



City of Wichita Park and Recreation Department Golf Division

City Council Presentation

December 13, 2011

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City Budget Process

Department meeting with Manager – emphasis was placed on fiscal accountability of the Golf Fund, an enterprise operation

Financial Review/Forecast – Based on current statistical data, the Finance Department created a 10-year pro-forma

Golf Fund History – Park and Recreation staff looked at historical figures and decisions to gain understanding of the current situation

CIP Projected Schedule – Park and Finance put together a projected schedule for the CIP

Park Board Objectives

1. Review Golf fund status & pro-forma
2. Review the projected schedule for CIP
3. Establish and maintain high levels of customer service at every City of Wichita golf course
4. Be responsive to the needs and desires of the golfing community

Golf Fund Review:

Findings

- + The Golf Fund has a healthy operating margin
 - + Average Operating Margin - \$434,354
 - + Average Percent of Revenue – 14.7%
- + Our courses are in good playing condition
- + Pricing/Comparison/Competition
- + Pricing support of various player groups
- + Expenditure control – reduced staffing and other expenses to maintain a positive cash flow

Golf Fund Review:

Findings

- If no changes are made, forecasted negative cash balance to be \$6 million by 2020.
- Rounds played in steady decline since 2000
- Auburn Hills has remaining debt of **\$3.12 million**
- The Debt Service Fund has supported golf operations since 2005; a total of **\$3.98 million** in deferred debt
- CIP projections through 2020 total **\$6.3 million**

Customer Service

The Park Board held public meetings to learn desires & needs of the golfing community

**August 10, 2011 at MacDonald Golf Course
Attendance 100+**

**August 15, 2011 at Boston Recreation Center
Attendance 200+**

Many great ideas for sustainability, improvement and expense control. There was overwhelming response against **closing a golf course.**

Customer Service

Park Board conducted supplemental discussion of alternatives, proposals and additional research:

September 10, 2011 at Auburn Hills GC

September 19, 2011 at Orchard Recreation Center

October 17, 2011 at Colvin Recreation Center

November 21, 2011 at Linwood Recreation Center

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Park Board Recommendations

The background features a large, semi-transparent watermark of the Waterbury City logo. The logo consists of a stylized 'W' in purple and blue, topped with a yellow sunburst. Below the 'W' are green wavy lines representing water. At the bottom, the words 'CITY OF WATERBURY' are written in a light green, sans-serif font.

1. Improve Customer Service
2. Increase Marketing
3. Capital Improvement Reductions
4. Adjust Park CIP to assist Golf Fund with debt payments
5. Increase green fees & other revenues

Park Board Recommendations:

Improve Customer Service

1. Recently implemented a secret shopper program which will continue through 2012
2. Customized Customer Service Training for all golf employees
3. 9-hole opportunities all day
4. Development of Punch Cards, Frequent Player Cards, additional Rewards programs, and Twilight fees for golfers
5. Player development programs and initiatives at each of the courses
6. League options provided to varying demographics

Park Board Recommendations:

Increase Marketing

1. Create brand identity for Wichita Public Golf Courses
 - a. Educate consumers in the Wichita metro about the many beautiful golf courses available for all skill levels
2. Target a new customer base of working Adults 25-45
3. **100% increase** in outside advertising expenditures – TV, Radio, social media, etc.
4. Annual **2% growth** in # of rounds played

The background features a large, faded version of the City of Wichita logo. It includes a stylized 'W' with a yellow sun above it and green waves below it. Below the logo, the words 'CITY OF WICHITA' are written in a light, sans-serif font, with a small yellow square between 'CITY' and 'OF'.

Park Board Alternatives: CIP Adjustments

1. Reductions from current plan
2. Adjustments to Park CIP to assist Golf Fund with debt payments

Park Board Recommendations: CIP Overall Reductions

Current list - \$6.28M

<u>Year</u>	<u>Project</u>	<u>Cost</u>
2012	LW Clapp Pump Station	\$100,000
2012	Tex Consolver Clubhouse renovation	\$360,000
2012	Tex Consolver Parking Lot Replacement	\$400,000
2012	Auburn Hills, Sim, MacDonald Parking Lots (surfacing, reseal, striping)	\$150,000
2013	LW Clapp parking lot replacement	\$80,000
2014	Sim Clubhouse Renovation	\$130,000
2015	LW Clapp Clubhouse Construction	\$900,000
2016	Tex Consolver Bunker and Tee Box Renovation	\$500,000
2017	MacDonald Driving Range	\$450,000
2018	MacDonald Clubhouse Construction	\$1,500,000
2019	Sim Maintenance Building	\$80,000
2020	Auburn Hills Clubhouse Renovation	\$130,000
2020	Cart Bridge Replacement MacDonald, LW Clapp, Auburn Hills	\$1,500,000
Total		\$6,280,000

Park Board Recommendations: CIP Overall Reductions

Proposed priority list - \$1.1M

Year	<u>Project</u>	<u>Cost</u>
2012	Roof and Siding Replacement LW Clapp	\$100,000
2012	Tex Consolver ADA improvements and Clubhouse Upgrades (restrooms and patio/cart staging areas)	\$200,000
2013	Tex Consolver and LW Clapp Parking Lots (resurfacing & striping)	\$200,000
2014	ADA Improvements at LW Clapp	\$50,000
2014	Auburn Hills, Sim, MacDonald Parking Lots (surfacing, reseal, striping)	\$150,000
2016	Cart Bridge Maintenance	\$150,000
2016	Sim and Auburn Hills Clubhouse Restoration	\$250,000
Total		\$1,100,000

Park Board Recommendations:

Assist Golf Fund with debt payments

1. The Park Board recommends the transfer of \$1.3 million in the current Park Capital Improvement Plan from a 2017 future project
2. CIP dollars will be used to offset current debt service liabilities of \$1.12 Million to ease the debt burden on the Golf Fund
3. This proposal allows for golf facility improvements beginning in 2012

Park Board Alternatives:

Green fees & other revenue

1. Increase green fees
2. Elimination of discounts
3. Increase in fees for all services
4. Explore addtl. advertising opportunities

Park Board Recommendations:

Green fees & other revenue

Park Board considered several options for increasing green fees -

- Climate is right for small, incremental increase
- Looked at elasticity study and impact of large increase
- Support fee increase schedule of **\$2 in 2012; \$1 in 2013 and 2014** vs a \$5 increase in 2012

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue from \$1 per round	\$2.00	\$1.00	\$1.00						
- each \$1 generates approximately \$150,000 annually; Place \$1 in each year that an increase is assumed									
Increased Rounds by 5,000									
- The model assumes 161,000 rounds, increased by 2% annually (2010 actual rounds). Rounds in 2009 totaled 172,000. Enter additional number of rounds as:									
Reduce capacity									
- Closing a course would generate at net savings estimated at \$375,000 - Enter a "Y" in the year a course closure is assumed									
New CIP Projects	\$0.30	\$0.20	\$0.20			\$0.40			
- The Park plan assumes \$1.01 million in 2012; \$0.08 million in 2013; \$1.13 million in 2014; \$0.9 million in 2015; \$0.5 million in 2016; \$0.45 million in 2017; \$1.58 million in 2018 and \$1.63 million in 2020. Enter the amount of capital projects each year (in millions)									
Debt Service		\$0.46	\$0.70	\$0.72					
- Scheduled payments are (in millions of dollars) \$0.664 in 2012; \$0.675 in 2013; \$0.699 in 2014 and \$0.716 in 2015. Enter the amount of current debt service to fu									
Deferred Debt Service					\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
- The system has deferred principal of around \$4.2 million. Enter in millions of dollars any payment to reduce this deferred debt service liability									
Growth in annual rounds	0%	2%	2%	2%	2%	2%	2%	2%	2%
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Cash	0.646	0.915	0.832	0.611	0.348	0.526	0.628	0.701	0.745
Projected Margin	0.006	(0.015)	(0.035)	(0.059)	(0.084)	(0.111)	(0.139)	(0.169)	(0.200)
Reduce capacity	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Existing Debt Service	0.000	-0.455	-0.699	-0.716	0.000	0.000	0.000	0.000	0.000
Deferred Principal	0.000	0.000	0.000	0.000	-0.250	-0.250	-0.250	-0.250	-0.250
New Debt Service	-0.038	-0.063	-0.088	-0.088	-0.088	-0.138	-0.138	-0.138	-0.138
Fee Increase	0.300	0.450	0.600	0.600	0.600	0.600	0.600	0.600	0.600
Additional Rounds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ending Cash	0.915	0.832	0.611	0.348	0.526	0.628	0.701	0.745	0.757

Park Board Alternatives

A broad list of alternatives were identified

- Golf Course Operational Changes
- Change in Revenue Format
- Capital Improvement Plan Adjustments
- Miscellaneous Ideas

Park Board Alternatives:

Miscellaneous

- Debt forgiveness from City as a result of increase in area property value
- Closure of golf course
- Sale of one or more golf course
- Modification of courses (9-hole, Par-3 Course)

Park Board Recommendations: Summary

The Park Board approved the following actions –

1. No golf course closure
2. Improve customer service and marketing
3. Staggered small increase in green fees
4. Reduction of golf debt
5. Capital Improvement Plan adjustment

Park Board Recommendations:

Expectations

- All financial obligations are met by the Golf Fund
- Eliminate subsidy – and begin repayment in 2016 – of Debt Service Fund dollars
- Prioritized Capital Improvements will be funded
- Increase in rounds by approximately 2%
- Healthy ending cash balances to ensure sustainability of Golf Fund through 2020 and beyond



Questions?

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Operating Margin

Golf Fund Operating Margin History

	Revenue	Expenditure	Debt + Interest	Operations Cost	Operating Margin	Percent
2010	\$ 4,136,121	\$ 4,059,862	\$ 286,551	\$ 3,773,311	\$ 362,810	8.8%
2009	\$ 4,340,731	\$ 4,128,405	\$ 286,549	\$ 3,841,856	\$ 498,875	11.5%
2008	\$ 4,207,529	\$ 4,242,291	\$ 286,801	\$ 3,955,490	\$ 252,039	6.0%
2007	\$ 4,058,003	\$ 4,071,842	\$ 252,399	\$ 3,819,443	\$ 238,560	5.9%
2006	\$ 4,388,617	\$ 4,437,562	\$ 283,594	\$ 4,153,968	\$ 234,649	5.3%
2005	\$ 3,604,925	\$ 3,710,146	\$ 321,299	\$ 3,388,847	\$ 216,078	6.0%
2004	\$ 3,564,989	\$ 3,693,778	\$ 465,254	\$ 3,228,524	\$ 336,465	9.4%
2003	\$ 3,513,471	\$ 3,938,967	\$ 1,062,649	\$ 2,876,318	\$ 637,153	18.1%
2002	\$ 3,382,028	\$ 3,160,625	\$ 437,518	\$ 2,723,107	\$ 658,921	19.5%
2001	\$ 3,392,810	\$ 3,813,310	\$ 1,108,294	\$ 2,705,016	\$ 687,794	20.3%
2000	\$ 2,586,701	\$ 2,955,877	\$ 531,399	\$ 2,424,478	\$ 162,223	6.3%
1999	\$ 2,870,374	\$ 2,271,467	\$ 399,125	\$ 1,872,342	\$ 998,032	34.8%
1998	\$ 2,712,914	\$ 2,351,266	\$ 589,563	\$ 1,761,703	\$ 951,211	35.1%
1997	\$ 2,690,513	\$ 2,365,954	\$ 613,383	\$ 1,752,571	\$ 937,942	34.9%
1996	\$ 1,971,511	\$ 2,181,864	\$ 378,057	\$ 1,803,807	\$ 167,704	8.5%
1995	\$ 1,742,085	\$ 1,828,798	\$ 289,840	\$ 1,538,958	\$ 203,127	11.7%
1994	\$ 2,185,943	\$ 1,961,547	\$ 297,088	\$ 1,664,459	\$ 521,484	23.9%
1993	\$ 1,715,205	\$ 1,750,940	\$ 252,108	\$ 1,498,832	\$ 216,373	12.6%
1992	\$ 1,619,438	\$ 1,585,947	\$ 237,882	\$ 1,348,065	\$ 271,373	16.8%
1991	\$ 1,826,974	\$ 1,691,827	\$ 249,618	\$ 1,442,209	\$ 384,765	21.1%
1990	\$ 1,569,774	\$ 1,649,358	\$ 263,439	\$ 1,385,919	\$ 183,855	11.7%

Pro-Forma

(in millions)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Golf Revenues	\$4.058	\$4.208	\$4.341	\$4.136	\$4.204	\$4.288	\$4.374	\$4.466	\$4.555	\$4.645	\$4.738	\$4.832	\$4.929	\$5.027
Operating Costs	\$3.879	\$4.019	\$3.842	\$3.773	\$3.978	\$4.116	\$4.220	\$4.327	\$4.437	\$4.550	\$4.666	\$4.785	\$4.907	\$5.032
Net Operating Margin	\$0.179	\$0.189	\$0.499	\$0.363	\$0.226	\$0.172	\$0.154	\$0.139	\$0.118	\$0.095	\$0.072	\$0.047	\$0.022	(\$0.005)
Interest	\$0.220	\$0.176	\$0.209	\$0.184	\$0.092	\$0.075	\$0.056	\$0.039	\$0.021	-	-	-	-	-
Principal	\$0.032	\$0.054	\$0.078	\$0.102	\$0.555	\$0.590	\$0.620	\$0.660	\$0.695	-	-	-	-	-
DSF Payback	-	-	-	-	-	-	-	-	-	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
New Debt Service	-	-	-	-	-	\$0.069	\$0.138	\$0.151	\$0.216	\$0.305	\$0.365	\$0.493	\$0.593	\$0.621
Total Debt Service	\$0.252	\$0.230	\$0.287	\$0.286	\$0.647	\$0.734	\$0.814	\$0.850	\$0.932	\$0.555	\$0.615	\$0.743	\$0.843	\$0.871
Net Margin	(\$0.073)	(\$0.041)	\$0.212	\$0.077	(\$0.421)	(\$0.562)	(\$0.660)	(\$0.711)	(\$0.814)	(\$0.460)	(\$0.543)	(\$0.696)	(\$0.821)	(\$0.876)
Ending Cash Balance	\$0.356	\$0.239	\$0.427	\$0.504	\$0.083	(\$0.479)	(\$1.139)	(\$1.850)	(\$2.664)	(\$3.124)	(\$3.667)	(\$4.363)	(\$5.184)	(\$6.060)
Existing Long Term Debt	\$4.630	\$4.150	\$3.645	\$3.120	\$2.565	\$1.975	\$1.355	\$0.695	-	-	-	-	-	-
New Long Term Debt	-	-	-	-	-	\$0.501	\$0.955	\$0.957	\$1.322	\$1.808	\$2.021	\$2.680	\$3.098	\$2.709
Total DSF Balance	\$2.564	\$2.989	\$3.417	\$3.839	\$3.839	\$3.839	\$3.839	\$3.839	\$3.839	\$3.589	\$3.339	\$3.089	\$2.839	\$2.589
Total Golf System Debt	\$7.194	\$7.139	\$7.062	\$6.959	\$6.404	\$6.315	\$6.149	\$5.491	\$5.161	\$5.397	\$5.360	\$5.769	\$5.937	\$5.298
CIP Expenditures	-	-	-	-	-	\$1.010	\$0.080	\$0.130	\$0.900	\$0.500	\$0.450	\$1.580	-	\$1.630