



CITY OF SANTA BARBARA

PARKS AND RECREATION COMMISSION REPORT

DATE: November 16, 2011
TO: Parks and Recreation Commission
FROM: Administration Division, Parks and Recreation Department
SUBJECT: Golf Division, Fiscal Year 2012 First Quarter Report

RECOMMENDATION: That the Commission receive the Golf Division Fiscal Year 2012, First Quarter Report.

DISCUSSION:

The Santa Barbara Golf Club continues to focus on aggressive marketing, customer service, and improving golf course conditions with the goal of increasing rounds and revenue over the previous year. With the completion of the first quarter of Fiscal Year (FY) 2012, it is apparent that the golf course is still tracking down in rounds and revenue – a serious challenge for a sustainable golf course operation. This report presents data, trends and projections for rounds, revenue, and expenditures for the current year.

On October 27, 2011, staff met with the Finance Director and City Administrator to review the first quarter financials and revenue projections. Options for reducing FY 2012 expenditures were discussed as well as planning for the FY 2013 budget. The Golf Advisory Committee reviewed the report at their regular meeting of November 9, 2011. The Finance Director will comment on the golf course performance as part of the City Council Finance Committee review of first quarter financials on November 15, 2011.

Six-Month Rounds and Revenue Trends

Attachment 1 shows rounds and revenue changes April through September 2011 (4th quarter FY 2011 and 1st quarter FY 2012). These are typically the busiest months on the golf course. Over this six-month period, rounds are down 2.5% and revenue is down 6.5% compared to the previous year. While rounds tracked down July through September in both years, 2011 has seen a greater decline over 2010. Factors contributing to this may be the stock market declines in early August, course conditions, and/or fee changes which took effect July 1.

First Quarter Revenue and Rounds Data

The table below shows the annual and first quarter (July – September) revenue and rounds actual against budget. Although FY 2012 rounds were budgeted slightly lower than FY 2011, greens fee revenue was budgeted higher primarily due to fee increases implemented July 1.

At the end of the first quarter, rounds are down 5.6% from budget, and 6.9% below this time last year. More importantly, greens fee revenue is 16.3% below budget and 10.0% below this time last year. (As it did last year, revenue declined at a faster pace over rounds due to golfers choosing to

play at discounted times such as weekdays, twilight or super twilight.) If FY 2012 greens fee revenue continues to trend down at this pace, golf course revenue could be significantly below budget by June.

First Quarter Revenues

	ANNUAL		FIRST QUARTER				
	FY 11 Actual	FY12 Budget	FY 11 First Qtr Actual	FY 12 First Qtr Budget	FY 12 First Qtr Actual	% (+/--) to FY12 Budget	% (+/--) to FY 11 Actual
Rounds	62,800	61,900	19,349	19,422	18,010	-5.6%	-6.9%
Greens Fee Revenue	\$1,525,307	\$1,640,801	469,045	504,326	422,142	-16.3%	-10.0%
Total Revenue	\$1,902,279	\$2,060,146	\$565,830	\$621,999	\$539,835	-13.2%	- 4.6%

Revenue from the two concessions is included in the total revenue above. Comparing first quarter performance this year to last, Channel Islands Golf (Golf Pro) is 3% down, while Mulligan's Restaurant is up 1.2%. Attachment 2, Santa Barbara Golf Club Revenue Analysis, 1st Quarter FY 2012, and Attachment 3, Santa Barbara Golf course FY 2012 Rounds and Greens Fees, provide additional rounds and revenue details.

It is still early in the year to have a good projection of how the coming months will play out, particularly because play is dependent upon so many factors, including weather. The rounds and revenue picture will be closely monitored each month. On a positive note, October rounds and revenue were up from the previous year: revenue up 7.8% and rounds up 6.1% over FY 2011. However, last October had several days of rain which affected play so that has to be taken into consideration.

Revenue Shortfall Projection and Planned Expenditure Savings

If greens fee revenues continue to perform as they have in the first quarter, the golf course could face a revenue shortfall of \$200,000 - \$260,000 this year. Although it is early in the year, \$175,375 in expenditure savings has been identified to offset the potential shortfall. The golf course has been operating on a fairly lean expenditure budget over the past three years due to declining rounds and revenues. There is great concern that further reductions to the workforce, supplies, services, and equipment will negatively affect golf course conditions thus deterring more golfers from playing at Muni.

Appropriated Reserve Funds	\$45,375
PPT Position Savings	\$25,000
Hourly Salary Savings	\$10,000
Clubhouse Painting	\$25,000
Turf Equipment Replacement	<u>\$70,000</u>
Total Savings	\$175,375

Since the golf course has no remaining reserve funds to draw on, additional reductions or other actions may be required at mid-year.

Planning for FY 2013

In June 2011, the City adopted a two-year budget for FY 2012 and FY 2013. Currently, the FY 2013 adopted budget includes \$1.8M in greens fee revenue. If FY 2012 revenues continue to trend as they are now, the golf course could potentially have a structural imbalance of approximately \$450,000 to address at mid-cycle (June 2012) with limited options. It is important to note that over the past two years, golf course revenues have included one-time monies which have helped the overall revenue picture, nearly \$52,000 in FY 2011 to offset revenue losses due to the Creeks capital project and over \$103,000 in FY 2012 due to a City workers compensation fund rebate.

Staff will begin developing recommended mid-cycle changes to the FY 2013 budget in January, with recommendations going to the City Council in April for adoption in June 2012.

ATTACHMENTS:

1. Golf Rounds and Revenue Calendar Years 2010 and 2011
2. Santa Barbara Golf Course Revenue Analysis, 1st Quarter FY 2012
3. Santa Barbara Golf Course FY 2012 Rounds and Greens Fees

SUBMITTED BY: Nancy L. Rapp, Parks and Recreation Director