

**Sligo Creek Golf Course Task Force**  
October 26, 2009  
**Minutes**

The meeting began at 7:00 p.m.

**Approval of Minutes**

Bruce Sidwell moved to approve the minutes of October 19, 2009, and Jeff Zyontz seconded approval of these minutes. The minutes were unanimously approved by all members present.

**Presentation & Discussion**

Three golf course operators made presentations to the Task Force. Each presenter was provided questions that served as the framework for their comments to the group. The follow list of questions was distributed to each presenter:

1. How many golf courses do you manage? Do you manage any 9 hole courses?
2. National data indicates that current trends in rounds of golf are declining across the country. Are your courses experiencing this trend as well? If so, how has your course adjusted to the reduction in rounds?
3. Have you increased greens fees in the last three years? By how much? What was the impact on rounds played and total revenue?
4. Are all capital and operating costs covered by greens fees? Are operational and/or capital costs subsidized with tax dollars?
5. Have any courses closed in the last year? Are you considering closing any courses? Why?
6. Are there additional revenue streams (activities) at the golf course? What types of activities? Do these activities help subsidize the operation of the course?
7. Is the course situated near a residential area?
8. What would you expect annual management costs to be on a course with \$600,000 of annual revenue?

**Red Gate Golf Course, Rockville, MD**

Ray Evans from Red Gate Golf Course in Rockville presented to the group. The City of Rockville manages one 18 hole golf course which is situated near a residential area.

This course is experiencing a reduction in rounds, a trend that occurred for the last two years. During the late 1990's the course produced approximately 60,000+ rounds. During FY09 the course produced approximately 36,000 rounds. There was also a significant decrease from FY08 to FY09. Currently, the number of rounds for FY10 are off by 600 rounds as compared to last year. This may be attributed to the golf boom in the mid 90's which caused the competition to increase. The market may be adjusting to this boom.

Although greens fees increased approximately \$1.09 over last year's rates, the rates were reduced to keep pace with the competition. The rates were then increased by the City Mayor and Council.

Red Gate Golf Course receives a tax subsidy, but Mr. Evans states that it is difficult to determine the amount of the subsidy. The accounting for the course includes depreciation, however if depreciation is removed, as was done for the past 10 years, the course operates with a surplus. When depreciation is added into the budget, it distorts the financial picture of the course by showing the course to be losing money. Depreciation, which includes building, equipment, etc., is a cash obligation which is \$110,000/year.

Revenue for FY09 is \$1.56million and for FY08 is \$1.43 million.

Red Gate, for about one year, also received additional revenue from the cellular telephone tower. The revenue from this tower is approximately \$180,000 per year. The City of Rockville now accounts for this revenue in another category, not related to the golf course. The City also provides the golf course with a capital budget. Five years ago, the capital budget was \$350,000 but due to the current economic conditions, the projects have not moved forward.

Recent capital projects include building tees and cart paths. The largest improvements to the course were upgrades to the clubhouse.

Red Gate offers many golf programs, including programs specifically for women, seniors, and juniors leagues. In addition, specials run during the week for special leagues and there is a good response rate from Gazette ads and discount books.

Approximately 60% of golfers at Red Gate use carts and 40% walk.

### **Billy Casper Golf**

Rob Waldron and Jon Seabreeze from Billy Casper Golf shared that their organization manages 110 golf courses in 25 states. Seventy of these courses are owned by municipalities. They currently operate nine courses in the D.C. region but no courses in Montgomery County. The Armed Forces Retirement Home golf course in DC is a course operated by Billy Casper Golf.

Mr. Seabreeze reported that there is a decline in rounds played from prior years but as a whole, the industry is flat and their courses are up 0.5%. He stated that golfers are playing the same number of rounds and nine hole courses are doing the best in their system of courses. Eight courses are showing an increase of rounds played, one course is flat regarding numbers of rounds played and two courses show a decline in rounds. Their Maryland courses show a decline in rounds of 3-4% in Anne Arundel County and a 3-5% decline in rounds in Northern Virginia. These courses are all 18 hole courses. However, in Ijamsville, rounds are up 8%, which is likely a result of pulling golfers from Montgomery County.

According to their data, higher prices for a round of golf and suburban locations result in a lower number of rounds played. In addition, local nine hole courses are marketed to the local community. Billy Casper golf makes extensive use of customer data that they collect in direct marketing and emailing players.

When golf course revenue is down, Billy Casper Golf focuses a lot of energy on trying to recapture the market share and cutting operating costs is a necessary tool to use especially in this down economy. In addition, pricing decisions are analyzed against usage, therefore the market dictates rates. Greens fees have not increased this year. Revenues generated at a course, directly related to accessory uses, stay with the golf course.

When capital costs are assumed by this organization, two percent of the operating budget is reserved for ongoing capital needs. Major capital costs are determined on what is the greatest need in the portfolio of golf courses. Prior to the investment of capital into a course, the operator also considers whether the course will be able to recoup the investment.

Billy Casper Golf stated that the National Golf Foundation is very academic in nature. The speakers did not agree with the conclusions of the NGF independent financial analysis performed on the Montgomery County Golf Courses. Billy Casper Golf believes that given the demographics of Sligo Creek Golf Course, the facility should not be losing money in spite of the serious capital needs that need to be addressed because population centers are great places for nine hole courses. The course should, at least, break even in revenue versus expenses for operating costs. Billy Casper Golf stated that Sligo Creek Golf Course could profit at a break even point without any extraneous partnerships (capital costs not considered).

The industry norm for a management fee is typically 5% of course revenue. Even if operating and capital costs were higher than the management fee, the course would still be assessed a 5% management fee.

### **Golf Course Specialists, Michael Williams**

Golf Course Specialists (GCS) operate the National Park Service's golf courses with the mission to provide affordable golf (less than \$30.00 per round) to the public. GCS reports that, nationally, rounds are up at nine hole courses because many golfers can't afford expensive courses so they are moving to the nine hole courses. In addition, improved programming within the industry helps promote nine hole golf.

At the National Park Service courses, rounds played at nine hole courses have increased 7-13% while prices were reduced 5-7% at the beginning of the year as a preemptive measure.

National Park Service courses have many restrictions. For example, reserved tee times were just instituted in 2002, competitive events (tournaments) are not allowed, no shotgun starts, greens fees must be approved by the National Park Service, and capital improvements must be improved by the National Park Service. GCS funds 100% of all capital improvements at the courses. Each course has its own operating budget, but if capital costs are needed at other courses, the courses as a whole subsidize the capital needs of all courses.

GCS participates in public/private partnerships such as the First Tee Program and Junior Golf where DC area youth compete against youth from the Bahamas in a Ryder Cup style tournament. An educational program, Top Golf, is has computerized balls and target areas that serve as a combination of a driving range and a video game. However, this is debt-expensive.

Additional course offerings that help generate revenue are offering reward points which encourages golfers to purchase items from the course, signage to advertise food and beverage to the surrounding community, and beverage carts.

GCS discussed the management fee assessed at their courses, stating that management fees can be assessed on a variable basis. However, if the fee is causing the course to operate in the red, management has to reduce the fee. If the minimum management fee cannot be afforded by the course, management must assess the operations of the course including labor and other operational costs.

The Task Force will discuss the answers to the follow up questions from the previous October 19<sup>th</sup> meeting at the next meeting, scheduled for November 9<sup>th</sup> at 7:00 p.m.

The meeting adjourned at 9:00 p.m.