

GAC Meeting Minutes September 15, 2020

1. Eddie Fahnestock calls the meeting to order at 3:04
2. Approval of Minutes from June 25, 2020
 - a. Dale Goter notes a misspelling of Richard Schodorf's name in the previous minutes.
 - b. Eddie said with that error noted, motioned to approve minutes with the error being addressed.
 - c. Dale Goter seconds the motion.
 - d. Motion passes unanimously
3. Division Update- Troy Hendricks
 - a. Rounds were up about 1% for 2020 over 2019.
 - b. Net Revenue is down about 7%, or \$175,000, and the expeditors are down about 15% or about \$383,000. This gives a net income improvement of about \$206,700.
 - c. The month of August was a good month as rounds were up about 7,000 rounds for the month. Revenue was up about \$200,000 and expenses were down about \$20,000.

MacDonald seems to be doing the best right now. The system is up 1% in rounds which is good considering all four courses were closed for 3 weeks and two of those courses were closed for a total of 7 weeks.
 - d. Memberships- 1,141 memberships have been sold. The breakdown of the memberships as follows: 151 Adult, 105 Couples, Juniors 74, Young Adult 162, and Seniors 649.
 - e. Revenue Reports
 - i. Troy reiterated the revenue numbers from the discussion of rounds. Greens fees without the adjustment from the memberships, Arthur B. Sim is up about \$2,300, Auburn Hills is up \$7,900. MacDonald was up a little over \$20,000 and

Tex Consolver was up \$7,700. The improved conditions at MacDonald have really made a difference in people playing that course.

- ii. Concessions were up for the month as well by 26%. MacDonald led the way there with them being up about 86%, Tex Consolver being up 32%, Arthur B. Sim being up 14%, and Auburn Hills being up 9%.
- iii. Cart revenue is strong, for the first 8 months in 2019 cart revenue was \$622,353 in cart fees. This year, in 2020 even with the hindrance of being with no carts and then limited on carts due to the pandemic cart fees have brought in \$662,008. That all being said MacDonald is up 83% in cart fee, Tex Consolver is up 47%, Arthur B. Sim is up 31%. Total the system is up 51% in cart fees for the year.
- iv. The driving ranges have done well at all the courses. We are up 174% for the year compared to last year. Revenue wise in 2019 driving ranges brought in \$12,000, this year so far they have brought in \$33,084. Auburn Hills is up 107% and Tex Consolver is up 101% over last year.
- v. At the last Park Board meeting, Mr. Goter asked how much money is in the Equipment Replacement Fund (ERF). For the first 8 months of the year, the ERF has \$51,309 in the fund. In September, if the projection use last year numbers as a base then the fund should be at \$77,800. Additionally, the memberships will be billed in November (\$37 per membership) which will bring in another \$39,479. This would bring the year to date projection to approximately \$113,338 by the end of the year. This is comparable to 2018, and is a little behind 2019 but not by much.

- vi. Mr. Goter also asked for revenue projections for the year at the Park Board Meeting, and Mr. Hendricks states that using finances projection (which uses 2019 rounds and revenue numbers as a baseline) the system sits at \$2,518,072 at the end of August, and if we have the same revenue for the remaining 4 months the system should finish the year at about \$3,419,162. Based on the expenses of the past 8 months, the expenses were at \$2,910,783. If the expenses remain constant in the next four months they should total \$3,357,577 in expenses. This would mean the golf system should end up with a net income of \$60,000 for the year.
- vii. Dale asked is the \$51,000 is all from the surcharge on the green fees, Troy stated that is correct. Dale asks how the ERF number compares to the 2019 ERF in 8 months. Dale asks how much did regular green fees bring in? Hendricks states it will be difficult with the year's conflict. In 2019 it was \$81,000 for the first 8 months, Dale stated with that math it is down \$30,000. Dale asked if it is possible to detail how this money is being spent in future reports, he stated that Hendricks mentioned buying a grinder and a mower in a past meeting. Hendricks states in 2019, \$117,000 was spent and he can get the exact list of the items the Superintendents purchased. One purchase was a \$49,000 mower. Two items Hendricks mentioned at the Park Board meeting was a Wide Area Rough Mower for Auburn Hills which would retail at about \$57,000 with about 589 hours. We bought it for \$39,000. The other was a Grinder for Auburn Hills, all the Superintendents use this machine to get all their reel mowers ready for the mowing season. This was about \$47,000. The previous one last 21 years before it quit working.

viii. Dale states that in the projected revenue for 2020 it states that the projected revenue would be \$3,915,541.00, and using that it projected a deficit of \$110,000. That was before COVID hit, but even still now there is a projection of \$3.4 million at the end of 2020, which is a difference of about \$600,000. His question was how it is that the report Hendricks just gave shows the Golf system to have a net income of \$61,000, and states that those numbers don't add up. Hendricks asked what the expenses show to be for 2020. Dale states that, no he was not discussing the expenses. He was just discussing the revenue portion of the budget. He reiterated the difference in the projected 2020 budget and the current revenue projection and does not understand how what was once projected as a loss is now projected as having net gain for income. Hendricks reiterates that the expenses are what changed in the budget. Goter repeats that the discussion is just focused on revenue and that the report states that revenue is down 7% from August of 2019. Goter states that the total revenue for 2019 was \$4.8 million. Hendricks asks for Goter to clarify if he was discussing the 2019 revenue or the 2020 revenue. Goter states that the August of 2019 revenue shows \$485,000,000. Tory stated that the 2020 budget would have been put together in 2019, and the adjusted budget numbers being shown now are showing that the revenue will be \$3.4 million. This would be down from what was projected in 2019, but that is the loss from being closed. Goter agrees but says the revenues still differ, showing that currently the budget shows \$66,000 less in revenue, and yet the net income numbers are showing the Golf Division has a profit. Troy explains that the number he sent are from the end of August, they are not what was projected in 2019. He states that the revenue at

the end of August 2019 was \$2,018,072.00. The previous report sent out, that was drafted by our budget analyst used the previous year's revenue numbers to project the rest of 2020. Currently, we have exceeded those numbers. Dale stated he understands how the report was drafted, but he does not understand how the 2020 revenue projection is less than 2019's revenue and yet there is still a profit projected for 2020. Greg Farris interjects and explains to Dale that the division has cut expenses. So the expense number of \$3.3 million is far less than the expenses that are projected. Once this is calculated with the revenue there is a net profit. Dale says he understands that there is a relationship between the expenses and the revenue, but the revenue itself is shown as \$3.4 million, but in the previous e-mail rounds revenue is down 7%, but the division down by \$600,000. Richard Schodorf states that he feels the rest of the participants understand the numbers and this is a discussion he and Troy could have later, other items need to be discussed. Dale Goter stated that this is the core issue. Richard stated that Mr. Goter is looking only at the revenue and you cannot do that with these reports, as the revenues changed. The projections are just projections. Greg Ferris stated that the numbers balance to him once you calculate the expenses that have been cut. He thinks the Golf division will end up better for the year as September looks to be promising. He states that Dale was correct in the revenue, but the expense side helps look at that difference. Mr. Houtman asked Mr. Goter as he did yesterday in the Park Board meeting if he has a specific question and can put it in writing, then the staff will gather that information and can sit down to meet with Mr. Goter and have those answers for him.

- ix. Dale asked about the furloughs previously and the effect of the furloughs regarding the increase in revenue.
1. Mr. Houtman stated that furloughs do not have an impact on revenues but rather expenses. Additionally, the furloughs are budgeted, and with the direction from the City Manager, and Finance we need to balance the budget. Hopefully, we can change that with the increased revenue and the decreased revenue numbers. Greg Ferris asked if you outperform in September and you have already outperformed in August, and you are cutting expense still in September; you shouldn't have to furlough since they are so short-staffed. Furloughs will be a mistake and counter-productive. Houtman agrees and states that we do not want to furlough staff, it's the last thing we want to do. However, there are always unexpected expenses such as an irrigation issue we are having, and a roofing issue that occurred last year that were not budgeted.
- x. Hendricks explained the irrigation issue at Arthur B. Sim Golf Course is caused by the electrical line that services the pump house shorted out before Labor Day weekend. The contracted vendor came in and was able to get a temporary service to the facility. The vendor called today and said the pump house is not up to code and to get it up to code there will be additional work, the hope is this work does not exceed \$20,000.
- xi. Dale Goter asked if these numbers presented are the case then City Council will not have to bring in extra funds to balance the budget. Mr. Hendricks and Mr. Houtman both said that is the hope. Mr. Goter reiterated that with the numbers

the Golf System has covered the \$500,000 deficit from a few months ago and that there is no need for a General Fund subsidy for the end of the year. Mr. Houtman answered and said there is no guarantee that is the case, but that is the hope.

- xii. Mr. Ferris asked Mr. Hendricks, the December number of \$66,000, this number should increase since there has been an increase in the number of current membership. This year's numbers should be \$20,000-\$30,000 higher than last year just based on memberships alone, correct? Hendricks said that we are now through the transition from the membership and the pass system. This transition period would be two years (the first year ending in August). The membership program was estimated to bring in about \$220,000 more in revenue. Based on what we charge in September for the monthly fee, it was around \$77,000. If you take that and times it by 12 it's about \$927,000, which is up about \$300,000 from the sales of the passes in 2019. We will have accomplished what goals we set. Greg Ferris clarifies that the passes only generated \$77,000 for September. Troy said yes, but that money is constant for the 12 months. Dale Goter clarifies that Troy said there are about 1,000 memberships right now. Troy said there are 1,041 members. Dale stated that there is a set amount of money you know if coming in every month, what is that number? Troy said its \$77,000. Dale asked so you know how much money is coming from the memberships for September, October, November, and December. Troy said yes that is correct. Greg said he was clarifying that the revenue projected for December was \$60,000, and this year it should be high than that with just memberships. Troy explained that the numbers were put

together using the revenue from 2019. Greg said he doesn't disagree, he was just stating that revenue will probably be higher in November and December. Based on that increase and the current net income of \$60,000, the year-end income could be over \$100,000 thus eliminating the need for furloughs.

- f. Richard wanted to discuss the increase in the cart revenue without the condition of the City reducing the Administration Fees and would like to consider dropping that condition.
 - i. Greg thinks \$15.00 is too high. He thinks that a COVID surcharge would be beneficial, where maybe you charge \$28.00 but if they ride together then you give them a discount back to \$25.00 to assist with the extra cost of the gas and wear and tear on the cart. Richard thinks if you double the fees if they ride separately that's unfair. Greg clarifies you are not doubling the fees, it would be \$14.00 if you're riding by yourself and \$12.50 if you ride together. Richard said he could support that. Greg says that even if you don't raise the fees then he thinks you should still charge an extra dollar just to cover the gas.
 - ii. Dale asked if we have considered a cart membership similar to the green fee membership. Greg said they have talked about it, and there may be some benefit to it. Dale Goter says he hears that often from other golfers that they would be interested in that. Greg Ferris said that it would just be a matter of staff running the numbers on it. Troy Hendricks stated that the green fees are the only thing the course requires golfers to pay. The cart fleet at each course is based on that scenario, if we were to introduce a cart membership there is the concern that we would run out of carts and not having enough storage to store the increased number of carts. Richard does not believe running out of

carts would happen, and it does give you guaranteed income in the winter.

Most people would not opt for a cart pass, it would be a convenience for those that want to just go in and get a cart key and want to have some extra savings. It might also help sell the green fee memberships as well. Eddie agreed that the convenience of having a cart pass. He asks how we would structure that, what the membership would look like. He also asked if the additional storage needed, would that possibly be a CIP project.

- iii. Greg Ferris made a motion for staff to run the numbers on a cart pass and what that could look like.
- iv. Eddie Fahnestock seconds this motion.
- v. Mr. Houtman wanted to address Eddie's question about using CIP funds, with the Golf Division being set up as an enterprise fund any kind of capital dollar is supposed to come out of the Golf Division funds. A couple of years ago there was a project that gave us a million dollars for carts and we were really lucky in that. However, the direction of the City Council and the City Manager is that and capital improvement needs to come from the enterprise fund.
- vi. The motion passed unanimously.
- vii. Richard requested a motion to see what an increase in a cart fee to \$14 and \$15 would bring.
- viii. Greg Ferris seconds the motion.
- ix. Dale would like to see how we compare to the regional competitors. Troy Hendricks says that is part of that process.
- x. The motion passed unanimously.

4. Dale wanted to discuss expanding the numbers of this group. His understanding with the discussion from the Park Board meeting and Mr. Houtman is that the City Manager did not take this idea to Council. He asked if this was a formal recommendation the committee made. He brought this up with the realignment of the management of the courses, and the role the Golf Advisory Committee might play in that decision. He asks if that the committee is interested in discussing. Troy said he spoke with the Manager and the Manager spoke with the Council members and they did not have an interest in expanding the group. If the committee wanted to try and move forward with this, we could try and put something in writing and each of the GAC members contacts their Council memberships to further discuss it. Greg Ferris states that the GAC is not appointed by the Council members, they are appointed by the Park Board members. Greg recommended that the Park Board at least fill the two vacancies before we work on expanding. Mr. Houtman agrees and says that's what they were working on at the Park Board meeting, as to the discussion of the expansion that has to be approved by Council before it can happen. Dale asked if the suggestion of expanding the committee came from the Golf Advisory meeting or the Park Board. Eddie stated that he made the motion to look at it in a Park Board meeting. Greg said he does not recall hearing about it, and Dale said it may have been discussed at the most recent GAC meeting. Dale said he is concerned that since it had a formal recommendation and it did not get its day in court, it would be a violation of the Public Meetings Act for the Manager to survey the Council and get action without it going into a public meeting. So, he doesn't think that happened. He assumes we are waiting for the committee to be at capacity before the recommendation is brought up again. The problem with that is that the other development is progressing and if the GAC is going to have a role in it they need to be fully appointed and what that role is as they are the public's interest. Greg Farris stated that he would hope if anything is going to happen then it would come before this board and we would

discuss it openly. Dale asked when the next GAC meeting is. Eddie asked if it is scheduled. Troy said we sent out a schedule in early July. Rowan stated it is scheduled for October 27th.

5. Cory Rainwater wants the meetings to be moved to 4:00 PM due to his work schedule.
 - a. Greg says 4:00 PM works better for him with his tee times.
 - b. The committee agreed to this.
6. Dale wants to see an analysis of why revenue has dropped \$1 million in the past 4 years, as we have added marketing positions. Troy Houtman said he would answer, and the reason is the decline in golfers. He says that we can scrub those numbers and see more specifically.
7. Greg Ferris asked for the reports to reflect the additional revenue that will be guaranteed with the new membership program.
8. Dale Goter moves to adjourn
9. Greg Ferris seconds.
10. Meeting Adjourned at 4:11 PM - Eddie Fahnstock