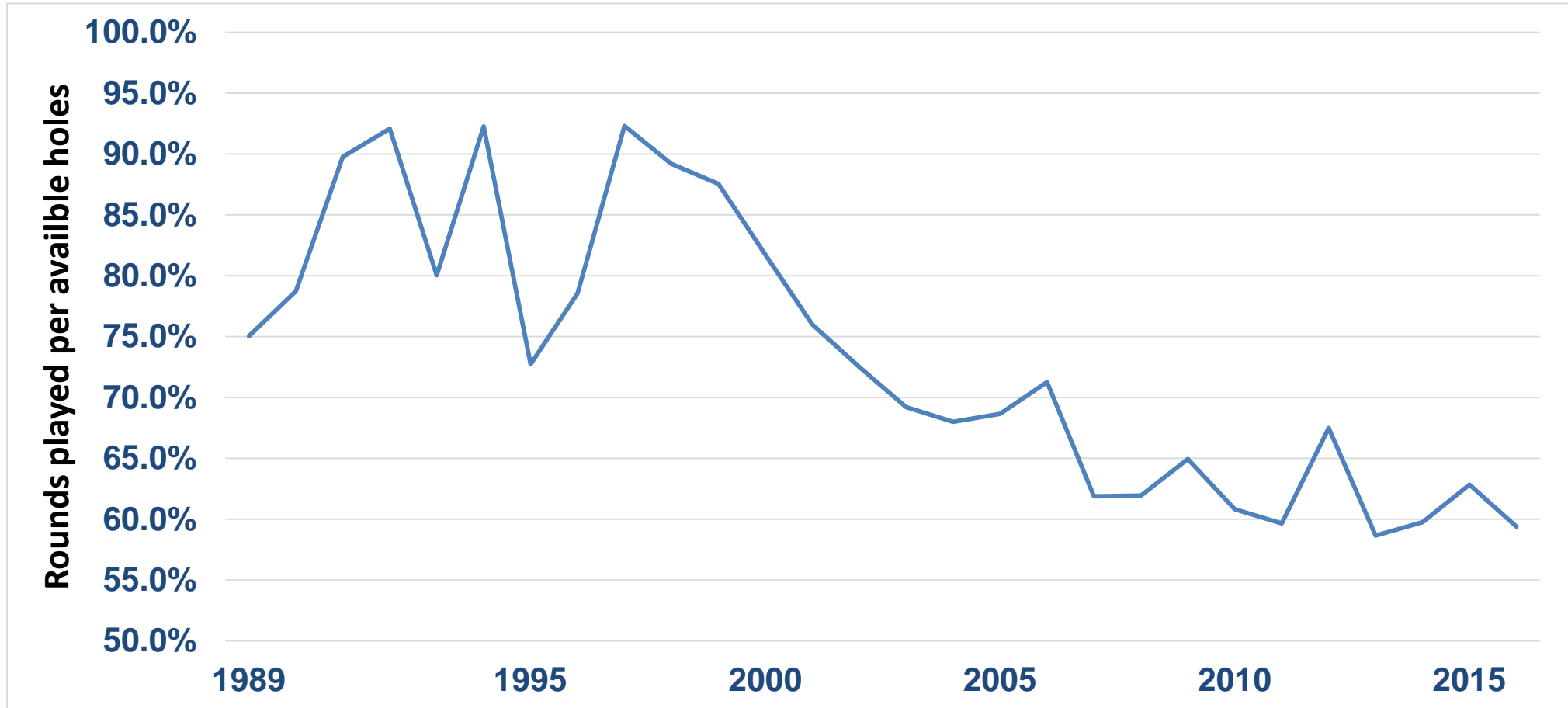
# Background

- Supply of golf courses increased through the late 1990's
- The Golf industry is facing slowing demand nationwide
- Demand for golf has declined for more than a decade due to demographics and societal changes

# Wichita Golf Capacity

- System capacity - increased from 72 holes to 90 holes in 2001
- Rounds played – decreased from 179,000 in 2000 to 157,000 in 2016
- Capacity utilization – decreased from 82% in 2000 to 59% in 2016

# Wichita Golf Capacity



# Golf Financial Summary

Golf Fund Summary (millions of dollars)				
	2014	2015	2016	2017
Revenue	\$ 4.3	\$ 4.6	\$ 4.4	\$ 4.5
Operating Costs	(4.2)	(4.3)	(4.5)	(4.5)
Operating Income (Loss)	0.1	0.3	(0.1)	0.0
Equipment Replacement	n/a	n/a	n/a	n/a
Debt Repayment	(0.3)	(0.4)	(0.1)	(0.3)
Net Income (Loss)	(\$0.2)	(\$0.1)	(\$0.2)	(\$0.3)

The Golf System continues to cover operating costs, but does not consistently generate funds for equipment replacement or debt service.

# Challenges

- Maintaining and growing revenues and developing “new golfers” in a soft market is difficult
- Adequate funds are not currently budgeted for improvements to golf courses
- New equipment is needed to maintain and operate the courses to meet customer expectations

# Recent Strategies

- Additional capital spending
- Cart fleet replacement
- Enhanced marketing and customer service initiatives

# Equipment Replacement

- Capital equipment needs were identified in the Golf Enterprise Plan completed in 2012 and updated in 2015
- Much of the current equipment is functionally obsolete
- Current replacement needs total \$1.6 million



# Engagement

- The Golf Advisory Committee (GAC) has been heavily engaged in golf issues
- The GAC visited with Golf superintendents and reviewed data
- Golf staff also visited with golfers, including season pass holders

# Fee Proposal

- The Golf Advisory Committee recommended a green fee increase, with \$1 of the increase going toward the replacement of maintenance equipment
- Golf customers also suggested tying a portion of any rate increase to capital replacement to improve course conditions
- The Park Board unanimously voted in favor of the fee increase on October 9, 2017

# Proposed Increases

Course	Current		Proposed	
	Weekday	Weekend	Weekday	Weekend
Auburn Hills	\$25.00	\$30.00	\$27.00	\$32.00
Arthur B. Sim	\$23.00	\$25.00	\$25.00	\$27.00
LW Clapp	\$22.00	\$24.00	\$25.00	\$27.00
Tex Consolver	\$23.00	\$25.00	\$25.00	\$27.00
MacDonald	\$23.00	\$25.00	\$25.00	\$27.00

Nine hole rates would increase \$1 each (\$1.50 at LW Clapp)

# Local Comparison

Local Course	Green Fees
Cherry Oaks, Cheney	\$26
Hesston Golf Course, Hesston	\$25
Cottonwood Hills, Hutchinson	\$55 including cart
Quail Creek, Winfield	\$23
Sand Creek Station, Newton	\$44 (resident), including cart \$49 (non-resident), including cart
Wellington Golf Course, Wellington	\$22
Carey Park Golf Course, Hutchinson	\$20
Hidden Lakes, Derby	\$26

# Estimated Revenue

- The \$1 adjustment (\$2 for LW Clapp Course) will standardize rates at four of the five courses and is estimated to generate additional revenue of approximately \$150,000 for golf operations
- The \$1 adjustment at all five courses for the equipment replacement fund is expected to generate approximately \$115,000 annually

# Pro Forma

	2018	2019	2020
Revenue	\$ 4,615,000	\$ 4,662,000	\$ 4,708,000
Operating Costs	(4,615,000)	(4,753,450)	(4,896,054)
Operating Income (Loss)	0	(91,450)	(188,054)
Equipment Fund Revenue	115,000	116,000	117,000
Equipment Replacement	(115,000)	(116,000)	(117,000)
	0	0	0
Debt Repayment	(286,000)	(286,000)	(286,000)
Net Income (Loss)	<b>(\$286,000)</b>	<b>(\$377,450)</b>	<b>(\$474,054)</b>

# Recommended Action

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It is recommended that the City Council approve the proposed rate structure as recommended by the Park Board and the Golf Advisory Committee

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