



CITY OF CONCORD

REPORT TO MAYOR AND CITY COUNCIL

DATE: September 1, 2017
TO: Mayor and City Council
FROM: Brian G. LeBrun, Deputy City Manager - Finance
SUBJECT: 2017 Adjustment to Golf Fund General Overhead Charges

Recommendation

Accept this report approving the adjustment of the Golf Fund General Overhead charges from the General Fund, retroactive to June 30, 2017.

Background

Fiscal Year 2017 continued to show many improvements at Beaver Meadow Golf Course with the first full year of the very successful simulator operation, new electric golf carts, growing pro shop sales, excellent course conditions and improvements. However, there are still revenue struggles in the golf industry as a whole and at Beaver Meadow.

An article in the Washington Post, "Why America Fell Out of Love with Golf", states that, "All the qualities that once made it so elite and exclusive are, analysts say, now playing against it. The game -- with its drivers, clubs, shoes and tee times -- is expensive, both to prepare for and to play." The article goes on to say that golf "can seem overly austere in an age of fitness classes, extreme races and iPhone games", "people are just too busy, American kids today seem to be nearly as overscheduled as their parents", and that "golf is not dying but the popularity of golf a decade or so ago was something of a fluke." According to Edward Stack, the CEO of Dick's Sporting Goods, "We anticipated softness, but instead we saw significant decline. We underestimated how significant a decline it would be." (Time.com, Everyday Money quotes.) The decline in golf is mainly a return of golf status as a niche game. The problem now is that golf courses have been overbuilt and the number of courses closing annually is supposed to dwarf the number of new courses opening for years to come.

Beaver Meadow strives to realize its fair share of the local golf market and be the best course it can be in terms of course conditions, overall customer experience, and a great food and beverage service. We believe we are hitting those marks, but revenues continue to be difficult to bring in.

Discussion

The golf fund is anticipated to realize a loss of \$99,599.93 for Fiscal Year 2017. Overall revenues in the fund were lower than Fiscal Year 2016 by \$23,500, and short of Fiscal Year 2017 budget by \$94,192. Compared to budget, the following are the significant differences:

1. Camps (\$17,130)
2. Season Passes (\$43,118)
3. Daily Fees (\$12,838)
4. Cart Rentals (\$5,543)
5. Driving Range (\$11,862)
6. Golf Simulator \$8,357 (this is to the good)
7. Pro Shop Sales (\$3,053)
8. Concession Income (\$8,167)

The difficulties with the 2017 revenues are mainly attributable to weather. Last summer, mainly in August, was extremely hot and dry. Daily green fee play was down due to the heat. The 2017 season started later than 2016, and there were many days of cold and rain that impacted green fee play, cart revenue, and use of the driving range. The single largest piece of the revenue impact is the decrease in Season Passes or memberships, equating to \$42,572. While the course worked to contact non-renewing members to better understand why they had not joined this year, and to invite them back because they are missed, the reasons that were gathered were not due to the course but more to do with personal situations, jobs, lack of time, etc.

Total expenditures at the course were on track with the \$1,094,826 budget and anticipate the final expenditures to be \$1,101,447, a \$6,621 difference (a supplemental appropriation request is presented to council for public hearing and action at its October meeting). This is commendable considering the hot dry 2016 summer, water usage was over budget by \$12,485, and Cost of Goods Sold in the pro-shop were higher than expected by \$15,623.

For these reasons, and because Beaver Meadow Golf Course is an extremely important asset to the community, consideration by City Council to roll back the budgeted overhead fees in the amount of \$76,560 will still result in a loss to the Golf Fund of \$23,039.93 and will be absorbed by the fund balance of \$31,547, it is requested that City Council accept this report.