Tuesday, May 19, 2020

TO: **Melinda Reed, Interim City Manager**

FROM: **Kristi Ponozzo, Parks, Recreation, and Open Lands Director**

Subject: Golf Fund - FY 20/21 Budget Implications

Present Situation: The Golf Fund is currently predicted to exhaust reserves this year (FY20). Before COVID, the Golf Fund was slated to exhaust reserves in FY21.

COVID Revenue Losses

- BRGC was closed for two weeks and has operated at limited capacity since mid-march. Projected revenue losses are $300k for FY21. April is historically our highest revenue month. Revenue loss has been from season passes, day passes, cart rental, golf simulator, tournaments, lessons, pro-shop merchandise.
    - Expense saving - BRGC did everything possible to limit expenses including furloughing all temporary employees while the course was closed and limiting permanent staffing for the entire summer (hiring one golf teaching assistant instead of one).
- Muni's Restaurant was closed for 6 weeks and is now operating at limited capacity. Projected revenue losses for FY21 are $95K
    - Expense saving - Muni's did everything possible to limit expenses including furloughing all temporary employees while the restaurant was closed and limiting permanent staffing (not hiring a position until restaurant re-opened).

Strained financials aside from COVID:

- The last general fund transfer to the golf fund was $250k in 2003
- Building of the new Restaurant took on significant increase debt service
- Restaurant has only been running for about 1.5 years – not yet breaking even - Do not have a good year of baseline for this yet

What we have done to decrease expenses, increase revenues:

- Audit – financial management functions/security (WIPFLI 2020)
    - Inventory controls, increase security, decreased waste
- Down one position – operations manager position – now head golf pro, food and beverage, and superintendent report directly to parks director.
- Not filling two permanent FTE this year (golf teaching assistant and additional F&B lead – filling-in with temp)
- $70k in cuts for FY21: Advertising, reduced merchandise, increased food efficiencies, reduced staffing, etc.

- Increased user fees (Dec. 2019)
- Application Based Training Program – appealing to younger generations

- *These are the areas we will be working on during the next 6-12 months to reduce costs, increase revenues:*
  - Improved efficiency in food waste/cost
  - Reduced restaurant hours in off-season
  - Reduced pro-shop stock
  - Potential deferring of major maintenance (moving the old restaurant building)
  - Cart Barn Roof Replacement – Solar Power installation
  - New restaurant manager with significant industry experience
  - Detailed restaurant business plan
  - New menu
  - Events – diversification (skiing, cross-country, drive-ins, live music)
  - Large pro-shop inventory sale/reduction

- **Challenges:**
  - Continued COVID impacts; likely not back to full capacity this season
  - Need a good year of data to determine appropriate future restaurant revenues
  - Could make some more surgical cut to budget $10-20k, but we are really down to the bone.
  - Even with decreased cost measures and increased revenue - the golf course will likely need some level of general fund support
  - Deferred maintenance and deferred capitol – can only do so much, or work for so long – we will struggle to maintain the same level of service and charge the same level of fees

<u>Options:</u>

- Revenue Recovery – Federal Legislation
- One-time General Fund Transfer – FY20 ($400k) – Balance FY21 Budget ($100k in savings and increased revenue
- Ongoing general fund transfer, support - $100K annual
- Capitol project funding from General Fund
- Debt Loan – financing
- Severe expenditure cuts (reduced services, course)
- Explore third-party management (would include annual general fund contribution)

<u>Recommendation:</u>

- Revenue Recovery – Federal Legislation
- One-time General Fund Transfer – FY20 ($400k) – Balance FY21 Budget ($100k in savings and increased revenue