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# Town of Auburn, Massachusetts

Julie A. Jacobson  
Town Manager



## MEMORANDUM

**Date:** September 14, 2015

**To:** Board of Selectmen

**From:** Julie A. Jacobson, Town Manager

**Subject:** Pakachoag Golf Course

Town administration submitted a report to the Board of Selectmen in January of 2014 which provided an overview of the analysis that the Town administration undertook regarding the options available to the Town for the operation, management and maintenance of the Pakachoag Golf Course (the "Course"), a municipally owned facility. A copy of that report is attached herein. At that time, town administration said it would undertake further in-house analysis through the DPW director, the Chief Financial Officer and the Town Manager to determine whether actual and projected revenues will offset the operating costs should the Town move forward with assuming the management, operation and maintenance of the Course.

The Course is currently managed, operated and maintained by Johnson Golf Management, Inc. ("Johnson") under a ten year agreement that expires on December 31, 2015. As a result of a court-ordered settlement, the Town is under an agreement with Johnson that details the responsibilities of Johnson with regard to capital improvements, operations and fees. Given that the contract with Johnson expires this December, the Town administration undertook an analysis during 2013/2014 to determine the best options for the future management, maintenance and operations of the Course. Based on that analysis, town administration's recommendations included:

- Preference for Option 3, pending further financial analysis, in which the Town would assume all operations, management and maintenance of the Course, as it appeared to be the most advantageous operating and maintenance model.
- Place the functions of the golf course under the Department of Public Works.
- The Town should operate the golf cart rentals as there appears to be significant profit in these rentals.

- Look into the feasibility of establishing an Enterprise Account or Revolving Account to fund the operations of the facility.
- Establish an advisory committee appointed by the Town Manager to make recommendations on policies and procedures, fees, events, and promotions.

Based on analysis that the town administration has conducted since releasing that report, the following recommendations are provided:

- The Town should undertake all operations, management and maintenance of the Golf Course.
- Place the functions of the golf course under the Department of Public Works.
- Hire a qualified superintendent reporting to the Director of Public Works or his designee to oversee daily operations and staff as well as to recruit and schedule tournaments and develop programs.
- Hire additional part-time and full-time employees as necessary for operations and maintenance.
- Enter into a six-year lease/purchase plan for golf carts to be rented to patrons. (requires a vote of Town Meeting, proposed as a warrant article for the Fall Town Meeting on October 27, 2015).
- Establish an Enterprise Account to fund the operations of the facility (requires a vote of Town Meeting, proposed as a warrant article for the Fall Town Meeting on October 27, 2015).
- Invest in capital improvements and maintenance to the facility to protect the golf course as a valuable town asset. Short-term and long-term improvements (spread over Years 1 through 6 and Years 7 through 10) to include repairing the tees and greens, installing a new well, installing a new electrical supply, new irrigation system, and clubhouse renovations.
- Establish an advisory committee appointed by the Town Manager to make recommendations to town administration on policies, fees, events, and promotions. The Pakachoag Golf Course Advisory Committee should be appointed and begin meeting in November of 2015 in preparation for the 2016 season including pre-sales.

It is anticipated that the cost for the Town to undertake all operations, management and maintenance of the Course will initially exceed the revenues generated from fees during the period from January 1, 2016 to June 30, 2016. Annualized, following the first six months, we anticipate breaking even for the first six years. Once the equipment is paid off after Year 6 and initial investment costs into the facility are complete, the Town should realize revenues that exceed costs.

The Town should not take over the operations, management and maintenance of the Course with the expectation that the facility will generate a profit in the first 6 years. Most municipal golf courses do not generate a profit rather they break even or require additional funding above the fees generated. Those that do not break even operate in a deficit usually because they contract out the maintenance of the course. In general, those municipal courses that do generate a profit are those that are completely operated, managed and maintained by the Town. Municipalities that undertake the full operations, management and maintenance of public courses do so to preserve the facility as an asset for its residents to enjoy, similar to other municipal parks and recreational facilities which require a level of funding to maintain but which add to the quality of life for the community.

It should be understood and fully recognized that the first six years will likely not generate a profit due to the initial investment required in equipment and capital improvements but revenues are expected to cover expenses. Our long-term goal (beyond Year 6) is to generate a profit during certain years, recognizing that equipment may need to be replaced or purchased and facility improvements may be needed which could be supported by the revenues. Enhanced marketing efforts and wayfinding beyond greens fees could generate additional revenues.

The Pakachoag Golf Course, like all of Auburn's municipal parks and recreation facilities, can be a tremendous asset to the Town if properly maintained and managed. As such, it will be critical to upgrade and maintain the entire facility to once again make it attractive to users. It will also be critical to undertake an effective marketing and promotion plan to increase usage and generate revenues. This is a multi-year plan to improve the facility through strategic capital investments and ongoing maintenance, professional management, and enhanced marketing of the Course. This strategy will require an investment but is necessary in order to plan for the long-term success of the golf course and preservation of a beautiful town asset.

With the overall economy recovering on many levels and economic indicators signifying a strengthening national and local economy, the future of the golf industry appears to be stable, according to industry experts. Trends continue to indicate stability in the industry as the golf industry has adapted to changes in the market. Youth participation has grown substantially as has participation in the sport by women golfers. The demographic make-up of golfers continues to change and expand. Golfers of today represent a more diverse population, broadening the market. Smaller courses, even courses that offer 6, 9 and 12 hole rates continues to be appealing as many participants do not have time to spend on playing 18 holes.

According to an on-line Forbes article dated Apr 4, 2015, "The State Of The Golf Industry In 2015", several golf industry leaders and experts who were interviewed stated their individual confidence in the future of the golf industry. Mike Davis, Executive Director of United States Golf Association, commented that there are positive trends and indicators that the industry is healthy. Mr. Davis stated, "Consumer confidence has returned to pre-recession numbers, participation has stabilized, rounds per playable day (that is, a day on which the weather allows a golf course to be open for play) increased last year and golf continues to grow at substantive rates in many regions of the globe." Referring to positive trends in the industry, Tim Finchem, PGA TOUR Commissioner, remarked that participation in the sport is increasing. "We are seeing more youth golfers age 6-17 coming to the game, with now more than 3 million participants. Millennials aged 18-34 are active in the game with an estimated 6.3 million golfers."

The presence of a strong local golf course can have positive economic impacts on the local economy. In addition to providing residents with a beautiful golf course, attracting golfers to the Pakachoag Golf Course would bring additional visitors to the Town during the golf season. The potential for spin-off activity in Auburn would benefit local retailers and restaurants as tournament participants and attendees visit local stores and food and drink establishments.

In order to maintain municipal assets, a community must invest in those assets. In Auburn, we continue to invest in our municipal facilities and buildings in order to preserve their useful life and to provide excellent amenities for our residents. The development of the beautiful Dr. Arthur and Dr. Martha Pappas Recreational Complex provides tremendous recreational and cultural opportunities for Auburn residents. The recent purchase of the 50 acres of former 61A land off of

Southold Road was an investment that the Town made to provide for various recreational and/or open space opportunities for its residents. The Veterans Memorial Corridor is a magnificent series of parks dedicated to our veterans. The Town invests in these assets annually through expenditures in labor, supplies and equipment. These green spaces and recreational areas are an important element in Auburn and contribute to the fabric of the community. The Pakachoag Golf Course is a municipally-owned facility that should also be considered an important recreational asset to be preserved and managed as other facilities in Town. While the matter should be revisited after a few years to determine whether this course of action is still the best option, based on economic conditions and financial data, it is our recommendation to have the Town assume all operations, management and maintenance of the course beginning in 2016.

Please find attached a proposed partial (not a full year) FY16 operating budget for the Pakachoag Golf Course for the period of January 1, 2016 to June 30, 2016 as developed by DPW Director Bill Coyle and Assistant Town Manager/CFO Ed Kazanovicz. Also included is an Annualized (not indexed) budget for FY16, which would be similar for Years 1 through 6, and an Annualized (not indexed) budget for Years 7 through 10. The actual FY17 operational budget will be developed in conjunction with the annual budget process undertaken this winter/spring. While we can anticipate certain revenues based on the reports received from the current management company, it is only after a couple of years of municipal operation will we be able to better project revenues based on actual receipts and financial data collected by the Town.

Please advise if you have any questions. Thank you.

**Pakachoag Golf Course Operating Budget FY 16  
(January 1, 2016 to June 30, 2016)**

Revenues (Greens Fees) (Assumes golf season starts in March)	\$ 110,000.00
<b>Total Revenues</b>	<b>\$ 110,000.00</b>
<b>Salaries</b>	
Full time Superintendent (Assume hire date mid-Feb)	\$ 19,000.00
Full time Groundskeeper (Assume hire date March 1)	\$ 10,000.00
Seasonal Groundskeepers (part-time)	\$ 12,000.00
Seasonal club house cashiers	\$ 9,000.00
<b>Materials</b>	
Fertilizer/chemicals	\$ 15,000.00
Loam/seed/sand/gravel	\$ 3,000.00
<b>Maintenance</b>	
Golf Course Maintenance/Improvements	\$ 10,000.00
Fuel/Utilities	\$ 10,000.00
Building Maintenance	\$ 1,000.00
Misc. Supplies	\$ 1,000.00
<b>Sub-Total</b>	<b>\$ 90,000.00</b>
 <u>Other Annual Expenses for first six years (based on lease/purchase):</u>	
<b>Equipment</b>	
Golf Course maintenance equipment	\$ 65,000.00
Golf carts (24):	\$ 21,055.00
Golf cart maintenance contract:	\$ 2,088.00
<b>Sub-Total Equipment</b>	<b>\$ 88,143.00</b>
One-time capital expenditure - electrical service and well/pump replacement	\$ 30,000.00
<b>Total Expenses</b>	<b>\$ 208,143.00</b>
<b>Total Net Cost 1st six months (January 1 through June 30)</b>	<b>\$ (98,143.00)</b>

## FY16 Budget Annualized

Revenues (Greens Fees)	\$	300,000.00
<b>Total Revenues</b>	<b>\$</b>	<b>300,000.00</b>

### Salaries

Full time Superintendent	\$	50,000.00
Full time Groundskeeper /Maintenance	\$	35,000.00
Seasonal Groundskeepers (part-time)	\$	27,000.00
Seasonal club house cashiers	\$	20,000.00

### Materials

Fertilizer/chemicals	\$	30,000.00
Loam/seed/sand/gravel	\$	5,000.00

### Maintenance

Golf Course Maintenance/Improvements	\$	20,000.00
Fuel/Utilities	\$	20,000.00
Building Maintenance	\$	2,000.00
Misc. Supplies	\$	2,000.00

<b>Sub-Total</b>	<b>\$</b>	<b>211,000.00</b>
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### Other Annual Expenses for first six years (based on lease/purchase):

#### Equipment

Golf Course maintenance equipment	\$	65,000.00
Golf carts (24):	\$	21,055.00
Golf cart maintenance contract:	\$	2,088.00

<b>Sub-Total Equipment</b>	<b>\$</b>	<b>88,143.00</b>
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<b>Total Expenses</b>	<b>\$</b>	<b>299,143.00</b>
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<b>Total Annualized Net</b>	<b>\$</b>	<b>857.00</b>
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**Years 7- 10 (Not indexed )**

Revenues (Greens Fees)		\$	300,000.00
	<b>Total Revenues</b>	<b>\$</b>	<b>300,000.00</b>
<b>Salaries</b>			
Full time Superintendent		\$	50,000.00
Full time Groundskeeper /Maintenance		\$	35,000.00
Seasonal Groundskeepers (part-time)		\$	27,000.00
Seasonal club house cashiers		\$	20,000.00
<b>Materials</b>			
Fertilizer/chemicals		\$	30,000.00
Loam/seed/sand/gravel		\$	5,000.00
<b>Maintenance</b>			
Golf Course Maintenance/Improvements		\$	20,000.00
Fuel/Utilities		\$	20,000.00
Building Maintenance		\$	2,000.00
Misc. Supplies		\$	2,000.00
	<b>Sub-Total</b>	<b>\$</b>	<b>211,000.00</b>
<b>Total Expenses</b>		<b>\$</b>	<b>211,000.00</b>
<b>Total Annualized Net</b>		<b>\$</b>	<b>89,000.00</b>