



Madison Parks Division

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DATE: November 28, 2017

TO: Golf Subcommittee of the Board of Park Commissioners

FROM: Eric Knepp, Parks Superintendent

CC: Board of Park Commissioners

RE: The Future of Madison Municipal Golf Operations

Introduction

This memo is intended to provide the Golf Subcommittee with updated information that I think is relevant to the conversation about the future of City of Madison Municipal Golf Operations. City staff, especially the Golf team, have been working diligently over the past few months to gather relevant data and develop a process to allow for a community conversation on the future of golf operations. This memo provides new information including preliminary 2017 results of operations, an update on staff's continued work on analyzing alternatives, and proposes a process for moving forward with this necessary discussion.

Preliminary 2017 Results

As the 2017 golf season draws to a close, staff have been able to provide me with preliminary financial operational results for the year. Overall, the 2017 year was a disappointing one from a revenue perspective, as weather led to significant loss of playable days in 2017. Of particular note, Yahara was closed for extended periods due to wet conditions after significant rain events during the spring and summer. Staff estimates that the total revenue from golf course operations in 2017 will be approximately \$2,850,000. This is down approximately 11.5% from a record high in 2016 of \$3,217,296. Nearly all of this approximately \$370,000 gap is attributable to Yahara's lost revenue. The good news is that staff did an excellent job in controlling expenditures in a difficult season, especially labor and supply costs. I am still working on finalizing a review of the PILOT payment for 2017, and potentially prior years, with the Finance Department. Additionally, we have potential expenditure volatility over the coming month in relationship to unemployment costs and pre-ordering costs for materials for 2018 (a long standing practice to reduce costs). Therefore, I cannot provide a solid bottom line estimate for the Enterprise at this time. However, I expect it to be within \$40,000 of last year's net operating loss of \$393,375.

Continued Analysis of Alternatives

Over the past two months, staff have continued to work on the framework for development of a business plan for the future of Madison's municipal golf courses. This framework includes reviewing and potentially updating the mission of the courses. This framework also includes establishing more detailed financial projection models based upon play rates, course utilization statistics and a detailed fee projection. The business plan will also more fully explore the capital infrastructure needs of the courses.

In an effort to garner additional expert information on building this business plan, Parks has engaged with Edgehill Golf Advisors and the Pellucid Corp. to prepare a golf market report for our operation. Edgehill was highly recommended to us from the Wisconsin PGA and has a demonstrated history in providing fair and impartial advice on golf course market dynamics. The initial information shared with us from Edgehill indicates there are some important themes to consider in developing our plans for the future. This includes a recognition that though Dane County has a significantly higher rate of golfers than the national average, it has an even higher rate of golf course holes available to the public.

Future Work and Proposed Process

I look forward to continuing to work with the Golf Subcommittee, Parks Commission and stakeholders on addressing the future operational model for the golf courses owned by the City of Madison. Below is a basic outline of next steps as recommended by staff:

- Staff will take input from the Golf Subcommittee meeting of 11/28/17 into account in preparing a framework of a business plan to be presented at the Board of Park Commissioners in January.
- January Board of Park Commissioners Meeting – Stuart Lindsay from Edgehill Golf Advisors will present his market report to the Commission. Staff will present a basic framework for business plan development and seek feedback on what plans the Commission would like to see more fully developed.
- February or March Board of Park Commissioners Meeting – Staff will present a detailed business plan(s) to the Commission. This plan (or potentially plans) will be supported by staff as viable and will include any assumptions necessary to make it viable.
- Without definitive direction on the future operational model by April of 2018, staff will prepare a management plan to reduce the likelihood of sustained financial losses in the 2018 season and beyond. This plan will contemplate maintenance and service standards, as well as establishing guidelines for closure of courses due to infrastructure failure.