

MEMORANDUM

TO: Mayor and Council

FROM: Sumedh Bahl, Community Services Area Administrator

DATE: January 31, 2011

SUBJECT: Supplemental Funding for the General Fund Budget for Parks and Recreation System

On August 1, 2006, City Council passed a resolution that, upon approval of the November 2006 Parks Maintenance and Capital Improvement Millage, the General Fund budget supporting Parks and Recreation System would not be reduced by a percentage greater than the average percentage reduction of the total City General Fund budget.

While developing the City's budget for FY08 and FY09, City's Finance Services staff created targets consistent with practices from previous years which resulted in a decrease in the General Fund allocation to the overall budget for the City Parks and Recreation System. The Park Advisory Commission, public and some Councilmembers took exception to these reductions. In response to their concern, at the time of budget approval for FY08, Council supplemented General Fund budget supporting Parks and Recreation System by an amount of \$287,000. This supplemental funding has continued in FYs 09, 10 and 11. Although the funding has been identified as non-recurring and funded from the General Fund reserves, it has been used to pay for ongoing operations. If this funding is eliminated in FY12 and 13, the parks and recreation system will face a budget reduction larger than other General Fund services.

In preparation for the FY12 and FY13 budgets, staff is seeking Council's direction:

Whether the General Fund budget supporting Parks and Recreation System receive the supplemental funding in the amount of \$287,000 and add this to the base funding for the General Fund supporting Parks and Recreation System for FY12 and beyond,

Or eliminate the supplemental funding in the amount of \$287,000 for the Parks and Recreation System.

MEMORANDUM

TO: Mayor and Council

FROM: Sumedh Bahl, Community Services Area Administrator

SUBJECT: Huron Hills Golf Course

DATE: January 31, 2011

This memorandum provides the status of the golf operations, including the financial performance, since July 2007. The memorandum also contains information about some alternatives to golf at the Huron Hills including preliminary cost of two of these alternatives. It is very likely that there may be other alternatives to golf besides the alternatives included here. Staff is seeking Council's feedback for its interest and desire for a detailed and complete exploration of alternatives to golf at Huron Hills in the coming months.

City Golf Operations since July 2007

In July 2007, the City hired Golf Convergence to evaluate the City's golf operations and to provide a recommended course of action by December of 2007. City staff and the Park Advisory Commission (PAC) also provided feedback and information in the development of this Golf Convergence Report. City staff shared the findings of this report with City Council including a 5-year forecast that showed the golf courses improving every year, but never reaching a level of self-support. City Council, after reviewing the Golf Convergence report and considering staff and PAC recommendations, decided to make significant capital and operating investments in both golf courses.

To begin with, \$1,647,137 was transferred from the General Fund Reserves to forgive the debt that the Golf Enterprise Fund had amassed. Capital investments of \$895,831 were implemented over the course of the 2008 season, with the majority of investments at Leslie Park Golf Course. Huron Hills saw relatively minor capital investments amounting to approximately \$50,000. The aim of the capital improvements was to provide a better maintained golf course and clubhouse areas that visitors could enjoy after a round of golf, and to address issues raised by customers and the Golf Convergence study to make the course more competitive.

City Council also approved annual recurring expenses of \$219,400 in order to raise operating budgets to an appropriate level. Golf Convergence reported that the golf courses were both under staffed and did not possess an adequate maintenance budget. By increasing the operating budget, the goal was to change the cultures of the courses

through improved customer service and better product delivery. A full-time Facility Supervisor was hired at Huron Hills and a Director of Golf was hired to oversee Leslie Park Golf Course and Huron Hills.

Other improvements included acquiring a liquor license at Leslie Park Golf Course, expanding marketing efforts, and repositioning fees to assure market competitiveness. Efforts have been made to make Huron Hills as accessible as possible, and the introduction of power carts has expanded the range of people that can enjoy the course. Huron Hills also is a strong promoter of junior golf and growing the game. Recent years have seen existing initiatives, such as children being able to play free on certain days with their parents, the creation of 'wee-tees' that make the course shorter and more manageable for small children, and enhanced junior instruction.

Over the past three seasons, both golf courses have seen remarkable improvement, both in levels of play, and relative to their original financial forecast. Golf course staff is to be commended for this turn-around. The 2007 golf season was the nadir for both courses. The rounds played at both courses in the past four seasons are as follows:

Season	Huron Rounds	Leslie Rounds
2007	13913	21857
2008	15558	27078
2009	21150	30973
2010	22500	32000

As you can see that Huron Hills has experienced attendance rise of 56% in 4 seasons and Leslie Park has seen attendance rise of 48%. During the same four year time span, the golf industry in general has seen a 3% annual decrease in rounds.

Relative to the original financial forecast, the golf courses' performance is improving at an accelerated rate as illustrated below:

	FY2009	FY2010	FY2011
Original Forecasted Loss	(689,583)	(535,687)	(490,955)
Actual Loss	(453,974)	(523,530)	(371,319)
Difference between Actual and Forecasted loss	235,609	12,157	119,636

Projections for FY2012 and FY2013 show the golf courses operating at a subsidy of slightly higher than \$250,000, down from over \$500,000 two years ago. The following table illustrates this:

	FY2012	FY2013
Original Forecasted Loss	(433,020)	(377,711)
Projected Loss	(272,138)	(270,325)
Difference between Actual and Forecasted loss	160,882	107,386

The net result of the investments made in the golf courses is that they are much busier and financially are performing significantly better than forecast. Another affirmation that the improvements are working occurred when Leslie Park Golf Course was named the 2009 – 2010 #1 Municipal Golf Course in the State of Michigan by Golf Digest, the most widely read golf publication in the world.

Options for Huron Hills Golf Course

Option1. No Change. Operate Huron Hills as a golf course.

As the golf course is in an enterprise fund and running at a deficit, the General Fund is providing a subsidy to HHGC. This subsidy is the cost to the General Fund, estimated to be as follows:

FY	2012	2013	2014	2015
Cost	\$162,000	\$160,000	\$173,000*	\$187,000*

*These projections are based upon revenue increase of 2% and increase of 3.5% in operational expenses and 10% in retiree health care expenses each year.

Other options

To evaluate options for Huron Hills other than a golf course, following costs (Legacy Costs) need to be taken into account to have a complete financial understanding:

- Retiree Health Care - \$27,945. This cost is likely to increase.
- Full-time employees. There are two full time employees (1- Teamster and 1- AFSCME) at Huron Hills. Per union contracts, they cannot be laid off while a temporary, seasonal, or contract employee is still employed. The Parks & Recreation Services relies heavily on temporary employees to provide the required services. Eliminating two FTEs from Huron Hills would result in replacing seasonal employees with these FTEs, the net cost of which would be approximately \$175,000.

- Municipal Service Charge - ~\$42,000. This will result in a reduction in General Fund revenue for at least 2012 and 2013.
- IT charges - \$23,868. Since the IT service unit allocates cost relative to users, a portion of this amount would be absorbed across the City through a per user cost increase.

Option2: Converting the golf course to walking trails.

This option does not entail turning the course into a "natural area", but an area where mowing would not occur. There is a high likelihood of invasive plants taking over. Future reversion to a golf course would require a significant investment. If this option is pursued, staff recommends 10 ft wide trails of varying lengths similar to the old cross-country trails at Huron.

Staff also recommends a 100' buffer between Huron Parkway and non-mowed areas. Staff is recommending this buffer to help lessen the visual impact to address citizens' concern regarding changing the current appearance of Huron Hills as they drive along Huron Parkway. It is anticipated that the annual cost for this option will reduce over time. Please refer to attached drawing.

Cost for this option is as follows:

Annual cost of maintaining walking trails	\$40,000**
<u>Legacy Cost</u>	<u>\$28,000** - \$269,000**</u>
Total cost	\$68,000** - \$309,000**

**These costs do not include any increases.

Option 3: Naturalization of Huron Hills.

This option entails walking trails (option 2 above) and naturalizing Huron Hills. It will result in about 86 acres of prairies or grassland with trails and buffers described in option 2 above. This option requires significant capital investment for establishment of natural area and requires about six years to establish natural area.

Cost for this option is as follows:

Year 1:

Site preparation	\$260,000
<u>Legacy Cost</u>	<u>\$269,000</u>
Total 1 st year cost	\$529,000

Years 2-6:

Establish planting and maintenance (\$430,000/yr)	\$2,150,000
<u>Legacy cost</u>	<u>\$28,000** - \$269,000**</u>
Total 2-6 years cost	\$2,178,000** - \$2,419,000**

Years 7 and beyond:

Annual care	\$26,000-\$43,000
Maintaining walking trails	\$40,000**
<u>Legacy cost</u>	<u>\$28,000**</u>
Total annual cost in years 7 and beyond	\$94,000** - \$111,000*

**the cost does not include any increases.

Option 4: Soccer Fields.

The topography at Huron Hills would require significant earth moving to create a level playing surface. Staff does not have a cost estimate for this option at present. We would like to share that recent renovation to existing soccer fields at Fuller cost over \$750,000, these renovations involved considerably less earth moving. These soccer fields are spread over approximately 11 acres.

Option 5: Disc Golf

The City currently maintains two disc golf courses, one at Bandemer and the other at Mary Beth Doyle. Both courses are designed by a disc golf architect and require equipment and infrastructure (concrete tee pads, green baskets) so there is capital cost in outlay for the amenity. We would like to point out that disc courses are typically designed through more densely forested terrain. The front side of Huron Hills is too wide open to be a suitable location. Disc courses are typically a free recreational activity, but require regular maintenance. Existing City courses generate a high amount of litter. The two existing disc golf courses require different types and levels of maintenance. Bandemer requires the wood chips designating the “fairways” be replenished on a regular cycle, currently every 3-4 years. The disc golf course at Mary Beth Doyle Park is mowed as a part of the 19 day mowing cycle for that park. Our understanding is that the use for a popular disc golf course is nowhere near that of a golf course. Staff does not have a cost estimate for this option.

Option 6: Farming

Staff had provided brief information about this option during FY 2011 budget discussion. Farming can be accomplished either as community gardens operated by the City or operated as a Public-Private partnership. Staff does not have cost estimate for this option.