

golf
**MADISON
PARKS**

2016 ANNUAL REPORT

GOLF MADISON PARKS ANNUAL REPORT

To Our Stakeholders

Our mission is to provide the Madison area golfing public with the finest possible golfing conditions at reasonable prices and for all levels of play. This mission is the focus of everything we do in operating 72 holes of municipal golf across our four wonderful courses. This new Annual Report strives to meet this mission by ensuring that our stakeholders have the opportunity to review the results of the Golf Enterprise for 2016. This report includes operational, financial, infrastructure, and planning information that staff hopes provides a framework to evaluate the Golf Enterprise in relationship to meeting its mission.

OPERATING HIGHLIGHTS

In 2016 rounds totaled 109,934 18 hole equivalents. This was up approximately 2.1% from 2015 despite the wet fall. Revenue generation hit a new peak at \$3.2M. The loyalty cards continued to be a popular choice among customers, with a growing percentage of transactions being made coming on a loyalty card. Additionally, it is exciting to note that at least 16% of the rounds played on the four courses in 2016 were from college age players or younger. Staff continued to work diligently to promote the courses and to specifically sell outings, with significant increases in booked outings in 2017.

FINANCIAL HIGHLIGHTS

The Golf Enterprise continues to fight multiple headwinds in working to achieve a positive net income from operations when viewed in a manner consistent with evaluating a business. In total expenses increased 16% to \$3.6M in 2016. Corresponding revenues totaled only \$3.21M, for a net loss of \$393K in 2016. From a revenue perspective, the Enterprise has achieved higher than projected revenue over the past two years, but the expenditure growth is outpacing the revenue due to a number of factors. It is important to note that including depreciation as an expenditure (as this report argues should be done), the Enterprise has only been profitable one time (2015) in the past 9 years for which data was analyzed.

LOOKING AHEAD

This report includes two sections entitled Capital Infrastructure Needs and Planning for the Future. Parks Division staff have worked diligently to ensure the ongoing successful operation of the four courses. In addition to these infrastructure challenges the golf industry in the Dane County area remains a very competitive marketplace with numerous competitors, both public and private. In recognition of the combination of infrastructure challenges and competitive marketplace, I have tasked staff over the past six months to provide a list of potential alternatives that could improve the Golf Enterprises sustainability and allow it to better meet our mission. There are no easy answers here and the future of municipal golf rests on the ability to have a candid conversation about the Enterprise and its needs to meet the mission of ensuring that Madison residents have a quality and affordable public option for golf for years to come. I look forward to these conversations with stakeholders, policymakers, and the community.

Eric M. Knepp
Parks Superintendent
July 18, 2017

GOLF MADISON PARKS ANNUAL REPORT

Operational Review

LEVEL OF PLAY

The Golf Enterprise uses rounds played, in conjunction with revenue generated, as the primary metrics for measuring the level of play on the four courses. In this analysis a round is equal to 18 holes of golf, which means that for the majority of customers at Glenway and Monona the average customer score is 0.5 in these numbers. Overall, the rounds over the past two years has been fairly consistent, with a modest 2% increase in 2016. With the exception of a slight downward tick for Glenway, the growth was consistent across the other three courses. These rounds numbers are up approximately 15% over the previous five year averages, which also correlates with revenue increases during that time frame. Glenway and Monona both provide approximately 15% of our total rounds each, with Odana providing on average 31% and Yahara 39%.

Taking a simplified approach this data would indicate that Yahara is the most underperforming course as it relates to use, while Odana is the highest performing. This is true if comparing only the rounds played to the holes on each course. It is, however, important to note that Yahara has continued to have many more days per year of either closure, partial closure, or no carts on the course. It would take a rounds increase of nearly 60% at Yahara to achieve parity on a per hole basis across the system, which is highly unlikely. It is, however, plausible that if the drainage issues were addressed that Yahara could increase rounds by 12% per year. That would move its average rounds played up to approximately 47,000 per year and with all else being equal its share of rounds up to 42%. Staff thinks that for the Enterprise to succeed Yahara needs to be at or near that level of rounds played and rounds share.

2015/2016 Rounds Data				
Course	2015	2016	Average	% Share
Glenway	16,089	16,032	16,061	14.77%
Monona	16,506	16,718	16,612	15.28%
Odana	33,214	34,212	33,713	31.00%
Yahara	41,728	42,972	42,350	38.95%
Total	107,537	109,934	108,736	100.00%

An additional important statistic in regard to use of the courses is the significant percentage of rounds played by youth and college age adults. In 2016, these uses accounted for greater than 15% of total rounds played. This does not include all such transactions, as some likely didn't qualify or report their college or youth status to get the appropriate pricing and there are additional uses of the courses by our youth programming partner the First Tee that are not always encapsulated in rounds data. The table below shows the total Youth and College (YC) rounds by course, the percentage of YC rounds by course, and the % of total rounds at a course that were YC rounds. This data indicates that all four course serve this demographic and that there is interest in our courses from the younger crowd. This is important because it shows that the Golf Enterprise is both serving youth in our community, and that the youth are using the courses which has long term positive value from a business perspective. Of particular note in these

GOLF MADISON PARKS ANNUAL REPORT

statistics are the fact that more than 27% of rounds played at Glenway are YC rounds and that three of the four courses have more than 4,000 rounds of YC golf per year.

2016 Youth and College Rounds			
Course	YC Rounds	% of YC Rds	% of Total Rds
Glenway	4,406	26.31%	27.48%
Monona	2,088	12.46%	12.49%
Odana	5,006	29.89%	14.63%
Yahara	5,248	31.33%	12.21%
Total	16,747	100.00%	15.23%

As mentioned above not all First Tee data is collected in the form of rounds and they are a critically important partner across the system. The First Tee impacts the lives of young people and their families by providing educational programs that build character, instill life-enhancing values and promote healthy choices through the game of golf. Their vision is a community in which all kids, regardless of background, are given the opportunity to dream and work for a better future. The programs empower and help youth towards high school graduation, college readiness, mentoring opportunities, internships and job opportunities. The First Tee does this by providing comprehensive golf and life skill instruction, strong relationships with mentors, equipped golf facilities and classrooms and a myriad of summer and after school programs. Just in 2016 The First Tee set a new record as they continue to grow participation with over 1,600 young golfers registered in their programming.

Another group that is a significant customer base for the Enterprise is the senior market. There are a lot of senior golfers, with limited survey results from 2015 putting it between 30 and 40%. Staff estimates that this survey had slightly biased response rate, but would still estimate that 25% to 30% of golfers are over 60 years of age. One key partner in ensuring access for seniors is the Madison Area Retired Golfers Association (MARGA), whom plays golf five days a week at all four City of Madison Golf Courses. MARGA currently carries a group participation of well over 300 golfers from ages 50 to 95 and has been promoting golfing to retirees since 1978. By keeping retirees playing golf they promote keeping their participants in good health by staying active within a positive social environment.

In 2017, staff will be developing additional data collection methods to get feedback and information on who is using our courses and how we could improve their experience. This work will likely occur over the fall and winter, with a full implementation of any survey or interview process to occur in 2018.

VALUE OF PLAY AND EXPERIENCE

The Golf Enterprise offers affordable and enjoyable municipal golf for all skill levels. There are numerous challenges in the competitive golf market in the Madison area, but in general feedback from customers is positive about playing conditions as it relates to price point. There are significant variations in the quality and accessibility of golf courses, ranging from fully private clubs to fully open to the public municipal courses. The Enterprise's price points are consistently on the lower end of the public open access group of courses. Staff considers the group of somewhat similar courses to be quite large in number, including The Oaks, Door Creek, The Bridges, Nine Springs, Pleasant View, and Norsk Golf Course. In general, the prices at each of the City courses is at or below the competitor's price point. Both Glenway and Monona are

GOLF MADISON PARKS ANNUAL REPORT

consistently priced at about \$20 per 9 holes with a cart during the peak summer season, which is 5-10% less than direct competitors pricing. At Yahara Hills, the current summer prime time weekend rate is \$38 for 18 holes with a cart, which is at least 10% below direct competitors and can be up to 50% less than competitors peak weekend rates. If a loyalty card is used, which has a small upfront cost, an additional \$2.50 per nine-hole discount is provided lowering the cost even more. It is important to note here that Yahara has a confidence gap with its clientele due to weather induced closures that keeps the ability to increase rates from being practicable at this time. Odana Hills rates are generally considered by staff to be in line with the market and there have been no signs of demand weakening over the past few years.

Golf staff is deeply engaged in the golf community and monitors pricing developments closely on a daily basis. It is clear in this monitoring work that the Enterprise is a key factor in establishing the market for rates across the area. Providing solid value to golfers in the area is key to our mission and there is evidence that would indicate the pricing at City courses helps promote a competitive marketplace for golfers, which provides lower prices and improved quality for them. From an economics standpoint, if the municipal courses all disappeared, the rates at numerous other courses would increase significantly based upon supply and demand. This would most adversely impact golfers who are of low to moderate income.

GROWTH OPPORTUNITIES

A primary focus of potential growth in business operations has been the outing business. This has been a specific focus for the Yahara Hills facility given its unique 36-hole setup. This allow for events of any size to be accommodated from a course perspective. Staff have estimated that the event revenue potential at Yahara is in excess of \$500,000 of potentially untapped revenue. Many competitors host multiple events per week, which often means guaranteed revenue of \$15,000+ per event. Unfortunately, the current course conditions at Yahara have made it difficult to secure these events and then to keep them at Yahara. Since September 2016, Yahara Hills has been forced to cancel over 10 events due to flooded conditions and the inability to allow carts. This has lost revenue of more than \$80,000 from booked events. If this trend continues through 2017, staff estimate that the total lost revenue from group cancellations will be \$140,000.

Given the fact that there have been a sizable number of weather induced event cancellations it is becoming more difficult to successfully make sales pitches on the value of holding an event at Yahara. Staff have been discussing to what extent we should be promoting outings given the high failure rate over the past two years. It is potentially more problematic to have outings booked and lose them due to the inability to meet their needs than it is to never have them at all. Without solving the drainage issues, there is very limited likelihood that Yahara will see the increased revenue from outings and events that should be possible being the only 36-hole course in Dane County.

Another potential growth area is in continuing to develop and refine concession offerings to maximize both revenue and increase profit. Staff listen to feedback and are making selections on items on offer to meet customer demands and to improve the product line, while also maintaining profit percentages in the normal range for these type of operations. Additionally, golf simulators were added for winter availability at Odana during the 16/17 winter. Preliminary results are that they were a success and should be profitable over the medium term.

GOLF MADISON PARKS ANNUAL REPORT

Financial Review

MANAGEMENT DISCUSSION AND ANALYSIS

- The Statement of Comprehensive Income (Profits and Losses) table below includes consideration of all relevant business expenses as a part of the Enterprise. This includes full recognition of depreciation and all other relevant costs. This also allows for full comparison to the annual Audited Financial Statements.
- The Profits and Losses also includes full recognition of all other costs attributable to the Enterprise, which included items such as all relevant stormwater utility costs and all unemployment compensation costs for the first time in 2016.
- In regards to the Profit/Loss for each year, it is important to note that 2012 was slightly negative, but did include \$215,000 of one-time revenue from the sale of land along Monona Drive and the payment from ATC for the easement at Odana. This means that net of one time revenues the annual loss has averaged about \$240,000 per year. Over the last two the average is closer to \$175,000 per year.
- The Golf Enterprise had an average \$450,000 negative unrestricted net position (a deficit) from 2010 to 2016, which means that the Enterprise's equity is effectively completely tied up in assets and land.
- Cash flow: In every year from 2010 to 2016, current liabilities have significantly exceeded current assets. This indicates that the Golf Enterprise has no ability to finance short-term cash flows with cash or investments on hand.
- Net position (equity) has steadily decreased from \$2.3 million in 2010 to \$1.2 million in 2016. This indicates a deteriorating financial condition.
- However, since land values are booked at historical cost, golf has significant unrealized asset value in the form of land. This means that the golf courses are far more valuable than the \$1.0 million equity book value.
- Golf revenues have grown \$1.1 million, or 54%, from 2010 to 2016. However, expenses have grown \$1.4 million, or 63%, over the same time frame. The \$300,000 increase of expense over revenues can be attributed to primarily from increases in fleet charges of \$125,000, PILOT charges of \$80,000, utility expenses of \$45,000, and unemployment expenses of \$60,000.
- The Golf Enterprise has limited long term debt. There is one existing debt issuance and one expected in 2017. The existing debt is pension refinancing debt with a 2016 year-end balance of \$106,000. This issue will be paid off in 2024. Principal and interest payments are approximately \$14,000 a year.
- Golf will borrow \$246,000 of general obligation promissory notes in 2017 to finance five new mowers. The promissory notes will be on a 10-year repayment schedule and will be repaid with golf course revenues. This will add approximately \$28,000 in debt service costs in future years.
- The table below shows that on a course by course basis across 2015 and 2016 that Odana was the most profitable course followed by Glenway. Monona incurred a cost over the last two years, with Yahara having even larger losses during this time period.
- This profitability by course analysis is in line with the general perspective from golf staff over the past twenty years, but the last two years have the most reliable data to analyze and report on. It is, however, clear from a high level analysis that Yahara is by far the biggest loss maker and Odana the biggest profit maker in the system, with Glenway and Monona mostly near or slightly above profitability.

GOLF MADISON PARKS ANNUAL REPORT

STATEMENT OF COMPREHENSIVE INCOME (PROFITS AND LOSSES)

	2010	2011	2012	2013	2014	2015	2016
Revenue	2,093,142.00	2,032,197.00	2,447,580.00	2,798,144.00	2,666,954.00	3,065,705.00	3,217,296.00
Expenses	2,228,527.00	2,398,161.00	2,452,094.00	3,051,566.00	3,004,360.00	3,016,580.00	3,610,671.00
Profit (Loss)	(135,385.00)	(365,964.00)	(4,514.00)	(253,422.00)	(337,406.00)	49,125.00	(393,375.00)

STATEMENT OF FINANCIAL POSITION

<u>Assets</u>	2010	2011	2012	2013	2014	2015	2016
Current Assets	-	-	15,469	6,604	6,320	6,578	7,594
Capital Assets/Pension	2,734,421	2,481,801	2,277,147	2,125,265	1,939,339	1,998,383	2,032,415
Total	2,734,421	2,481,801	2,292,616	2,131,869	1,945,659	2,004,961	2,040,009
<u>Liabilities</u>	2010	2011	2012	2013	2014	2015	2016
Current Liabilities	168,770	272,168	103,465	191,701	376,426	142,824	325,581
Non-Current Liabilities	257,058	267,004	251,036	255,475	221,946	234,604	480,270
Total	425,828	539,172	354,501	447,176	598,372	377,428	805,851
<u>Equity (Net Position)</u>	2010	2011	2012	2013	2014	2015	2016
Net Capital/Pension	2,734,421	2,481,801	2,277,147	2,125,265	1,939,339	1,879,766	1,602,616
Unrestricted (Deficit)	(425,828)	(539,172)	(339,032)	(440,572)	(592,052)	(252,233)	(368,458)
Total	2,308,593	1,942,629	1,938,115	1,684,693	1,347,287	1,627,533	1,234,158

2015/2016 Profitability By Course*			
Course	2015	2016	Average
Glenway	91,352	(81,685)	4,834
Monona	24,728	(101,479)	(38,376)
Odana	212,158	122,629	167,394
Yahara	(279,096)	(332,841)	(305,968)
Total	49,142	(393,375)	(172,117)

*Unaudited Management Analysis

GOLF MADISON PARKS ANNUAL REPORT

Capital Infrastructure Review

The Golf Enterprise Fund has significant capital infrastructure needs that range across all aspects of operations at the four courses. This review considers the current conditions of capital infrastructure at all four courses by general asset classification. The three main asset classifications are Clubhouse and Restroom Facilities; Golf Course Infrastructure; and Golf Maintenance Equipment and Facilities. Each section includes a very preliminary Estimated Capital Infrastructure Need range. In total, staff estimates this need to be between \$5,900,000 and \$8,600,000. This is essentially the amount to provide each of the four courses with the reinvestment needed to maximize revenue and profitability and produce a more sustainable, both environmentally and financially, Enterprise operation.

CLUBHOUSE AND RESTROOM FACILITIES

Estimated Capital Infrastructure Need: \$800,000 to \$2,400,000

All four courses have aging and dated clubhouses. In the next five years the clubhouse at Glenway is likely to need a new roof and siding. Current plumbing is a growing concern as there have been two major breaks inside the building in the last three years. The Monona Clubhouse air conditioning system failed beyond repair in 2016 and the Enterprise had no available funds to replace it. Otherwise both Glenway and Monona course clubhouse's function as intended, which is a modest space to complete golf and concession transactions and to get out of inclement weather. There is very little additional revenue generation capacity in either of these clubhouses as currently constructed.

The Yahara Hills clubhouse is in the best condition of the four. Recent upgrades made in an effort to prepare the clubhouse for winter operations included a new roof with insulation (no insulation previously), new HVAC, glass windows (Plexiglas previously) and fresh paint. While not the clubhouse we would design if starting over, these additions along with a grant funded solar array have made this structure very functional for many years to come and the best in our system. Yahara Hills clubhouse does have potential for additional revenue generation capacity through outings and rentals with additional investments.

The Odana Hills clubhouse has been identified for years by the Parks Division as being in need of significant renovation or replacement. While structurally sound the layout has significant drawbacks that cannot be addressed easily by renovation. The building does not meet ADA standards and its layout is choppy and inefficient. There is a significant marketplace for additional revenue at Odana given its location and amenities. With a new or vastly overhauled facility both outing and rental revenue would be a significant potential growth area. Odana regularly turns away weddings and larger golf outings due to inadequate indoor space including the kitchen, bar and grill area as well as meeting and banquet space. Issues that could be addressed by renovation include fixing a very leaky roof, window and HVAC replacements. The clubhouse roof regularly requires buckets to be placed to reduce water damage. Numerous efforts to repair the roof have been largely ineffective. The Odana clubhouse is the most energy inefficient public building in the park system. The windows are not rated for winter use and the HVAC system is extremely outdated (using the original boiler from the 50's). The AC is supplemented by inefficient window units. Cost to replace the roof, windows and HVAC would likely exceed \$500,000 given the additional need to meet ADA with a significant remodel. It is difficult to consider doing a project of this scope and still ending up with a building that does not meet the needs of the golf courses or the community.

GOLF MADISON PARKS ANNUAL REPORT

There are three on-course permanent restroom installations, with two at Yahara and one at Odana. All three are aging (40+ years) and in need of major renovations and possibly replacement. Costs likely in the \$100,000 for each of the three restrooms. Roof, siding, lighting and plumbing fixtures are all well past life expectancy and fail regularly. The facilities are generally dated, unappealing and generate a number of complaints.

GOLF COURSE INFRASTRUCTURE

Estimated Capital Infrastructure Need: \$4,100,000 to \$5,000,000

This section includes tees, fairways, bunkers, greens, irrigation systems, drainage and cart paths.

Glenway is our nine-hole short course, our simplest golf course to operate and has the fewest capital needs. Its capital needs are normal given the course is approaching 100 years old and has had very limited reinvestment over that period. Releveling and rebuilding existing tees in similar locations is estimated to be a \$50,000 project that should be completed in the next seven years. An additional \$50,000 would provide for some small scale bunker renovations as well as significant tree pruning and branch removal to improve the health of the course's many mature trees. There are very small sections of cart path existing on the course which are in reasonable shape with not demonstrable reason to expand or reinvest in these for at least the next 10 years.

Monona Golf Course is in need of a great deal of capital investment for a nine-hole course. The irrigation system has had over 250 leaks within the last year. Each requires the line to be dug up and repaired. Staff estimates that the irrigation system could have piping and heads replaced for approximately \$175,000. This does assume that the pump house is serviceable for a number of years and can be integrated into a new piping system with limited cost. Additionally, there is a significant need to reinvest in the bunkers of Monona. The bunkers are generally in a state of disrepair and a project to remove some, reshape and reposition others would significantly improve the course's playability and longevity. The estimated cost for this project is \$175,000. Cart paths are not recommended for Monona as the course drains very well is oriented to make it a very walkable course as well.

Odana Hills Golf Course one of the most played 18 hole courses in the state. Staff have worked diligently to chip away at small projects over the past few seasons, but significant updates are needed to keep the course in a desired playing condition. Staff estimates a project of approximately \$150,000 to renovate and reposition many of the courses 31 sand bunkers. Additionally, a project of \$175,000 could allow for renovation of existing tees and provide new forward tees to encourage play from anyone who hits shorter distances. Contemporary eighteen hole courses include tees that play 4,800- 5,000 yards to make the game more fun and accessible to seniors, youth, women and beginners who traditionally do not hit the ball long enough to play and enjoy playing from a longer distance. Odana's current forward tees measure 5,700 yards, which is longer than desired and can adversely impact pace of play. Though not an immediate need, there will need to be reinvestment into the greens at Odana at some point in the next ten years or there is a risk of a need to fully renovate during a closure.

Odana currently irrigates with City water, as water rates continue to rise the Golf Enterprise is becoming more vulnerable to these cost pressures. Given that the vast majority of the water used at Odana is for irrigation and is filtered back into the groundwater system quickly, staff is investigating the potential for an irrigation well on site to provide the needed water for irrigation of the course. The estimated cost of this is

GOLF MADISON PARKS ANNUAL REPORT

approximately \$300,000. Given current usage and costs, the estimated payback is likely between 7 and 10 years. Additionally, the course needs a new pumping station for approximately \$90,000. The remainder of the current irrigation system should last for another 10-15 years. Staff estimates that installation of partial cart paths on the back nine of Odana would significantly reduce the need to restrict carts access to the course (which lowers revenue potential). Estimated cost for path installation is around \$300,000.

Yahara Hills Golf Course is a 36-hole facility with very significant needs for capital investment. Tees are oversized and provide little playing variety, the courses at their shortest play almost 6,000 yards. As mentioned in the Odana Hills section this presents problems for playability and accessibility for a large swath of players and potential players. The most noticeable capital need at Yahara Hills is the bunkers. Many hold water for a week after rain, most have limited sand as they don't drain as they should. The bunkers at Yahara are easily the number one complaint across all four courses. All of the 88 bunkers are in need of renovation, elimination, and/or repositioning. Staff estimates this project to be approximately \$500,000. A full reshaping and resizing of the tees of Yahara is estimated to be a \$350,000 project. Additionally, the irrigation system at Yahara Hills is starting to fail. The first priority is a new pump station and jockey pump. Staff estimates this to be an \$150,000 project. The pipes and heads are in serviceable condition, but will need to be reevaluated in another 6-9 years. Without investment in the pumps the course is running dangerously close to full closure. If another pump fails, it is possible that not all greens and tees would be able to be irrigated. This essentially requires a course closure as it would become unplayable.

Another major area of investment for Yahara Hills is the need to address drainage and potentially cart paths. Over the past two years the drainage issues have led to many days of course closure and/or not allowing carts on to the course. This has cost the Enterprise at least \$200,000 in lost revenue that had been booked to play during wet conditions. A drainage project may be able to be constructed in phases with a goal to only do what is needed to get the result desired. It is possible that addressing the drainage problems may reduce the need to invest in cart paths, or vice versa. Staff estimates that between \$100,000 and \$500,000 is needed to fully remedy the drainage issues and another \$1,500,000 to \$2,000,000 would be needed to install full cart paths throughout both courses. It is important to consider these two items in tandem to ensure the desired result is met and that it is done in a fiscally reasoned manner.

GOLF MAINTENANCE EQUIPMENT AND FACILITIES

Estimated Capital Infrastructure Need: \$1,000,000 to \$1,200,000

All four courses have maintenance facilities and significant amounts of equipment to meet the needs of maintaining a quality golf course operation. The size of the facilities and corresponding fleet are correlated with the size of golf course, in both holes and acreage under management.

Glenway has a 1,360 sq. ft. shop that was constructed in the late 1960's. The shop space is dated, but it is generally in a usable state for the foreseeable future with modest operational repairs. Monona has a 1,128 sq. ft. shop with an additional 1,160 sq. ft. of cold storage that was updated in 1998. The shop space at Monona is similar to Glenway's in regard to the condition of the facility, though it has been updated more recently. There are no major improvements required at this time, though getting internet access to the shop would improve its long term value.

GOLF MADISON PARKS ANNUAL REPORT

Odana has a 2,460 sq. ft. shop that was most recently updated in 1994. There is a corresponding 1,680 sq. ft. of cold storage space as well. The shop and storage space is in need of refurbishing at an estimated cost of between \$100,000 and \$300,000. Fixtures are old, broken, inefficient and inadequate. A proper wash station should be strongly considered for equipment to reduce long term cost of maintenance. A new roof over a portion of the shop was added in 2016 when a tree fell thru the previous roof. Replacement of the remainder of the roof is needed.

Yahara Hills has 8,500 sq. ft. of shop space and an additional 8,350 sq. ft. of cold storage spread across three buildings that were constructed between 1972 and 2002. The primary shop space at Yahara is in need of refurbishing as the facility is the only Golf Maintenance facility operated year round and is very energy inefficient, staff estimates a budget of \$300,000 in energy efficiency improvements would provide significant opportunities for long term cost savings from reduced energy bills.

The golf course maintenance equipment fleet includes approximately 75 pieces of course maintenance equipment. This equipment includes numerous mowers, trailers, aerifiers, sprayers and utility vehicles. The vast majority of the course maintenance equipment we use is well beyond its useful life requiring expensive and frequent repairs that lead to degraded course conditions for our players. An investment of \$500,000 is needed immediately with an annual ongoing equipment replacement budget of \$160,000 (2X the currently planned \$80K).

Planning for the Future

2016 PLANNING

In 2016, the Parks Division began preliminary work to plan for the future of municipal golf in Madison. That work included reviewing the condition and position of the Golf Enterprise and evaluating what forces were at play in the marketplace. Staff reviewed and analyzed numerous different concepts and alternatives that would provide a stronger footing for the Enterprise going forward. The goal of these alternatives is to spur conversation and allow for stakeholders to engage in discussions that move the Golf Enterprise in a direction of sustaining its mission.

In addition to this planning work, the Parks Division also contracted with Ray Hearn Golf Course Design, Inc. to review the Yahara Hills facility. The purpose of this contract was to evaluate how Yahara could be improved and slightly modified to potentially create space for additional non-golf development on the Western edge of the course. Mr. Hearn was tasked with creating a conceptual site plan that incorporated the following:

- *Propose how drainage problems can be meaningfully improved at Yahara to improve playability and prevent lost revenue.*
- *Propose how Yahara could function as current with a potential future repurposing of the Driving Range and West #1.*
- *Estimate of construction costs to make changes*

The following alternative analysis contemplates many possible concepts for improving the financial strength and corresponding quality and affordable playing experience for all golfers. Parks Division staff look forward to engaging with the public, golfers, Golf Subcommittee, Board of Park Commissioners, City Council, Mayor and other stakeholders to establish a process to work together towards achieving the mission of the Golf Enterprise, to provide the Madison area golfing public with the finest possible golfing conditions at reasonable prices and for all levels of play.

ALTERNATIVES ANALYSIS

The following list of alternatives is not a complete list of all concepts or ideas that have been discussed by staff or presented to staff over the past few years, but it is representative of the major thematic points of discussion in reviewing the Golf Enterprise. These alternatives would all require additional review and study prior to having detailed estimates of the impacts and the process required to implement them.

1. Increase Fees for Services

Staff has researched competitors pricing and overall price points for many other golf courses in the area and with two possible exceptions there is very limited opportunity to raise fees. One area that has potential for some modest fee growth is Odana. Given its popularity the demand is there, but staff is very sensitive to the need to keep customers loyal at Odana, as there is a very significant base of loyal customers that is essential to its ongoing profitability. Additionally, staff has found that there is an opportunity to increase the membership rates for full unlimited play levels by a few percentage points and still be within the competitive market. Again, given the amount of expected revenue from this change and the potential for alienating critically important loyal customers, staff does not see this as a major item for improving the long term outlook of the Golf Enterprise.

GOLF MADISON PARKS ANNUAL REPORT

2. Diversify Revenue Options

Staff have already acquired and promoted an indoor golf simulator to allow for the opportunity to play indoors during the winter at Odana. This also allows for a continuation of the customer relationship during the off months. Additional concepts for revenue growth include the sale of intoxicating liquor and wine, increasing outings, booking facility rentals (weddings), and adding additional non-traditional golf uses to the courses. Staff does not think it is practicable to have the sale of intoxicating liquor and wine on the premises if the City staff are selling it. Staff have worked diligently to improve our competitiveness in the outing business, but unfortunately, the best course for outings is Yahara and almost all outings want carts. As mentioned above, Yahara is notoriously wet, which makes the number of cancelled outings higher than is desired if the City is going to compete for more business in this area.

3. General Fund Subsidy

A direct appropriation from the tax levy to support golf operations could significantly strengthen the financial health of the operation. This could be done by either an annual ongoing operating budget item or, more practically, through an allocation of capital funds to support the needed deferred maintenance and infrastructure replacements for the courses. However, given the significantly challenging City budgets and an outlook that this will continue, staff has not spent significant resources researching this option due to the low probability of it being a possible outcome. Mayor Soglin has indicated that he does not support the concept of general fund subsidy for municipal golf in Madison.

4. Conversion of the Golf Enterprise Fund into a zero levy support park service for operations.

This concept involves ending the concept of the municipal golf service as an enterprise and moving it into the general fund budget for other park services. The service could still be set to an expectation of having revenues more than cover expenses, but there would be the risk to the general fund directly of not having this happen. This would improve the financial health of the operation by eliminating the PILOT payment and also simplifying cost that the Golf Enterprise is taking on its balance sheet now that would move to the general fund. Though intriguing, staff has not spent a significant amount of time on this topic, as it is essentially just another way of getting to some level of general fund subsidy.

5. Reduction in total number of holes of golf.

Reduce Yahara Hills by 9 or 18 holes. This concept involves reducing the number of holes at Yahara by either 9 or 18 holes. The goal is to reduce the significant expenditures that it takes to make Yahara operable. The challenge here is that the only savings is from marginal variable costs of supplies and seasonal labor. The significant fixed costs would remain the same, including essentially the same amount of clubhouse staffing. Another challenge is that this would be taking the only 36-hole course in Dane County and making it into a very routine 18-hole municipal course. One benefit of closing holes at Yahara would be that if there is no intent to ever bring them back there would be the opportunity for additional park activities that could be developed on the site.

GOLF MADISON PARKS ANNUAL REPORT

6. Elimination of Golf Courses

- a. Glenway – Given popularity, profitability, and special characteristics of this course, this option has not been explored fully. There would be limited cost savings from closing this facility, as no full time equivalents could be reduced with the closure of Glenway. Additionally, the course has proven to be profitable over the years, as it has a great location as well as fits into a niche for select players, especially youth and senior golfers.
- b. Monona – Monona is currently close to a break even enterprise on its own. The last two years have seen an average of a \$38,000 loss, but over the longer term the course is fairly stable on a break even basis. Eliminating Monona would decrease the holes available for play by 9 from 72 to 63 in the system. It is probable that a significant percentage of these rounds could be accommodated at Yahara Hills. It is likely that a substantial percentage of rounds would choose a different venue as well. The closure would not have any full time staff layoffs, but would have impacts on some seasonal employees. There would be operational savings from the fixed costs of operating a discrete course location. Monona also has a fairly sizable capital infrastructure need that would be eliminated from the Enterprise’s list of outstanding capital issues. Closing the course could allow for a significantly sized new park in an area that does not have the same access to community parks as do most areas of the City of Madison. Given the location and condition of the land, it is possible that a partial sale could significantly fund many of the other capital infrastructure needs of the Enterprise. Additionally, considering the location of the property, it is possible that a portion of the property could be of particular value in promoting infill density along transportation corridors, which builds a stronger property tax base for the City of Madison.
- c. Odana - Given the popularity and profitability of this course, this option has not been explored at more than a cursory level by staff. The course has capital needs, but its profitability is unquestioned and has sustained across the years unfettered by weather or other conditions (e.g. ATC work).
- d. Yahara – Yahara Hills is currently not a profitable enterprise on its own. As the largest contributor to the Enterprise’s deficit, there is a strong argument that it should be the first course considered for closure. There is little doubt that closing all of Yahara would have a major impact on the financials of the Enterprise. The closure would involve potential layoffs and significant reductions in hourly staff, many of whom have been with Golf for years. Closing all 36 holes would reduce the expenditure budget significantly as well as dramatically reduce the capital infrastructure needs of the Golf Enterprise. It is important to note, however, that closing this course would amount to a 50% reduction in holes offered by the City of Madison. There is no real possibility of accommodating even one third of the rounds played at Yahara annually on other City courses. Closing the entirety of Yahara Hills would significantly impact the Madison area public golf marketplace. It is likely that prices would rise across the board and this would impact the golfers with the most modest incomes, often youth and seniors. Closing Yahara would give Madison Parks the opportunity to discuss with our community what could be done with a 500-acre parcel to meet our community’s recreational needs. It is unlikely that the course would be of any significant value for potential sale, given its location and zoning potential.

GOLF MADISON PARKS ANNUAL REPORT

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