



Joint City Council / Golf Board Meeting

September 28, 2010

GOLF NATIONALLY

- ◎ **“TODAY, GOLF IS IN THE DEEP ROUGH”**
(USA Today)
 - # of Golfers fell about 3% nationally (2007-2008)
 - Those who play 8+ rounds a year – fell 4.5% (National Golf Foundation)
 - Golf Rounds played to date this year (2010) are down 3% (Golf Datatech).
 - Last year, 140 of the Nation’s roughly 16,000 golf courses closed.

GOLF IN MINNESOTA

- People aren't golfing as much as they did 10 years ago, and that's bad news for financially strapped cities that are losing money on their municipal courses. (Pioneer Press)
- St. Paul's golf courses aren't seeing enough green. (StarTribune)
- Subpar profits in Inver Grove Heights. (StarTribune)
- Leaner times becoming par for the course. (StarTribune)

NEW PRAGUE GOLF CLUB

● Operating Revenues: 2002 - \$1,152,575
2006 - \$995,696
2010 - \$758,987 (est.)

*\$236,709 or 23.8% Reduction in past 4 years

● Operating Expenses: 2002 - \$1,063,355
2006 - \$1,279,445
2010 - \$917,342 (est.)

*\$362,103 or 28.3% Reduction in past 4 years

NEW PRAGUE GOLF CLUB

- Debt - 1997 Elevator Project (15 yr.)
- 2004 2nd St. Improvement (10 yr.)
- 2006 Clubhouse Remodel (15 yr.)
- 2006 Parking Lot/St. Imprv. (15 yr.)
- 2008 Equip. Lease (5 yr.)
- 2009 Equip. Lease Refi. (8 yr.)

NEW PRAGUE GOLF CLUB

Operating Transfers -

Loan from General Fund 2006 - \$225,195

Loan from General Fund 2007 - \$73,500

Loan from General Fund 2008 - \$120,000

Loan from General Fund 2009 - \$145,000

Gen. Fund Prop. Tax Levy 2010 - \$110,000

(\$91,270 Oper.)

(\$18,730 Debt)

NEW PRAGUE GOLF CLUB OPERATIONS (2006 – 2010 est.)

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Net Income (loss) (before transfers) | <\$250,282> | <\$74,564> | <\$153,788> | <\$142,043> | <\$67,943> |
| Depreciation ⁽¹⁾ | <u>\$134,977</u> | <u>\$130,870</u> | <u>\$133,042</u> | <u>\$130,250</u> | <u>\$130,000</u> |
| Income Available After Operations | <\$115,305> | \$56,366 | <\$20,746> | <\$11,793> | \$62,057 |

⁽¹⁾Depreciation is a non-cash item (add-back)

NEW PRAGUE GOLF CLUB

WHAT HAS OCCURRED IN OPERATIONS?

◎ 2007:

- Reduced Operating Costs (-\$181,723)
- Scaled back restaurant operations from 2006 start-up

◎ 2008:

- Reduced Operating Costs (-\$25,598)
- Eliminated full-time chef / restaurant offerings

NEW PRAGUE GOLF CLUB

WHAT HAS OCCURRED IN OPERATIONS?

- ◎ 2009:
 - Reduced Operating Costs (-\$59,515)
 - New Food Service Model Implemented
 - Membership Fees Discounted (No new memberships but revenues collected earlier)
 - Springsted, Inc. 10 yr. financial report conducted
 - Refinanced 2008 Equipment Lease Debt over 8 years

- ◎ 2010:
 - Reduced Operating Costs (-\$95,267 est.)
 - Increased Golf Membership and Other Fees
 - City Picked up 2004 and 2006 Street Special Assessment Debt Totaling \$18,730

PROJECTED 2010 YEAR END ESTIMATE WITH NO TAX SUPPORT

| | |
|--|-------------------------|
| ◉ Net Income (loss before transfers) | <\$67,943> |
| ◉ Eliminated General Fund Tax Levy | <u><\$91,270></u> |
| ◉ Sub-Total | <\$159,213> |
| ◉ Add Back Depreciation (non-cash expense) | <u>\$130,000</u> |
| ◉ Sub-Total | <\$29,213> |
| ◉ Add Back Debt Service Payment | <u><\$81,187></u> |
| ◉ Projected 2010 Est. Year End | <\$110,400> |

City Council / Golf Board

Decision Areas

1. Continue City Contribution to Golf Course?

- A. Direct Operations to be sustaining
- B. Debt Service / Capital Equipment

2. Revenue Changes-

- A. Fees
- B. Rates / Charges
- C. Food / Beverage

3. Expenses –

- A. Personnel (see scenarios)
- B. Operating (see scenarios)

