

Golf Sub Committee Meeting
August 29th, 2017
6:00pm Olbrich Gardens Commons Room

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. We continue to strive to meet this mission by ensuring that our stakeholders have the opportunity to review the future operations of our Golf Enterprise Program.

Tonight we will be discussing topics as it relates to the future of the Golf Enterprise Program, in order to maintain the ability to operate 72 holes of municipal golf in the City of Madison. After discussions we will open the meeting up for public input as it relates to the long range plans. Each person whom wishes to speak on topics will be given a total of 3 minutes to speak. It is our goal to maintain the operation of all four City of Madison Golf Courses with the ability to reinvest in a dilapidated infrastructure with many capital needs. It is our goal to reinvest in our overall operations to sustain the successes, and the ability to grow the operations for the next 30 years.

The following alternative analysis contemplates many possible concepts for improving the financial strength and corresponding quality and affordable playing experience for all golfers. The following list of alternative 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 all require additional review and study prior to having detailed estimates of the impacts and 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.

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.

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.