



City of Springfield

Costing Analysis of Golf Courses

December 2004

EXECUTIVE SUMMARY

The Parks & Recreation Department provides a number of services within the city. The department oversees the parks and playgrounds, recreation facilities and grounds, the forestry division, Cyr Arena, a zoo, and two public golf courses. In this analysis, we examine the public golf courses.

Springfield's two public golf courses are Franconia and Veterans. The Franconia course exists on land (101 acres in Springfield, East Longmeadow and Longmeadow) deeded to Springfield in 1928.¹ The city retained the noted firm of Stiles & Van Kleek to design the course, which may make it historically significant in the eyes of the National Park Service. The Veterans course is located on land (approximately 250 acres acquired predominantly between 1959-1963) the city acquired under MGL Chapter 45, Public Parks, Playgrounds, and the Public Domain.² The city hired the renowned golf course architect Geoffrey Cornish to design the Veterans course. While some building construction and course improvements have been made since their original construction, the city has made significant improvements to both courses over the last five years. A total of \$8.222 million (grants and debt) was used to acquire additional land (Camp Wilder property on 24.8 acres), rebuild and expand fairways and greens, improve drainage, level dilapidated structures, rehabilitate some buildings and construct new ADA-compliant pavilions.

COSTING ANALYSIS

In the course of our analysis, we found that the golf course operations receive a general fund subsidy of about \$248,331 in FY05. This is the difference between the estimated revenues of these operations and the total cost, both direct and indirect, of operating the courses. Table 1 summarizes the FY05 and FY06 estimated revenues and costs. In FY06, revenues are estimated to increase due to a projected 5 percent increase in course use and the new 2006 (April-November) rates, however, due to increases in debt service, the subsidy also is projected to grow.

Table 1: General Fund Subsidy of Golf Operations

Operating Revenues	FY05	FY06
Fees	\$1,477,481	\$1,671,491
Lease	\$51,200	\$55,000
TOTAL	\$1,528,681	\$1,726,491
Operating Costs		
Personnel	\$619,204	\$619,204
Expenses	\$796,302	\$796,302
Debt Service	\$107,551	\$708,405
Direct Costs	\$1,523,056	\$2,123,910
Personnel	\$14,898	\$14,898
Expenses	\$17,123	\$17,123
Benefits	\$221,935	\$255,226
Indirect Costs	\$253,956	\$287,246
TOTAL	\$1,777,012	\$2,411,156
Surplus/(Subsidy)	(\$248,331)	(\$684,665)
<i>Percentage of costs recovered</i>	<i>86.0%</i>	<i>71.6%</i>

¹ In the deed, there is a restriction for park or playground purposes.

² Because the city acquired the land under public land laws, the city faces an impediment to transfer or reuse these properties. Specifically, Springfield would have to get a two-third approval of the legislature (Article 97 of the Massachusetts Constitution) to alter the land use or otherwise dispose of it (e.g., development).

CONSIDERATIONS

The city has a number of options available to help eliminate the subsidy.

SHORT TERM

- **Reduce Operating Costs and/or Raise Fees** – The Park Superintendent should review the current budgets for items that may be reduced or eliminated. He should revisit the fees to determine if these may be increased.
- **Enterprise Fund** – By vote of the city council, Springfield may adopt MGL Chapter 44 §53F½, creating an enterprise fund for the city's golf operations. An enterprise fund establishes a separate accounting and financial reporting mechanism for activities for which a fee is charged in exchange for a good of service. An enterprise fund will assist the city to analyze the impacts of financial decisions, determine the true cost of providing the services and identify any subsidy from the general fund. Given the city's financial position, the operations should be self-sufficient and cover all direct and indirect costs.
- **YMCA Lease** – The current YMCA lease for the use of the camp facilities at Camp Wilder expires at the end of December 2004. The city should consider negotiating a higher payment for the new lease.
- **Barney House** – Currently, the Barney House manages a function facility on Camp Wilder property and is responsible for the care and maintenance of the structure in lieu of a rental fee. The city should consider renegotiating the lease agreement into an annual cash payment to the city for the use of the site.

LONG TERM

Camp Wilder – The Camp Wilder property consists of 24.8 acres. While the city used some of this land to expand the Veterans course and the YMCA and Barney House lease structures/space on the parcel, a fair amount of land is sitting idle. This land has the potential for additional revenue-generating uses that may be useful in eliminating the general fund subsidy.

- Development of a golf driving range and/or practice area.
- Development of other outdoor recreational uses.

FOREST PARK ZOO

During the course of our investigations into the golf course, we discovered a small subsidy (around \$22,000³) from the City to the non-profit that runs the Forest Park Zoo and Education Center. The City, through the Parks Department, should take some time to explore options with the Zoo in order to alleviate this subsidy and have the Zoo become a self-sustaining operation.

³ The City pays for the salary and benefits of the Zoo Director (totaling around \$47,000), as well as a \$12,000 annual stipend. The Zoo, in return, pays the City \$37,380. The difference is \$21,620.

REVENUES

Historically, golf operation revenues were turned over to the city, but incomplete information was provided as to the breakdowns. In 2004, the city installed computerized cash registers at both courses to improve record keeping and accountability.

Springfield generates golf course receipts from three sources: greens fees, cart rentals, and facility leases.

- **Greens fees** Springfield charges fees for use of the two courses. The city has weekday and weekend/holiday rates, and offers discounts to minors and seniors as well as anyone using the course in the twilight hours. For many years, the rates remained the same. However, the Park Commission adopted new rates that will be in effect for calendar (April-November) years 2005 and 2006 (Table 2).

According to city officials, use of the city courses dropped in recent years due to long-overdue green and fairway improvements (e.g., improved drainage and turf management) and lack of marketing. The parks department has been upgrading the courses and replacing equipment. They also have been actively recruiting players and golf leagues back to the courses. Based on the 2003 and 2004 attendance information, use of the courses in 2004 increased roughly 9 percent.

Based on discussions with city officials, projected FY05 and FY06 revenues are based on the newly adopted rates and a 5 percent annual increase in use of the facilities (Appendix A).

	Greens Fee Rates						Cart Rental Rates	
	Weekdays	Sat/Sun/ Holiday	Under 16	Over 62	Twilight Weekdays	Twilight Sat/ Sun/Holiday	9-holes	18-holes
2004	\$18.00	\$20.00	\$10.00	\$12.50	\$14.00	\$16.00	\$11.00	\$22.00
2005	\$19.50	\$22.00	\$11.00	\$14.00	\$15.00	\$17.00	\$12.00	\$24.00
2006	\$21.00	\$23.00	\$12.00	\$15.00	\$16.00	\$18.00	\$14.00	\$25.00

- **Cart rentals** Users may rent golf carts. Based on discussions with city officials, projected FY05 and FY06 revenues are based on the newly adopted rates and a 5 percent annual increase in use.
- **Leases** Springfield leases out three locations on the golf courses: Camp Wilder (Veterans), Franconia food concessions, and Veterans food concessions.
 1. Camp Wilder is a summer camp that was acquired in 2002. This property is leased to the YMCA for \$15,000 annually and the current lease is through December 2004.

There is a second structure, a former residential property, on the Camp Wilder Property that has been rehabilitated into a banquet hall facility. In lieu of rental income to the golf courses, the Barney Society (a non-profit society that operates the Everett Barney House in Forest Park) assumes responsibility for the upkeep and maintenance of the facility.

2. Franconia food concessions include a restaurant (in the club house) and a snack bar. Both facilities are open only during the golf season because the structures are not weather tight and useable during the off-season. The current lease is through 2006 with revenue streams of \$25,000 (2004), \$27,500 (2005) and \$30,000 (2006).
3. Veterans food concessions include a beverage cart and a snack bar. Both operations are open only during the golf season. The current lease is through 2006 with revenue streams of \$7,500 (2004), \$8,700 (2005) and \$10,000 (2006).

There are additional services provided at both courses (e.g., golf lessons, club rentals and pro shop wares), however, the golf professionals provide these at their own expense and no income is derived by the city.

OPERATING COSTS

Two types of costs are incurred by the city in relation to the golf course operations: Direct and Indirect.

DIRECT COSTS

Direct costs are those amounts budgeted for golf operations in the Parks & Recreation Department budget as appropriated by the council and approved by the finance control board in September 2004. We have also included golf debt service as a direct cost, although these costs are not included in the Parks & Recreation Department Budget (Appendix B).

Franconia and Veterans Golf Course Salaries and Expenses. Salaries and expenses reflect those amounts appropriated with two adjustments.

1. As of June 30, 2004, Springfield had an unfunded payroll liability. The city included an additional 1.6 weeks of payroll in each department's FY05 budget, which has been backed out leaving 52.2 weeks for our analysis purposes.
2. The golf courses have two golf professionals that are paid out of the purchase of service line item. While these individuals are hired as independent contractors, they participate in Springfield's retirement system and receive all benefits to which city employees are entitled. As such, we have transferred the funding for their contracts from the purchase of service line item to the personnel line for the purposes of this analysis.

In this analysis, we have included recurring capital outlay costs that are normally included in the annual operating budget.

Other Parks & Recreation Salaries. Based on conversations with the park superintendent, the salaries of the superintendent, administrative assistant and accountant in the administrative office have been apportioned (Appendix C) based on the amount of time each employee spends on combined golf administrative operations. In addition, the salary of the skating rink/golf manager has been apportioned based on the amount of time he spends overseeing the two courses.

Other Parks & Recreation Expenses. This includes general expenses of the department. Based on conversations with the park superintendent, we have apportioned about four percent of the administrative office's general expenses to the golf courses.

Debt Service. Springfield's golf-related debt service totals \$107,551 in FY05. This includes a long-term borrowing issued in 1997 (\$39,920), a \$4.21 million BAN for course improvements (\$55,589), and a \$912,000 BAN for the acquisition of the Camp Wilder property (\$12,042).

In FY06, Springfield's golf-related debt service costs increase significantly due to the issuance of long-term debt and another debt-related expense. The FY06 golf debt service is estimated to be about \$708,405. This includes the cost of the 1997 issue, which decreases to \$38,240. It also includes the two BANs, however, Springfield plans to issue them long-term in July 2005. Because both BANs were issued in July 2002 and will be retired in July 2005, each will require a one-year paydown of the principal prior to long-term issuance in compliance with Massachusetts finance laws. This is an

estimated \$280,667 (1/15 of the principal) cost for the course improvements and \$45,600 (1/20 of the principal) cost for the land acquisition notes. We also assume an interest rate of four percent based on current rates, and that a half-year interest payment also would be due in January 2006. In addition, we include a golf-related debt deficit.⁴ For the purposes of our analysis, we have assumed that a \$150,000 repayment to the city's general fund will be made annually over 14 years beginning in FY06.

INDIRECT COSTS

Indirect costs consist of golf-related expenditures that appear in other departmental budgets (Appendix D). This includes departments that provide support by means of personnel services and departmental costs (e.g., payroll, accounts payable, employee benefits, and computer services).

Indirect Departmental Support Costs. Based on conversations with city officials, six departments—finance, auditor, purchasing, treasurer, personnel and MIS—provide support to the golf operations. We have attributed 0.48 percent (the ratio of the golf direct costs net of debt to the total city budget net of debt, prior year expenditures, reserves, and employee benefits) of these departmental personnel and expense costs as being used in support of the golf operations unless otherwise noted.

1. The previously noted unfunded payroll liability has been backed out for our analysis purposes.
2. In the FY05 treasurer's budget, the city has a treasurer and acting treasurer positions funded. Because the treasurer is on leave, our analysis has removed this salary from the analysis.

Employee benefits. On behalf of city employees, Springfield incurs costs of providing employee benefits, which include health insurance, life insurance, Medicare tax, workers' compensation, unemployment insurance, retirement and pension costs. These benefits are provided to both golf-related employees and indirect support personnel. Given the other demands on the city's personnel at this time, we were not able to obtain specific data and actual costs per employee for each of the benefits provided. Based on conversations with city officials, we calculated the benefit costs to be 35 percent of the apportioned personnel budgets.

Depreciation Expense. Generally in a costing analysis, the golf-related assets, structures, equipment and vehicles are identified so that depreciation of the operation's assets is reflected in the analysis. The reason depreciation is calculated is to match revenues with expenses over a given reporting period. If the community is currently paying debt or leasing costs for the asset, then no depreciation cost is calculated because it would result in a double counting of costs. If the asset is owned outright, then the depreciation of the fixed assets is calculated in order to charge the operation that portion of the assets which is consumed in the current fiscal year, ultimately providing for its replacement. Because we were unable to gather the necessary information to make this calculation, it has not been included in this analysis.

⁴ Springfield received a \$1 million state urban self-help grant in 1999 for improvements to the Franconia course. For this grant, Springfield authorized an additional \$2.1 million in debt. The debt was issued in June 2002, but due to a wording error in the original authorization, Springfield had to pay off the BAN in June 2004, incurring a deficit. This \$2.1 million deficit is being paid off in FY05 with the state special loan funds, which are to be paid back to the state interest free between FY08-FY12.

Appendix A: Projected Golf Fees

FY04 Franconia Golf Course Projection Table						FY05 Franconia Golf Course Projection Table						FY06 Franconia Golf Course Projection Table					
	Rounds#	Rounds\$	Carts#	Carts\$	Total		Rounds#	Rounds\$	Carts#	Carts\$	Total		Rounds#	Rounds\$	Carts#	Carts\$	Total
Jul-03	6,803	99,269	n/a	4,262	103,531	Jul-04	6,738	98,813	2,553	38,577	137,390	Jul-05	7,075	113,113	2,681	44,188	157,302
Aug-03	6,081	91,235	n/a	6,553	201,319	Aug-04	6,537	95,641	2,452	36,135	269,165	Aug-05	6,864	109,571	2,575	41,391	308,264
Sep-03	4,207	62,747	n/a	6,534	270,600	Sep-04	4,943	73,899	2,029	33,550	376,614	Sep-05	5,190	84,705	2,130	38,430	431,399
Oct-03	2,502	37,626	n/a	1,783	310,008	Oct-04	3,082	48,135	1,268	20,801	445,549	Oct-05	3,236	55,428	1,268	23,827	510,654
Nov-03	1,545	23,292	n/a	7,749	341,049	Nov-04	1,129	16,907	390	5,687	468,143	Nov-05	1,185	19,424	390	6,514	536,592
	21,138	314,168		26,881	341,049		22,429	333,393	8,692	134,750	468,143		23,550	382,242	9,044	154,350	536,592
Apr-04 *	3,722	55,693	924	14,531	70,224	Apr-05	3,908	63,762	970	16,645	80,406	Apr-06	4,104	71,244	1,019	19,077	90,320
May-04	6,310	94,689	1,993	30,910	195,823	May-05	6,626	108,430	2,093	35,406	224,243	May-06	6,957	120,989	2,197	40,670	251,980
Jun-04	7,080	102,592	2,523	39,985	338,400	Jun-05	7,434	117,304	2,649	45,801	387,348	Jun-06	7,806	131,138	2,782	52,428	435,546
	17,112	252,974	5,440	85,426	338,400		17,968	289,497	5,712	97,852	387,348		18,866	323,371	5,998	112,175	435,546
FY04	38,250	567,142	5,440	112,307	679,449	FY05	40,397	622,890	14,404	232,602	855,491	FY06	42,416	705,613	15,041	266,525	972,138
FY04 Veterans Golf Course Projection Table						FY05 Veterans Golf Course Projection Table						FY06 Veterans Golf Course Projection Table					
	Rounds#	Rounds\$	Carts#	Carts\$	Total		Rounds#	Rounds\$	Carts#	Carts\$	Total		Rounds#	Rounds\$	Carts#	Carts\$	Total
Jul-03	5,607	84,213	n/a	5,591	89,804	Jul-04	5,219	74,289	1,694	23,947	98,236	Jul-05	5,480	84,910	1,694	26,124	111,034
Aug-03	4,674	71,815	n/a	1,963	163,582	Aug-04	5,149	75,679	1,711	24,277	198,192	Aug-05	5,406	86,517	1,711	26,484	224,035
Sep-03	3,042	46,696	n/a	2,963	213,241	Sep-04	4,601	69,564	1,446	21,791	289,546	Sep-05	4,831	79,586	1,446	23,772	327,392
Oct-03	1,647	24,929	n/a	2,089	240,259	Oct-04	2,324	36,787	771	11,990	338,323	Oct-05	2,440	42,232	771	13,080	382,705
Nov-03	382	6,235	n/a	0	246,493	Nov-04	354	5,293	102	1,342	344,958	Nov-05	372	6,086	102	1,464	390,254
	15,352	233,887		12,606	246,493		17,647	261,611	5,724	83,347	344,958		18,529	299,330	5,724	90,924	390,254
Apr-04 *	2,757	39,988	735	10,769	50,757	Apr-05	2,895	45,697	735	11,748	57,445	Apr-06	3,040	51,112	735	12,974	64,086
May-04	4,640	68,238	1,431	20,515	139,510	May-05	4,872	77,986	1,431	22,380	157,811	May-06	5,116	87,109	1,431	24,808	176,002
Jun-04	5,542	79,092	1,830	26,334	244,936	Jun-05	5,819	90,493	1,830	28,728	277,032	Jun-06	6,110	101,272	1,830	31,824	309,099
	12,939	187,318	3,996	57,618	244,936		13,586	214,176	3,996	62,856	277,032		14,265	239,493	3,996	69,606	309,099
FY04	28,291	421,205	3,996	70,224	491,429	FY05	31,233	475,787	9,720	146,203	621,990	FY06	32,795	538,823	9,720	160,530	699,353
TOTAL	66,541	988,346	9,436	182,531	1,170,877	TOTAL	71,630	1,098,676	24,124	378,805	1,477,481	TOTAL	75,211	1,244,436	24,761	427,055	1,671,491

* Because the cash registers were installed after the courses opened, the cart rental data is incomplete. Based on conversations with the Superintendent, the number of rentals have been adjusted to equal the fees received.

Appendix B: Direct Costs

	Adjusted FY05 Budget (1)	Apportioned Amount (2)	Projected FY06 Budget (6)	Apportioned Amount
Personnel				
Park & Recreation Administration	\$352,234	\$17,285	\$352,234	\$17,285
Cyr Arena	\$199,722	\$13,202	\$199,722	\$13,202
Franconia Course (3)	\$306,771	\$306,771	\$306,771	\$306,771
Veteran's Course(4)	\$281,945	\$281,945	\$281,945	\$281,945
		\$619,204		\$619,204
Expenses (5)				
Park & Recreation Administration	\$326,664	\$13,067	\$326,664	\$13,067
Cyr Arena	\$130,713	\$0	\$130,713	\$0
Franconia (3)	\$386,198	\$386,198	\$386,198	\$386,198
Veteran's (4)	\$397,037	\$397,037	\$397,037	\$397,037
	\$783,235	\$796,302	\$783,235	\$796,302
Debt Service				
	Principal	Interest	Principal	Interest
Long-term debt	\$30,000	\$9,920	\$30,000	\$8,240
Short-term debt				
\$4.21 M course improvements (7)	\$0	\$55,589	\$280,667	\$159,124
\$921,000 land acquisition (7)	\$0	\$12,042	\$45,600	\$34,775
	\$0	\$67,631	\$0	\$193,899
\$2.1 M loan deficit (8)	\$0	\$0	\$150,000	\$0
		\$107,551		\$708,405
TOTAL		\$1,523,056		\$2,123,910

- (1) Auditor's appropriation report less 1.6 weeks of salary.
- (2) See Appendix C.
- (3) Reflects a \$65,000 transferred from purchase of service to personnel for the golf professional's salary.
- (4) Reflects a \$30,000 transferred from purchase of service to personnel for the golf professional's salary.
- (5) Includes recurring capital budget of \$1,200 (in each course budget) for small equipment replacements.
- (6) In projecting the FY06 budget, we assumed no increase in salary and expenses from the adjusted FY05 budget.
- (7) In July 2005, the city plans issuing long-term debt on these items. Both will require paydown amounts, we are projecting the FY06 debt costs based on level principal payments at 4 percent interest.
- (8) For our analysis, we have included the annual cost of reimbursing the general fund over 14 years beginning in FY06.

Appendix C: Apportioned Parks & Recreation Costs

	Adjusted FY05 Budget (1)	Percentage of time	Apportioned Amount
Personnel			
Administration			
Superintendent	\$85,020	8.0%	\$6,802
Administrative Assistant	\$34,306	16.0%	\$5,489
Accountant	\$31,213	16.0%	\$4,994
			\$17,285
Cyr Arena			
Rink/Golf Manager	\$38,084	34.7%	\$13,202
Subtotal			30,487
Expenses			
Administration	\$326,664	4.0%	\$13,067
Cyr Arena	\$130,713	0.0%	\$0
Subtotal			\$13,067
Total			\$43,553

- (1) Auditor's appropriation report less 1.6 weeks of salary.

Appendix D: Indirect Costs

	Adjusted FY05 Budget (1)	0.48% of Budget Apportioned (2)	Projected FY06 Budget (5)	Apportioned Amount
Indirect Departmental Support Costs				
Personnel				
Finance	\$245,023	\$1,176	\$245,023	\$1,176
Auditor	\$492,393	\$2,363	\$492,393	\$2,363
Purchasing	\$513,807	\$2,466	\$513,807	\$2,466
Treasurer (3)	\$343,178	\$1,647	\$343,178	\$1,647
Personnel	\$752,248	\$3,611	\$752,248	\$3,611
MIS	\$757,062	\$3,634	\$757,062	\$3,634
		<u>\$14,898</u>		<u>\$14,898</u>
Expenses				
Finance Dept	\$407,668	\$1,957	\$407,668	\$1,957
Auditor	\$762,741	\$3,661	\$762,741	\$3,661
Purchasing	\$45,254	\$217	\$45,254	\$217
Treasurer (4)	\$70,587	\$339	\$70,587	\$339
Personnel	\$1,684,765	\$8,087	\$1,684,765	\$8,087
MIS	\$596,177	\$2,862	\$596,177	\$2,862
		<u>\$17,123</u>		<u>\$17,123</u>
Benefits				
		35% of Apportioned Salary	Projected Benefits (6)	
Parks & Recreation				
Park & Recreation Administration		\$6,050		\$6,957
Cyr Arena		\$4,621		\$5,314
Franconia Course		\$107,370		\$123,475
Veteran's Course		\$98,681		\$113,483
		<u>\$216,721</u>		<u>\$249,229</u>
Indirect Departmental Support				
Finance		\$412		\$473
Auditor		\$827		\$951
Purchasing		\$863		\$993
Treasurer		\$577		\$663
Personnel		\$1,264		\$1,453
MIS		\$1,272		\$1,463
		<u>\$5,214</u>		<u>\$5,996</u>
		<u>\$221,935</u>		<u>\$255,226</u>
Total		<u>\$253,956</u>		<u>\$287,246</u>

(1) Auditor's appropriation report less 1.6 weeks of salary.

(2) The golf operating budgets (salaries and expense) as a percentage of the city budget net of one-time expenses, prior year expenses, benefits and debt service is roughly .48 percent.

(3) From the auditor's appropriation report, the treasurer's salary has been deducted because she is on sick leave.

(4) This expense budget has been reduced \$3.42 million because it includes the city's Medicare tax and revenue anticipated borrowing costs, which are handled separately.

(5) In projecting the FY06 budget, we assumed no increase in salary and expenses from the adjusted FY05 budget.

(6) In projecting the FY06 benefit costs, we assumed a 15 percent increase from FY05.