Lakeview Golf Club
Fiscal Year Budget ending September 30, 2022
Executive Summary

To: **Mike Barton, Parks Superintendent**
From: **Matt Allen, Vice President**
Date: **Tuesday, June 01, 2021**
Subject: **Lakeview Golf Course Budget**

Below is a draft summary of the Lakeview Golf Course budget for the 2021-22 fiscal year. In the absence of historical financial information, point-of-sale reports were used as the basis for developing rounds and revenue assumptions. Those reports were also incomplete due to the use of two POS systems. Payroll projections reflect current staffing plans, recommended new positions, and minimum wage or parity driven increases. Operating expense budgets were informed by our experience operating the course, along with benchmarking against data gathered from Boise and Nampa courses. Finally, apart from the management fee, this budget reflects only the items anticipated to pass through the golf course operating account and does not include any expenses paid directly by the City or any of the currently proposed start-up costs.

2021-22 Proposed Budget

	2021-22 Budget
Revenue	
Green Fees	$599,529
Cart Fees	$222,264
Range	$40,068
Pro Shop	$193,923
Food & Beverage	$530,149
Total Revenue	**$1,585,933**
Rounds	34,607
Avg GF/CF per Round	$17.32
Costs of Goods Sold	
Merchandise CoGS	$113,989
as a % of revenue	*72%*
Food & Beverage CoGS	$203,957
as a % of revenue	*38%*
Total CoGS	**$317,946**
Gross Margin	**$1,267,987**
Operating Expenses	
Payroll, Taxes & Benefits	$987,231
Operating Expenses	$427,761
Total Expenses	**$1,414,992**
EBITDA	**($147,005)**
Other Expenses	
Management Fee	$86,310
Irrigation Tax	$7,789
Transfers from City	
Net Cash From Ops	**($241,104)**

2021-22 Proposed Budget

- Key Revenue Drivers
    - The golf industry has experienced a pandemic-driven increase in demand and Lakeview is no exception. Estimated golf rounds for the fiscal year ending 9/30/20 grew by 29% over the prior year. As vaccinations become widely available, the golf industry will again face many competing forces for the consumer's recreation and entertainment dollar. In other words, we do not expect golf activity to be sustained at these levels.
        - Therefore, 2022 fiscal year rounds are budgeted to decline 11% compared to 2020, attributable almost exclusively to daily fee rounds which are projected to return to 2019 levels.
            - The loss of these rounds come at an estimated cost of $130k in revenue.
        - The resulting 34,607 rounds are…
            - 13% better than the 2018/2019 average
            - Slightly greater than the 32,243 of theoretical rounds potential, per course, within 15 miles
            - Played by a majority (75%) of loyal, hyper-local customers generating an average green for of just over $10.00.
            - 5,000 – 12,000 fewer than competing courses
    - Associated green fee revenues are projected at roughly $600k, which falls below the estimated market average by $300k or more.
    - Price increases are not contemplated in the budget, pending decisions about investments in the product.
        - The NGF GOLFSTAT survey revealed a negative Net Promoter Score and satisfaction scores in the 1 percentile.
    - Cart revenues are projected to increase by 10% ($20k), attributable to increased utilization and a programmed price increase (6.7%) associated with investment in new cart fleet. New cart rental rates will be consistent with market average which is currently $1.00 per rider above Lakeview prices.
    - Range and Pro Shop revenues per round are in keeping with historical trends.
    - We are assuming that pandemic related indoor gathering restrictions will have been relaxed and Food & Beverage will return to historic levels of activity. That activity generates one-third of Lakeview revenues, but with an associated overhead of nearly 100% of revenue.
        - We are currently working with staff to evaluate pricing and offerings to better optimize margin.
    - Overall facility revenue is budgeted to increase by 10% over the unaudited FY 2018-19 results.

- Payroll Expense Drivers
    - Overall facility payroll (inclusive of taxes & benefits) is proposed to increase, attributable to the following:
        - Course & Grounds ($74k)
            - Conversion of existing full-time, year-round Laborer to Lead position at a rate of $18…$14k
            - Conversion of existing Full-time, seasonal Irrigation Specialist to full-time, year-round at a rate of $18…$22k
            - Increase the FT Laborer starting rate from $11.00 to $15.00…$22k
            - Increase the PT Laborer starting rate from $11.00 to $14.00…$4k
            - Increase Superintendent salary to $66,000 annually…$12k

        - Carts/Range
            - Increase all employees by $2.00/hour (start rate $10.50) associated with assumed increase in Federal minimum wage as of 1/1/22…$12k
        - Food & Beverage ($42k)
            - Increase all front-of-house employees by $2.00/hour (start rate $8.50) associated with assumed increase in Federal minimum wage as of 1/1/22…$19k
            - Increase in rates for all kitchen positions to match market and improve recruitment/retention of staff…$23k
        - Pro Shop ($71k)
            - Increase all employees by $2.00/hour (start rate $10.50) associated with assumed increase in Federal minimum wage as of 1/1/22…$23k
            - Pass-through of lesson revenues paid to golf professionals…$32k
            - Promotion of Chris Cooney to Operations Manager (implemented Feb 2021)…$16k
        - Admin
            - Increase in General Manager salary to $66,000 annually (implemented Nov 2020)…$15k
        - Marketing
            - Addition of part-time, year-round Marketing Coordinator at $15/hour…$23k
                - $14k in offsetting expense savings by eliminating ForeUp marketing support contract (effective 8/2021)
        - Employee Benefits ($94k)
            - Current elections
                - 5 Single coverage…$30k
                - 3 Single + Spouse…$50k
                - 1 Family…$14k

- Operating Expense Drivers
    - This area was the most difficult in which to make comparisons to the FY 2019 data. So, below I have listed the likely exceptions, with dollar value variances where I could decipher what <u>might</u> have been spent in FY 2019:
        - Course & Grounds
            - Fertilizer/Chemical budget benchmarked to be consistent with courses in the market…$13k
            - Dryject aeration service…$15k (previously traded)
            - Increased irrigation repairs & maintenance…$12k ($18k budgeted)
            - Goose control…$5k (new in 2021)
            - Increased equipment repairs & maintenance, plus allowance for equipment rental ($30k budgeted)
        - Pro Shop
            - Range balls…$10k
            - Allowance for purchase of rental clubs and pull carts…$3k
        - Admin
            - Repair & Maintenance…$12k
            - Accounting service…$24k
            - Travel…$12k
            - Employee meals…$12k

- EBITDA
  - To achieve a breakeven operating performance, investments must be made in the product (and marketing thereof) that will attract an additional 5,000 – 6,000 daily fee rounds from a larger geographic area.
    - Outside of a 15-minute drive, the available market rounds per course increases from 32,000 to 46,000.
  - In addition to attracting more daily fee customers, other municipal golf systems in the area rely less on F&B performance to generate profit margin and enjoy certain economies of scale that come from having multiple courses.