



## CITY COUNCIL REPORT

July 30, 2009

TO: Honorable Mayor and Council

FROM: John Szerlag, City Manager  
John Lamerato, Assistant City Manager/Finance and Administration  
James Nash, Financial Services Director  
Carol Anderson, Parks and Recreation Director

SUBJECT: Monthly Golf Course Operations

### Background:

- This memo provides information regarding the monthly operations for the golf course operation.

<b>Sanctuary Lake Operations Summary</b>				
	<b>June 07-08 ACTUAL</b>	<b>June 08-09 ACTUAL</b>	<b>2007-2008 YTD ACTUAL</b>	<b>2008-2009 YTD ACTUAL</b>
Revenues	\$185,327.00	\$174,900.52	\$985,813.25	\$922,208.43
Expenses	\$172,936.79	\$97,494.25	\$1,620,604.08	\$1,542,718.15
Rounds	4,160	3,990	23,664	24,710

<b>Sylvan Glen Operations Summary</b>				
	<b>June 07-08 ACTUAL</b>	<b>June 08-09 ACTUAL</b>	<b>2007-2008 YTD ACTUAL</b>	<b>2008-2009 YTD ACTUAL</b>
Revenues	\$171,974.48	\$212,336.35	\$1,214,312.79	\$1,199,379.94
Expenses	\$97,088.98	\$95,958.88	\$1,105,554.56	\$1,028,157.64
Rounds	6,185	8,902	42,451	43,892

These are unaudited revenue/expenses as of June 30, 2009

As is evident from the above information, Sylvan Glen revenues exceed expenses. There is no debt incurred at Sylvan. Depreciation is currently \$183,000/year.

Expenses exceed revenues at Sanctuary Lake. Depreciation at Sanctuary Lake is \$300,000/year while debt (principal and interest) is \$828,000 although this amount varies each year.

There are several options that may be considered regarding the future operation of Sanctuary Lake.

### **Option 1: Continue Current Operating Procedures**

If the golf course continues current operating procedures, the City will continue to incur expenses of debt service, depreciation, maintenance and pro shop operating expenses. Over the past two seasons average total expenses have been \$1,587,000. Average revenues have been \$954,000 with an annual loss of approximately \$633,000.

The current total cash shortfall position is \$633,000. This includes elimination of the depreciation and addition of principal.

### **Option 2: Close Course Temporarily, Re-open at a Later Date**

If the golf course was temporarily closed and minimally maintained with plans to re-open at a later date, the City would incur expenses of debt service and depreciation. Although maintenance and pro shop expenses would be reduced, there would be some maintenance required. Operating expenses would be approximately \$150,000. With debt and depreciation, expenses incurred would be estimated at \$1,278,000. There would be no revenues associated with this option until the course was re-opened. The current total cash shortfall position is \$1,278,000. This eliminates the depreciation but includes principal. However, as expenses and the principal and interest payment schedule varies each year, this shortfall may change.

### **Option 3: Close Course Permanently**

If the golf course was closed permanently and converted into parkland, the City would incur expenses of debt service, depreciation, building maintenance and utilities. The remaining debt service obligation, which spans 18 more years, would require an average payment of \$897,000.00 per year. Costs to maintain this property as parkland are estimated at \$200,000 annually. The average total annual expense for the property with this option is \$1,097,000 (total cash shortfall position). This includes the estimated direct expenses and payment of interest and principal.

### **Recommendation**

Staff recommends the continuation of operating the golf course. Operating the course gives the city the opportunity to reduce the expense/revenue ratio and provide a recreational service to City residents and guests. Staff will continue to work toward reducing expenses and increase revenues resulting in reduced subsidy to the operation.