

City Services and Enterprises

Funding and Achieving Outcomes - FY 13 and Beyond

Workshop # 6 12/20/11

Presentation 2 – Golf Course



Antelope Hills Golf Courses

Quality municipal golf facility that provides all citizens with recreational opportunities...

... and is a fundamental amenity to attract visitors to Prescott.



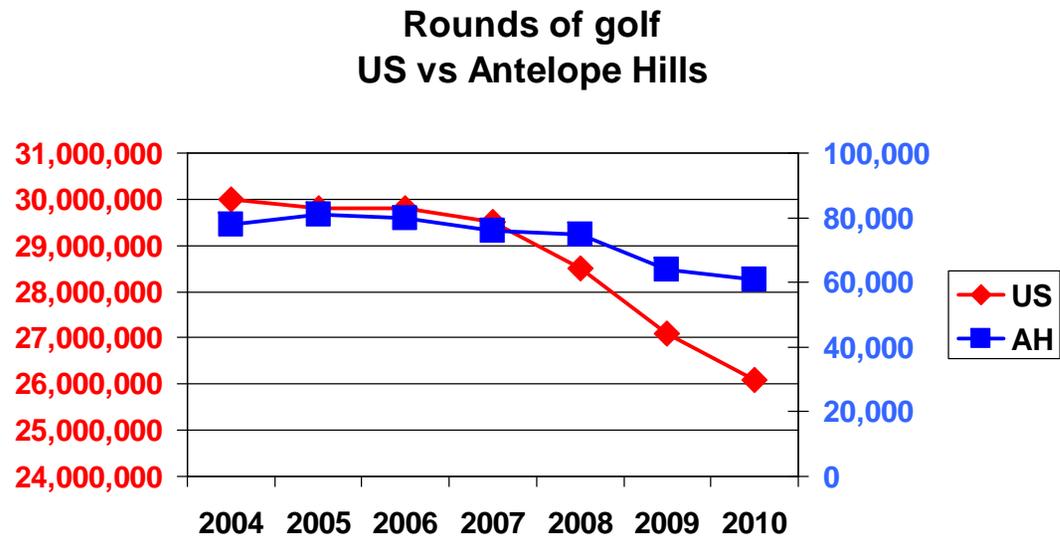
Antelope Hills

Golf Recreation, Dining, Events Venue

All services the City is electing to provide are discretionary

- Golf recreation for residents and non-residents
- An attraction for visitors and new residents
- Adds to and reinforces Prescott's superior "quality of life"
- Provides an events venue for local charities (180 rounds donated for fundraisers), statewide tournaments (19 tournaments of 2 days or more/1700 rounds of golf), weddings, and other celebrations
- Generates direct revenue to local hotels, restaurants, shops, and other local attractions
- Provides free instruction to local schools, junior golf, and golf opportunities for the handicapped

Topics of Significant Interest/Concern



Source PGA of America

- Nationwide decrease in number of rounds of golf
- Local competition
- Increase in fixed expenses
- Dependency on economy
- Price of gasoline

Programs and Services – Golf Course

Impacts of a reduction in funding (including personnel)

- Erosion of the golf experience
- Customer service
- Physical deterioration of the two courses (turf quality, maintenance)
- Down spiral driven by all three factors further decreasing rounds/revenue

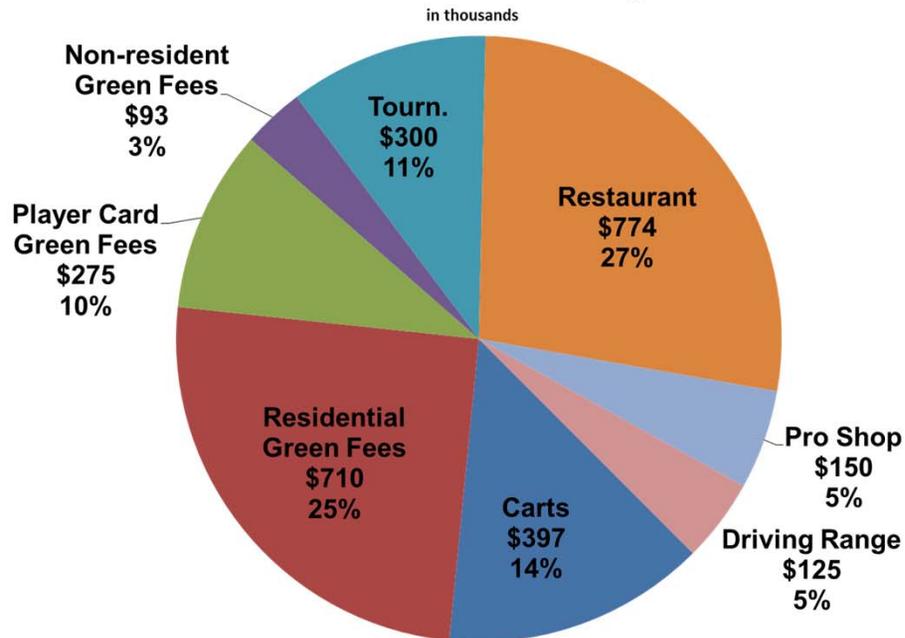
A candidate for contracting out?

- Antelope Hills golf courses, the Manzanita Grille, and Centennial Center comprise a whole greater than the sum of the parts
- If an option for contracting out is to be considered, it should be for the entire complex and only after an in-depth evaluation of costs and efficiencies; contracting out individual parts should be resisted
- Given the state of the golf business, both nationally and in Arizona, it is possible (if not probable) that contracting out will lead to higher greens fees (adding profit to the overall costs) and/or deterioration of the course

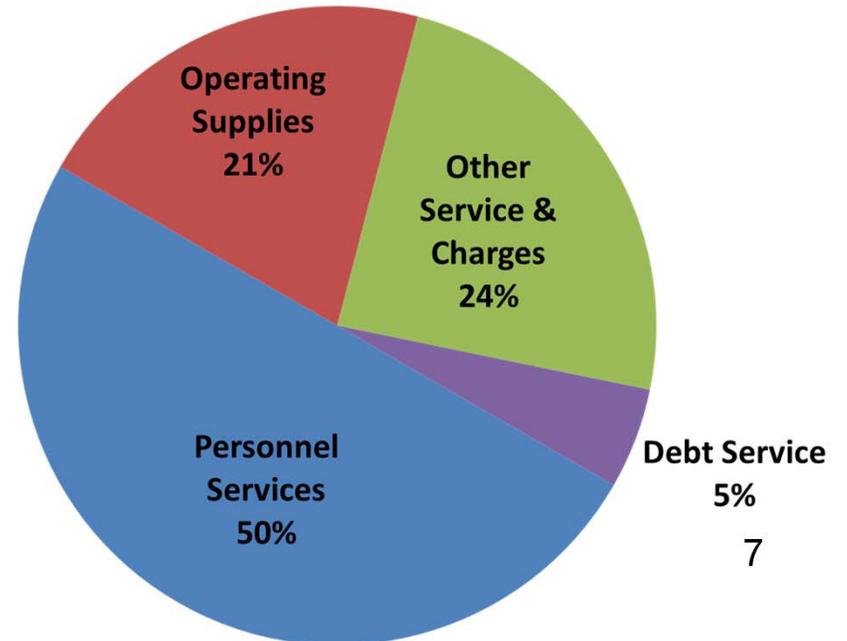
Budget Summary Golf

	FY 2011 Actual	FY 2012 Approved Budget	FY 2012 With Needs Fully Funded
Golf Course Maintenance	\$ 1,345,183	\$ 1,299,102	\$ 1,299,102
Pro Shop	655,433	587,347	587,347
Carts	146,179	189,335	189,335
Cart Replacement	814,600	-	-
Restaurant/Centennial Center	760,980	746,190	746,190
Golf Course Total Expenditures	\$ 3,722,375	\$ 2,821,974	\$ 2,821,974
Operating Revenue	2,531,874	2,824,478	2,655,009
Revenue Related to Cart Replacement	814,600		
Budget Basis Income (Loss)	\$ (375,901)	\$ 2,504	\$ (166,965)
		Balance of loan from general fund as of June 30, 2011	\$ 3,361,888

Source of Funding



Type of Expenditure



Golf Income and Cash Flow

	<u>Golf Rounds</u>	<u>Net Income Excluding Depreciation</u>	<u>Adj. Cash Flow from Operations</u>	<u>Adj. Cash Flow from Capital, Financing & Transfers</u>	<u>Change in General Fund Loan</u>	<u>General Fund Loan at Year End</u>
Beginning						\$ 22,151
FY 2002	90,916	\$ 544,886	\$ 664,605	\$ (658,953)	\$ (5,652)	16,499
FY 2003	79,719	446,901	701,970	(739,674)	37,704	54,203
FY 2004	78,786	345,810	423,365	(704,492)	281,127	335,330
FY 2005	81,213	324,247	486,149	(643,951)	157,802	493,132
FY 2006	86,307	498,955	472,162	(378,925)	(93,237)	399,895
FY 2007	79,678	459,452	436,621	(897,018)	460,397	860,292
FY 2008	78,361	39,150	172,463	(871,089)	698,626	1,558,918
FY 2009	70,558	313,936	180,297	(896,132)	715,835	2,274,753
FY 2010	64,314	(168,435)	40,124	(727,890)	687,766	2,962,519
FY 2011	61,867	(113,111)	(257,721)	(141,648)	399,369	3,361,888

Golf Revenue and Expenditures

	Expenditures							
	Personnel	Supplies	Effluent	Internal	Other	Interest	Principal	Total
				Charges	Services (1)			
FY 2002	\$ 784,242	\$ 315,912	\$ 126,197	\$47,490	\$ 403,828	\$246,292	\$ 478,200	\$ 2,402,161
FY 2003	809,693	263,008	145,000	52,721	251,589	234,035	504,112	2,260,158
FY 2004	781,723	299,472	165,000	54,239	383,050	186,029	529,910	2,399,423
FY 2005	870,013	327,696	165,000	72,200	362,422	171,131	510,568	2,479,030
FY 2006	913,209	375,933	185,000	68,050	394,228	115,711	743,017	2,795,148
FY 2007	1,384,019	733,682	182,134	97,229	407,810	117,886	813,160	3,735,920
FY 2008	1,477,758	741,063	227,100	155,273	507,629	115,074	799,328	4,023,225
FY 2009	1,414,552	657,238	221,616	154,080	280,203	77,754	819,808	3,625,251
FY 2010	1,479,674	595,128	199,710	137,494	313,643	74,740	617,985	3,418,374
FY 2011	1,435,920	681,549	221,690	175,750	232,427	15,917	165,321	2,928,574

	Revenue			Revenue	General	Outside Debt at Year End
	Golf Income	Restaurant	Total	Over (under)	Fund Loan at	
				Expenditures	Year End	
FY 2002	\$2,353,526	\$ -	\$2,353,526	\$ (48,635)	\$ 16,499	\$ 4,531,405
FY 2003	2,200,497	-	2,200,497	(59,661)	54,203	4,027,293
FY 2004	2,215,323	-	2,215,323	(184,100)	335,330	3,500,415
FY 2005	2,261,320	-	2,261,320	(217,710)	493,132	3,630,366
FY 2006	2,620,475	-	2,620,475	(174,673)	399,895	2,893,834
FY 2007	2,439,199	925,909	3,365,108	(370,812)	860,292	2,133,142
FY 2008	2,409,869	850,535	3,260,404	(762,821)	1,558,918	1,318,712
FY 2009	2,226,368	758,050	2,984,418	(640,833)	2,274,753	1,077,208
FY 2010	1,884,445	747,868	2,632,313	(786,061)	2,962,519	466,604
FY 2011	1,841,036	690,848	2,531,884	(396,690)	3,361,888	510,802

Notes

1 - Other Services include utilities, banking fees, advertising, maintenance contracts, memberships, postage.

Comments on Revenues and Expenditures

- The General Fund loan to the Golf Course has grown significantly over the last ten years
- Golf rounds, golf revenue, and restaurant revenue have all decreased during this period
- Personnel costs have also significantly increased, in part attributable to resumption of City operation of the restaurant in FY 2007
- Charges for treated effluent used to irrigate the courses have likewise been gradually increased (to equal the lowest external customer rate)
- Implementation of a policy encompassing all City revenue centers, requiring payment of their shares of central/administrative costs, has further increased the expenditure side of the Golf Course budget
- The significant debt incurred to build the south course and replace the north course irrigation system has been paid off
- Current “outside” debt is \$510,802 of which \$495,000 was to replace the fleet of golf carts, at the optimum time considering service life and disposal value, with new energy efficient electric units
- Many of the costs at the Golf Course are fixed and do not vary with the level of play (number of rounds)
- The current General Fund loan to the Golf Course (\$3,361,888) is a capital reserve; if the loan is written off, the General Fund capital reserve will be depleted except for \$533,715 which is needed for grant matches.

Capital Needs – Facilities and Equipment

(for future consideration – indefinite timeframe)

Capital Facilities

\$450,000

- Cart paths
- Clubhouse roof replacement

Capital Equipment

\$200,000

- Golf course maintenance equipment (mowers, etc.)
- Stoves for restaurant

Opportunities for Augmenting Resources

- Aggressive marketing to attract non-local golfers (tourism)
- Develop “stay and play” programs weekdays and shoulder season
- Continue expense reduction management
- Re-evaluate rate structure
- Public-private partnership opportunities
- Utilize Friends of Antelope Hills
- Expand inter-departmental efforts

Summary Points

- Antelope Hills is a significant Prescott recreational asset and amenity, and tourism draw
- Operating deficits are due to reduction in rounds/revenue
- The two 18-hole courses, restaurant, and Centennial Center comprise a first class, unified asset; if contracting out is to be entertained, it should be on an all or nothing basis
- Aggressively increasing non-resident/tournament rounds are key to revenue stabilization

Comments & Discussion

Antelope Hills Golf Courses Organization Chart

