

AGENDA ITEM SUMMARY

City Council



STAFF

Victoria Shaw, Senior Manager, FP&A, Community Services
Scott Phelps, Senior Manager Parks/Golf
Dean Klingner, Community Services Director

SUBJECT

Items Relating to Golf Enterprise Expenses.

EXECUTIVE SUMMARY

A. Second Reading of Ordinance No. 100, 2024, Appropriating Prior Year Reserves for the Golf Enterprise.

B. Second Reading of Ordinance No. 101, 2024, Appropriating Prior Year Reserves in the Golf Fund for the Replacement of Necessary Systems at the Southridge and Collindale Golf Courses.

These Ordinances, unanimously adopted on First Reading on July 16, 2024, appropriate the amount of \$730,930 from Golf Fund Reserves for necessary system replacement and an appropriation of \$350,000 from unanticipated excess revenue to the 2024 budget to address the additional costs in Golf primarily related to higher revenues.

STAFF RECOMMENDATION

Staff recommends adoption of both Ordinances on Second Reading.

BACKGROUND / DISCUSSION

Since 2019, Golf revenues have been growing at an average compound growth rate of 9% per year, excluding transfers and proceeds from Certificates of Participation (COPs). The heightened revenue is driven by increased patronage and participation in golf-related activities, demonstrating a positive trend in community engagement. The Golf Division acts as an enterprise and does not receive any ongoing subsidy from other City Funds, including the General Fund.

With the rise in revenue, the Golf division is experiencing heightened expenses which are directly linked to the revenue growth rate exceeding standard ongoing budget increases and utility cost increases:

- These increased expenses include expenses for banking services, which are driven by credit card processing fees associated with higher revenues.
- Increased expenses for contractual labor are the reimbursements to the contracted golf professionals who operate the pro shops at each course for their share of the revenue.

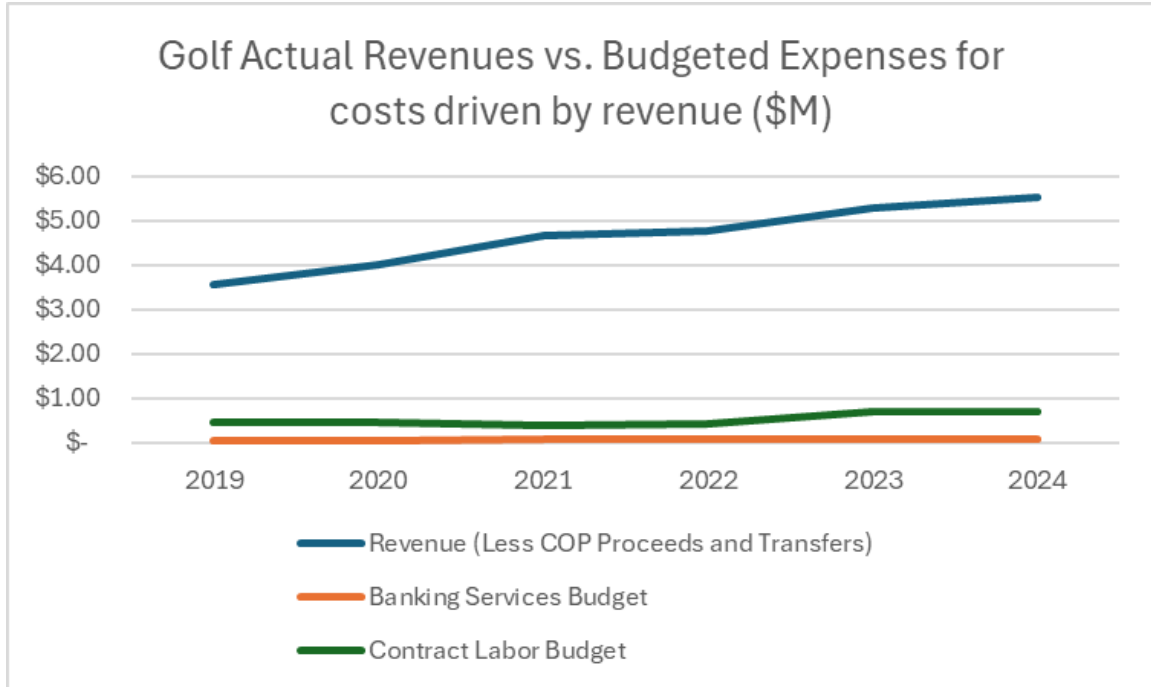
- Increased utility expenses are driven by higher rates, with rates increasing faster than budgeted increases, and some additional electric consumption due to transition to electric carts.
- These activities are expected to incur a \$350,000 shortfall in budget vs. expenses for 2024 without additional appropriation.
- Since these are ongoing expenses associated with higher revenue, staff is requesting the appropriation for these expenses be made from unanticipated excess revenues.

Golf has also been investing in deferred maintenance and asset replacement, prioritizing projects with environmental or safety outcomes, resulting in a request to use Golf Enterprise reserves to fund projects:

- The irrigation system at Southridge is undergoing a full replacement, with water savings estimated to exceed 20%. In 2022, two appropriations for funding were approved to address construction and material costs associated with installing a new irrigation system and pond dredging at SouthRidge Golf Course. These ordinances were Nos. 001, 2022 and 072, 2022. Those appropriations covered the majority of work associated with the project. Now that work is substantively complete, staff is requesting the appropriation for the remaining amount to close the project. Staff is requesting the \$563,000 remaining cost to be appropriated from reserves where the bond proceeds for the project was allocated.
- In 2023, Poudre Fire Authority notified the golf division that the current HVAC and hydrogen alarm system located in the clubhouse basement at Collindale did not meet current fire codes and needed to be upgraded as soon as possible to remain in operation. Current cost estimates for a compliant system are \$167,930. Staff is requesting the funds be appropriated from Golf Reserves.

Exhibit A shows the 5-year trend of Golf division revenue (excluding proceeds from COPs) alongside the 5-year trend in budget appropriated for revenue linked expenses. Approving this appropriation ordinance will correct the budget shortfall for 2024, and staff has included this trend in the 2025/2026 Ongoing Budgeting for Outcomes (BFO) offer.

Exhibit A:



CITY FINANCIAL IMPACTS

If adopted, these Ordinances will appropriate \$730,930 from Golf Fund Reserves and \$350,000 from unanticipated excess revenue for use within the Golf enterprise. Golf receives no ongoing subsidy from the General Fund.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance A for Consideration
2. Ordinance B for Consideration